United States International Trade Commission

Caribbean Region: Review of Economic Growth and Development

Investigation No. 332-496
USITC Publication 4000
May 2008

U.S. International Trade Commission

COMMISSIONERS

Daniel R. Pearson, Chairman
Shara L. Aranoff, Vice Chairman
Deanna Tanner Okun
Charlotte R. Lane
Irving A. Willliamson
Dean A. Pinkert

Robert A. Rogowsky
Director of Operations

Robert B. Koopman
Director of Economics

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Caribbean Region: Review of Economic Growth and Development

Investigation No. 332-496

Publication 4000 **May 2008**

This report was principally prepared by

Project Leader
Walker A. Pollard
walker.pollard@usitc.gov, (202) 205-3228

Deputy Project Leader
Nannette Christ
nannette.christ@usitc.gov, (202) 205-3263

Primary Reviewers
Judith Dean and Katherine Linton

Contributing Authors

Office of Economics
Alan Fox, Nick Grossman, William Powers, James Stamps, Craig Thomsen, and Lauren Deason, Intern

Office of Industries
Lisa Ferens-Alejandro, Laura Bloodgood, Samantha Brady, Raymond Cantrell, Alfred Dennis, Vincent DeSapio, Andrew Gately, Doug Newman, Erick Oh, Laura Rodriguez, George Serletis, Ralph Watkins, and Isaac Wohl

Assistance was provided by
Patricia M. Thomas, *Office of Economics*

Under the direction of
Arona M. Butcher
Chief, Country and Regional Analysis Division

PREFACE

The Commission received a letter from the House Committee on Ways and Means on November 7, 2007, requesting that the Commission provide a report under section 332(g) of the Tariff Act of 1930 containing information that will assist the Committee in identifying the ways that U.S. trade and aid policy can most help the Caribbean Basin. The letter states that the overall objective of the report is to review economic growth and development in the Caribbean region. In preparing the report, the Commission was requested to provide (1) an in-depth description of the current level of economic development in the Caribbean basin and (2) an overview of the economic literature on potential Caribbean development. The Committee requested that the report be delivered no later than six months from the receipt of the letter. A copy of the request letter is in appendix A, and the associated Federal Register Notice is in appendix B.

The Committee requested that the report cover the 18 beneficiary countries of the Caribbean Basin Economic Recovery Act that are not parties to the Central America–Dominican Republic–United States Free Trade Agreement (CAFTA–DR). The covered countries are Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, the 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.

TABLE OF CONTENTS

Page

Preface iii
List of frequently used abbreviations and acronyms xi
Executive Summary xv

Chapter 1: Introduction 1-1
Purpose, scope, and approach of report 1-1
Purpose 1-1
Scope, approach, and organization of the report 1-3
U.S. trade preferences available to CBERA countries 1-4
Caribbean Basin Economic Recovery Act 1-4
Caribbean Basin Trade Partnership Act 1-5
HOPE Act of 2006 1-7
Other preference programs available to CBERA countries 1-8
Major U.S. institutions affecting trade and economic growth and development in CBERA countries 1-9

Chapter 2: Current level of Caribbean economic development: Regional overview 2-1
Regional overview 2-1
Population and levels of economic development 2-2
Indicators of economic development 2-7
Macroeconomic conditions and performance 2-9
Importance of trade to the Caribbean Basin countries 2-11
Export diversification 2-15
Extent of utilization of CBERA preferences 2-20
Tourism and financial services as important region-wide sectors 2-20
The contribution of tourism to CBERA countries 2-23
Tourism as a share of GDP 2-26
Tourism exports 2-27
Financial services in CBERA countries 2-28
Ethanol dehydration industry 2-31
Overview of other major non-U.S. policies and institutions affecting trade and economic growth and development in CBERA countries 2-33
World Bank 2-33
Inter-American Development Bank 2-33
Caribbean Development Bank 2-35
Caribbean Community 2-35
Organization of Eastern Caribbean States 2-36
EU Economic Partnership Agreements 2-37
Caribbean–Canada Trade Agreement 2-37
Selected other trade and development agreements 2-38

Chapter 3: Overview of economic literature on potential Caribbean development 3-1
Introduction 3-1
The determinants of economic development 3-2
The relationship between trade, economic growth, and poverty reduction 3-3
Trade preferences and growth 3-5

TABLE OF CONTENTS–*Continued*

Page

Chapter 3—*Continued*
Effects of the CBERA on the Caribbean. 3-6
Effects of other agreements on the Caribbean. 3-7
Utilization of preferential trade programs in the Caribbean. 3-7
Textile and apparel preferences under original CBERA and CBTPA. 3-8
Nonapparel preferences under original CBERA and CBTPA. 3-10
Promoting Caribbean Development: Challenges and opportunities. 3-10
Evolution of Caribbean policies and their effects on country competitiveness and the macroeconomy. 3-12
Development challenges for small countries and small enterprises. 3-15
Export diversification. 3-15
Overview. 3-15
Policies identified in the literature. 3-18
Assistance for small enterprises and households. 3-18
Overview. 3-18
Policies identified in the literature. 3-19
Challenges posed by international standards. 3-20
Overview. 3-20
Policies identified in the literature. 3-21
Other key challenges for Caribbean development. 3-21
Infrastructure in the Caribbean. 3-22
Basic infrastructure. 3-22
Overview. 3-22
Policies identified in the literature. 3-23
Ports and shipping infrastructure. 3-24
Overview. 3-24
Policies identified in the literature. 3-25
Telecommunications and information and communications technology infrastructure. 3-26
Overview. 3-26
ICT as an export sector. 3-27
Policies identified in the literature. 3-28
Health and Education. 3-29
Health and wellness services. 3-29
Overview. 3-29
Policies identified in the literature. 3-30
Education. 3-30
Overview. 3-30
Policies identified in the literature. 3-31
Foreign direct investment. 3-31
Overview. 3-31
Policies identified in the literature. 3-33
Trade and trade policy for Caribbean development. 3-33
Recent trade patterns and trade liberalization. 3-34
Trade policies identified in the literature for Caribbean countries. 3-36
Trade policies for the United States identified in the literature. 3-37

TABLE OF CONTENTS–*Continued*

Page

Chapter 3—*Continued*
Textiles and apparel 3-38
Sources 3-41

Chapter 4: Current level of Caribbean economic development: Country profiles 4-1
Antigua and Barbuda 4-3
Aruba 4-11
The Bahamas 4-17
Barbados 4-23
Belize 4-29
British Virgin Islands 4-37
Dominica 4-45
Grenada 4-53
Guyana 4-61
Haiti 4-69
Jamaica 4-77
Montserrat 4-85
Netherlands Antilles 4-93
Panama 4-99
St. Kitts and Nevis 4-107
St. Lucia 4-115
St. Vincent and the Grenadines 4-123
Trinidad and Tobago 4-131

Chapter 5: Summary of Positions of Interested Parties 5-1
Government of Barbados 5-1
Government of the Federation of Saint Kitts and Nevis 5-1
Government of St. Vincent and the Grenadines 5-2
Government of the Republic of Trinidad and Tobago 5-3
Government of Antigua and Barbuda 5-4
Government of the Republic of Haiti 5-5
Government of the Commonwealth of The Bahamas 5-5
Government of Jamaica 5-6
Organization of American States (OAS) 5-7
Caribbean Community Secretariat (CARICOM) 5-8
Berliner, Corcoran & Rowe LLP 5-9
Caribbean Association of Indigenous Banks, Inc. (CAIB) 5-11
CBI Sugar Group 5-11
Caribbean-Central American Action (CCAA) 5-12
Caribbean Hotel Association (CHA) 5-13
Caribbean Regional Negotiating Machinery (CRNM) 5-13
Andrea M. Ewart, PC 5-14
GeoNet Ethanol LLC 5-14
Halcrow, Inc. 5-15
Inter-American Development Bank (IDB) 5-15
Inter-American Investment Corporation (IIC) 5-16
Jefferson Waterman International 5-16

TABLE OF CONTENTS–*Continued*

Page

Chapter 5–*Continued*

Mercosur Consulting Group, Ltd. 5-17
National Coalition on Caribbean Affairs (NCOCA). 5-17
National Council of Textile Organizations (NCTO). 5-18
Trade, Aid and Security Coalition (TASC); Business Coalition for Capacity Building, LLC (BCCB). 5-18

Appendices

A. Request Letter from Committee on Ways and Means. A-1
B. *Federal Register* Notice. B-1
C. Hearing calendar. C-1
D. Country profiles tables and figures—data sources and notes. D-1
E. Merchandise trade tables. E-1
F. Development tables. F-1

Figures

2.1 Population, most recent year, In millions, 2006-07. 2-3
2.2 GDP, most recent year, 2002-06. 2-4
2.3 GDP, per capita, PPP, most recent year, 2002-06. 2-6

Tables

ES-1 Identified challenges and selected strategies/policies for Caribbean development. xvii
1.1 Summary of CBERA preferential provisions, 2007. 1-2
1.2 Textiles and apparel made in CBERA countries that are eligible for duty-free and quota-free entry under CBTPA, as amended by the Trade Act of 2002. 1-6
2.1 Selected CBERA countries: Life expectancy at birth, most recent year, compared to world averages and the United States. 2-8
2.2 Selected CBERA countries and the United States: Adult literacy rate, most recent year. 2-8
2.3 Selected CBERA countries: Number of fixed line and mobile phone subscribers, most recent year, per 1,000 people, compared to world averages and the United States. 2-9
2.4 Goods and services trade relative to GDP for selected CBERA countries, 2000–06. 2-12
2.5 Merchandise trade with the United States as a share of total merchandise trade for selected CBERA countries, 2000–06. 2-13
2.6 U.S. merchandise imports from covered CBERA countries, 2000–07. 2-14
2.7 Leading U.S. merchandise imports from covered CBERA countries, 2000–07. 2-16
2.8 U.S. merchandise exports to covered CBERA countries, 2000–07. 2-17
2.9 Leading U.S. merchandise exports to covered CBERA countries, 2000–07. 2-18
2.10 U.S. imports from covered CBERA countries, and CBERA and NTR utilization rates, 1997-2007. 2-21
2.11 CBERA utilization rates, by country, 2000-07. 2-21
2.12 U.S. imports of apparel from covered CBERA countries, c.i.f. value, 2000–07. 2-22
2.13 U.S. imports of apparel (c.i.f. value) from covered CBERA countries, ratio of imports under CBERA preferences to total imports of apparel, selected countries and total, 2000–07. 2-23
2.14 Estimates of the percentage of GDP generated by the travel and tourism industries (both directly and indirectly) in selected CBERA countries 2-23
2.15 Tourism services exports as a percentage of GDP for selected CBERA countries. 2-27

TABLE OF CONTENTS–*Continued*

Page

Tables–*Continued*

2.16 Tourism exports for selected CBERA countries, 2000–05 2-27
2.17 World Bank IBRD and IDA cumulative lending by country, 2007 2-34
2.18 Loans and guarantees provided by the IDB, 2006 and cumulative 2-35
2.19 Caribbean Development Bank: Resource transfer, 2006 2-36
2.20 Membership of covered CBERA countries in selected international institutions and organizations 2-38
3.1 U.S. Non-Agricultural Imports: Preference coverage, utilization, and average nominal tariff preference, 2003 3-9
3.2 Selected Telecom and ICT Indicators, 2002, U.S. Dollars 3-27
D.1 Country Profiles Tables and Figures — Data Sources and Notes D-5
E.1 Leading U.S. imports from covered CBERA countries, 2000–07 ..... E-3
E.2 Leading U.S. imports under CBERA from covered CBERA countries, 2000–07 ..... E-4
E.3 Leading U.S. exports to covered CBERA countries, 2000–07 ..... E-5
F.1 Annual real GDP growth, 2000–06 ..... F-3
F.2 Selected examples of recent development bank funding areas F-4

Boxes

2.1 Mobile telephone industry in the Caribbean: Targeting subscribers in developing countries yields strong growth 2-10
2.2 Rum industry in Guyana: Expanding through variety 2-19
2.3 Medical tourism in Panama: Diversification into high-skilled, high value-added services 2-25
2.4 Financial services in Trinidad and Tobago: Leveraging the regional market to succeed 2-29
3.1 Citrus juice processing in Belize: Capitalizing on trade preferences 3-11
3.2 Cement industry in Trinidad and Tobago: Privatized company becomes increasingly competitive and efficient 3-13
3.3 Food and financial services industries in Jamaica: Leveraging Caribbean communities overseas 3-17
3.4 Call center industry in Barbados: Improving the domestic business environment attracts investment and creates jobs 3-29
4.1 Bauxite industry in Guyana: International investment upgrades industry 4-67
4.2 Apparel industry in Haiti: International business connections and reputation help weather instability and Asian competition 4-75
4.3 Agricultural products industry in Jamaica: Diversification promotes growth 4-82
4.4 Film production outsourcing in Jamaica: Facilitating business environment attracts blockbusters 4-83
4.5 Airline industry in Panama: International partnerships and strategic investments 4-105
4.6 Electronics assembly in St. Kitts: Investment incentives and language skills generate employment 4-113
4.7 Electronics assembly in St. Lucia: Lower assembly costs and tax holidays attract investment 4-121
4.8 Plastics industry in Trinidad and Tobago: Government success in downstream diversification 4-138

List of Frequently Used Abbreviations and Acronyms

ACH	automated clearinghouse
ACP	African, Caribbean, and Pacific
AGOA	Africa Growth and Opportunity Act
AMP	Autoridad Maritima de Panama
AMUCTF	Anti-Money Laundering and Counter-Terrorism Financing Act
ASEAN	Association of Southeast Asian Nations
AT	advanced technology
ATC	Agreement on Textiles and Clothing
ATPA	Andean Trade Preference Act
BCCB	Business Coalition for Capacity Building, LLC
BDC	beneficiary developing countries
CAFTA-DR	Central America-Dominican Republic-United States Free Trade Agreement
CAIB	Caribbean Association of Indigenous Banks, Inc.
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum of African, Caribbean, and Pacific States
CBERA	Caribbean Basin Economic Recovery Act
CBEREA	Caribbean Basin Economic Recovery Expansion Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act
CCAA	Caribbean-Central American Action
CCC	Commodity Credit Corporation
CDB	Caribbean Development Bank
CFSAN	Center for Food Safety and Applied Nutrition
CGA	(Belize) Citrus Growers Association
CGI	computer-generated imagery
CHA	Caribbean Hotel Association
Commission, the	U.S. International Trade Commission
COTS	Caribbean Open Trade Support
CRNM	Caribbean Regional Negotiating Machinery
CSME	CARICOM Single Market and Economy
DFID	Department of International Development
DTA	double tax agreement
EC	European Community
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ECTEL	Eastern Caribbean Telecommunications Authority
EEC	European Economic Community
EPA	Economic Partnership Agreement
EPZ	export processing zone
EU	European Union
FCOJ	frozen concentrated orange juice
FDA	Food and Drug Administration
FDI	foreign direct investment
FSIS	Food Safety Inspection Services
FTA	free trade agreement
FTAA	Free Trade Area of the Americas

FTZ	free trade zone (also, foreign trade zone)
FY	fiscal year
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade and Services
GCT	general consumption tax
GDP	gross domestic product
GNI	gross national income
GSP	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Point
HDI	human development index
HIPC	heavily indebted poor country
HIV/AIDS	human immunodeficiency virus/acquired immune deficiency syndrome
HOPE Act	Haitian Hemispheric Opportunity Through Partnership Encouragement Act
HS	Harmonized System
HTS	Harmonized Tariff Schedule
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
ICT	information and communication technology
IDA	International Development Association
IDB	Inter-American Development Bank
IFS	International Financial Statistics
IIC	Intra-American Investment Corporation
IMF	International Monetary Fund
IPED	Institute of Private Enterprise Development
IPR	intellectual property rights
ISPS	International Ship and Port Facility Security
IT	information technology (undefined)
JCI	Joint Commission International
JCTU	Jamaica Confederation of Trade Unions
LAC	Latin American and Caribbean
LDBDC	least developed beneficiary developing countries
LNG	liquefied natural gas
MDG	millennium development goals
MFN	most favored nation
MPAA	Motion Picture Association of America
MRY	most recent year
MTSA	Maritime Transportation Security Act
na	not available
NAFTA	North American Free Trade Agreement
NCOCA	National Coalition on Caribbean Affairs
NCTO	National Council on Textile Organizations
NTR	normal trade relations
OAC	Organization of American States
OECD	Organization for Economic Cooperation and Development
OECS	Organization of Eastern Caribbean States
OPIC	Overseas Private Investment Corporation
OTEXA	Office of Textiles and Apparel, U.S. Department of Commerce
p.c.	per capita

PPP	purchasing power parity
PRGF	Poverty Reduction and Growth Facility
SDR	special drawing rights
SME	square meter equivalent; small and medium-sized enterprise
SPS	sanitary and phytosanitary
TASC	Trade, Aid and Security Coalition
TEU	equivalent units (proper definition?)
TIEA	tax information exchange agreement
TIFA	trade and investment framework agreement
TRQ	tariff-rate quota
UAN	urea and ammonium nitrate
UNCTAD	United Nations Conference on Trade and Development
URAA	Uruguay Round Agreements Act
USAID	U.S. Agency for International Development
USDA	The U.S. Department of Agriculture
USITC	U.S. International Trade Commission
USTDA	U.S. Trade and Development Agency
USTR	United States Trade Representative
UTC	universal time coordinate
VAT	value-added tax
WB	World Bank
WCO	World Customs Organization
WDI	World Development Indicators
WTTC	World Travel and Tourism Council
WTO	World Trade Organization

Executive Summary

Trade preferences under the Caribbean Basin Trade Partnership Act (CBTPA), which amended the Caribbean Basin Economic Recovery Act (CBERA) in 2000, expire on September 30, 2008. CBERA was part of the Caribbean Basin Initiative (CBI), which was intended to encourage economic growth and development in the Caribbean Basin countries by promoting increased production and exports of nontraditional products. CBTPA amended CBERA in 2000 and expanded product coverage for CBERA countries. To identify the ways that U.S. trade and aid policy can most help the Caribbean Basin, the Committee on House Ways and Means, U.S. House of Representatives requested that the Commission provide data and related information as well as a review of the literature pertaining to development in the 18 Caribbean countries under CBERA. The request asked the Commission to include:

- A description of the current level of economic development and international trade in the region and individual countries, including illustrative case studies
- The identification of possible future trade and development strategies

Current Level of Caribbean Economic Development and International Trade

The 18 covered countries—Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, the British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, the Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago—vary considerably in population, GDP and per-capita GDP, social indicators, and production and export bases. They are all, however, constrained by the relatively small size of their economies and limited natural resources, thus economies of scale are difficult to achieve. In addition, most countries' output and/or exports rely heavily on one or two industries (e.g., tourism in the services sector, energy-related products in the manufacturing sector, and bananas or sugar in the agricultural sector). Despite the relatively high per-capita incomes for most countries, many have substantial social development problems, such as high poverty rates, income inequality, unemployment, underemployment, and susceptibility to external forces (including weather, U.S. economic fluctuations, and changes in global commodity prices). Haiti's problems are particularly challenging, given the country accounts for nearly one-half of the population in the covered countries and is the only country in the region (and the Western Hemisphere) classified as "low income" by the World Bank.

The Caribbean countries are highly dependent on international services and merchandise trade; the average trade-to-GDP ratio was more than 115 percent in 2002. Many of the countries rely heavily on imports for consumption and capital goods. Merchandise trade with the United States is important for most of the countries, but varies considerably. The share of imports from the United States in 2006 ranged from 27 percent of total imports in Panama to 88 percent in The Bahamas. The share of exports to the United States ranged from 4 percent in Montserrat to 89 percent in St. Kitts and Nevis. U.S. imports of petroleum and natural gas and their derivatives, most of which come from Trinidad and Tobago, Aruba, and

the Netherlands Antilles, accounted for nearly 80 percent of the U.S. imports by value from the region in 2007. Apparel, the next largest U.S. import category, came mainly from Haiti. In 2007, Haiti accounted for nearly 90 percent of U.S. apparel imports from the region, 93 percent of which entered under the CBERA program.

Overall imports under CBERA as a percent of total imports (CBERA utilization rates) vary significantly from 0 percent in Montserrat to 88 percent in Haiti in 2007. Only Belize and Haiti have CBERA utilization rates of more than 50 percent, and seven countries have utilization rates less than 10 percent, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Guyana, Montserrat, and Netherlands Antilles.

Review of the Literature

The report identifies a number of impediments to future development in the Caribbean. The impediments primarily fall into three broad categories: (1) small size of the countries and companies in the regions; (2) limited infrastructure development; and (3) trade policies that feature government reliance on tariff revenue, high external tariffs, and limited regional integration. These impediments pose a number of challenges to the Caribbean. Table ES.1 summarizes these challenges and related strategies/policies found in this report. The table also identifies entities that would have a role in implementing these strategies/policies. Some additional policies not listed in the table that are country- or industry-specific, such as policies for the energy sector that are primarily applicable to Trinidad and Tobago, are discussed in the literature review (chapter 3) and in the positions of interested parties (chapter 5).

Impediments to Future Development

The literature review identifies a number of impediments to future development in the Caribbean Basin. The first of these impediments relates to challenges faced by small countries and the many small companies in these economies. Small countries tend to produce and export a relatively narrow range of goods and services, making them more vulnerable to economic shocks, such as worldwide price declines or preference erosion. Most small enterprises in the region have limited access to financing, limited knowledge of export opportunities, and face difficulty complying with international standards, such as port security and sanitary and phytosanitary regulations.

Limited infrastructure development is often cited as one of the most important factors impeding further development in the region. The most developed components of Caribbean infrastructure are the port and telecommunication systems, but basic infrastructure services, such as electricity and water, are not as well developed. Surveys of international investors in the Caribbean have identified local business environment factors such as infrastructure, availability of skilled professional workers, and government regulations as those factors that

Table ES.1 Identified challenges and selected strategies/policies for Caribbean development

Identified challenge	Identified strategy/policy	Identified entity: Caribbean Gov't	Caribbean Firms	United States Gov't	United States Firms
Meet challenges for small countries					
Diversify exports	Provide incentives (e.g., free trade zones and tax credits), while respecting fiscal constraints	✓			
	Increase investment that promotes export-oriented activity (see investment below)	✓			
Improve economies of scale	Harmonize regional regulations, licensing, standards, and investment policies (see below)	✓			
	Promote investment across multiple firms and markets (see standards and infrastructure below)	✓	✓		
Enhance the competitiveness of regional firms					
Increase small business access to financing	Increase provision of microcredit	✓	✓	✓	
Increase knowledge of export opportunities	Reestablish programs that promote utilization of U.S. trade preferences and facilitate contact with U.S. importers			✓	
Improve compliance with international standards	Upgrade production processes to meet international standards through multi-firm investment	✓	✓		
	Provide training regarding sanitary and phytosanitary standards and other regulations			✓	
Improve competitiveness of service providers	Focus on high-end services and those that benefit from Caribbean proximity to the United States, particularly in information and communications technology		✓		
	Strengthen licensing and accreditation of medical providers	✓	✓		
	Improve portability of health insurance within the Caribbean and from other countries	✓		✓	✓
Improve the business environment					
Improve infrastructure	Harmonize regional regulations to facilitate multi-country infrastructure provision	✓			
	Support private financing and provision of infrastructure (e.g., electricity and telecommunications)	✓	✓		
	Facilitate improvements in port infrastructure and port security	✓		✓	
	Liberalize air services and rationalize airline routes	✓			
Educate and train workers	Increase access to postsecondary education with public-private partnerships and distance learning	✓	✓		
	Promote regional occupational standards and recognize regional vocational certificates	✓			
	Provide assistance for worker training	✓		✓	
Increase investment	Meet investor concerns about infrastructure and skilled workers (see above)	✓	✓	✓	
	Reduce legal and administrative barriers, simplify regulations, and improve security	✓			
	Harmonize regional investment policies	✓			
Increase trade to encourage development					
Increase intra-Caribbean trade	Further liberalize movement of labor, capital, and goods	✓			
	Harmonize regulations, licensing, and product standards	✓			
Increase trade with the United States	Expand coverage and increase duration of trade preferences			✓	
	Allow wider use of regional apparel inputs and third-country fabric			✓	
	Promote investment and capacity building that are complementary to preference utilization			✓	
Increase trade with other countries	Lower CARICOM external tariffs and replace lost revenue through alternative taxes	✓			
	Strengthen regional trade negotiating capacity, such as the Caribbean Regional Negotiating Machinery	✓		✓	

most influence investment in the region. Studies find that investments in infrastructure improvement would increase exports or welfare more than improvements resulting from trade facilitation such as those that address port improvements, customs procedures, and regulations.

High levels of government debt for some countries also affect growth in the region; overall debt remains above 80 percent of regional GDP, and most Caribbean countries continue to run budget deficits. Large public-sector debts have many adverse consequences, including high debt-service burdens, higher interest rates, reduced private-sector borrowing, greater economic uncertainty, and reduced ability to attract foreign investment. High debt also limits these governments' abilities to provide infrastructure services and offer investment incentives.

The region has liberalized most tariffs on intra-Caribbean trade, but external tariffs (applied to imports from outside the Caribbean) remain high. This tariff liberalization has reduced considerably government revenue, and some countries have been unable to transition to other revenue sources. The literature identifies the reliance on tariffs for government revenue and difficulties in establishing other revenue sources as major factors limiting Caribbean development. External tariffs remain high, which raise import prices and reduce the efficient allocation of resources within countries. The slow progress toward regional integration has limited the scale of production and prevented the movement of labor and other resources. In particular, labor movement within the region is limited, and regulations, product standards, and licensing requirements often differ by country.

Potential Policies for Economic Development

Governmental Policies That Have Helped Overcome Diseconomies of Scale

A number of policies were identified in the literature that could help speed development by increasing the scale of markets for Caribbean countries. These polcies include increased regional integration through the CARICOM Single Market Economy, harmonization of regulations, reduction of barriers to the regional movement of labor, and liberalization of air transport services. In the area of education and human capital, partnerships between public and private institutions, development of distance learning programs, and mutual recognition of technical and vocational certificates could help Caribbean countries build a more skilled workforce. The literature suggests that, to address problems faced by small economies and enterprises, the United States could increase regionally focused assistance, such as through the creation of educational programs designed to facilitate understanding of export opportunities and trade benefits, as well as programs to improve understanding and compliance with international regulations regarding port security and food safety.

Targeting the Regional Market

Some companies have overcome the diseconomies of scale problems associated with a small domestic market by targeting the regional market. Digicel's (mobile phone company based in Jamaica) unique business model in the telecommunications industry and knowledge of the demands of the Caribbean market has allowed it to penetrate markets throughout the Caribbean region. Cement (TCL Group in Trinidad and Tobago) and financial services (RBTT in Trinidad and Tobago) companies in Trinidad and Tobago continued to grow by moving into the regional markets after domestic markets became saturated. These companies used the region as a basis to build scale economies and become internationally competitive firms.

Partnering with International Companies and Organizations

Given the small size of the Caribbean economies, several case studies illustrate that partnering with established international companies or organizations provides opportunities such as access to advanced technology, international business management, and marketing. For example, TCL Group's (cement company in Trinidad and Tobago) alliance with Cemex (cement company in Mexico) allowed it to access foreign capital and Cemex's regional marketing experience. Copa Airlines' (Panama) strategic alliance with Continental Airlines (United States) offered Copa economies of scale when purchasing aircraft and fuel, adoption of business management software, and efficiency gains from standardized policies and procedures. Also, Panama City's Hospital Punta Pacifica's joint venture with Johns Hopkins Medical International (United States) gave its medical tourism services the advantages of an internationally recognized brand and access to the expertise of U.S. medical practitioners regarding best practices and patient safety. In Guyana, Demerara Distillers' partnering with a number of multinational consumer-products companies allowed the company to develop and strengthen its production and marketing capabilities to international standards.

Increased Investment in Infrastructure and Skill Building Can Increase Growth and Reduce Poverty

Infrastructure improvements, along with a skilled and educated work force, have been identified as the crucial factors for investors in the Caribbean, particularly in higher wage sectors. Infrastructure has also been noted as important to diversifying exports from the Caribbean. Infrastructure improvements provide direct benefits to households in developing countries by improving their access to services, such as water, electricity, health, and telecommunications. Infrastructure improvements in such areas as ports and shipping and telecommunications also help firms by reducing costs and facilitating business.

The literature suggests that, to address limitations in port infrastructure, the United States could improve coordination on shipping and security issues with Caribbean countries to increase shipping reliability and to reduce time to market. The United States could support training programs to increase the number of skilled workers in the region.

Expanding to Higher-Skill-Intensive Products

Several companies have found that producing products that require higher skill levels helped them to remain competitive in the global market. For example, Panama's support of its medical services industry helps it to diversify beyond the more traditional Caribbean services industries, such as tourism, to develop a domestic base of high-skilled medical personnel. RCD Components' (electronic components company in St. Lucia) evolution from higher volume, commodity grade, electrical components to lower volume, high-technology products has helped it to weather increasing competition from Chinese companies.

Export Diversification is Best Supported by Improving the Domestic Business Environment

The literature notes that future export diversification will likely depend on investment in the region. A number of countries in the Caribbean have diversified exports through the establishment of free trade zones and other incentives, such as tax holidays, though these incentives have often been more effective in the short run than in the long run. Surveys of Caribbean investors have found that reductions in Caribbean legal and administrative barriers, such as restrictive labor market regulations and administrative requirements to open and close businesses, and improvement in Caribbean infrastructure have been more important than incentives provided by Caribbean governments or by U.S. preference programs. In particular, investors in the region have recently highlighted the importance of port infrastructure and Caribbean customs regulations.

Creating a Conducive Business Environment

Several case studies underscore the importance of government efforts to create a conducive business environment in attracting investment and enterprise growth. Barbados' liberalization of the telecommunications sector, its sound infrastructure, stable macroeconomic environment, and facilitating tax regime have encouraged foreign investment and job growth in its call center industry. Jamaica's one-stop-shop and tax-incentive programs helped attract major Hollywood film producers, and its well-functioning democracy and import tariff policies provided a solid foundation for the expansion of the GraceKennedy company. Panama's liberal trade environment facilitating foreign trade and investment supported the expansion of the medical tourism industry in that country. The role of infrastructure, including utilities, as a key factor in a conducive business environment is reflected in the importance of the financial sector liberalization and telecommunications improvements for RBTT's (financial services firm in Trinidad and Tobago) expansion. In addition, the importance of reliable infrastructure (especially port facilities) and favorable energy costs, as well as tax incentives, is important for the expansion of the plastics industry in Trinidad and Tobago.

Trade Policy for Development

Trade liberalization can support development

The economic development literature indicates that countries with lower impediments to trade (both tariff and nontariff) generally have higher rates of economic growth. A country's own openness appears to contribute more to economic growth than does the degree to which a country benefits from open or preferential access to partner countries' markets.

Trade-induced economic growth is often associated with reductions in poverty, although the evidence is less strong for reduction in the gap between rich and poor (income inequality). The literature suggests that Caribbean countries could improve efficiency by reducing their external tariffs and shifting to nontariff sources of government revenue, such as a value-added tax, and by strengthening regional trade negotiating capacity and regional integration under the Caribbean Single Market Economy.

U.S. policies can stimulate Caribbean services exports

The literature suggests that changes in U.S. policy could encourage services exports from the region. Services are an important part of Caribbean economies, and services often constitute relatively high-wage production in the region. Relaxing certain U.S. regulations, such as local presence requirements, could aid Caribbean exporters of professional services, while greater portability of U.S. private and public health insurance benefits could help Caribbean providers of health and wellness services. For example, permitting Caribbean-based banks to establish deposit-taking branches in the United States would not only strengthen the Caribbean banking sector, but could also spur investment in the region.

Overcoming Vulnerability Through Diversification

Some Caribbean-based companies have taken steps to expand and diversify into a broader range of industries and reduce vulnerabilities associated with concentration on a single market or product. Jamaica Broilers Group expanded from a small broiler meat producer into, among others, veterinary and nutritional services, prepared foods, feed ingredients, and ethanol. GraceKennedy (diversified firm in Jamaica) expanded from a shipping company into processed foods and distribution services, and financial investment services. Demerara Distillers (Guyana) used its core rum business to expand into a variety of beverages, distribution services, and seafood processing.

CBERA has generally increased growth despite preference erosion

Analyses of CBERA generally find that the program has contributed to economic growth, despite gradual preference erosion due to increased number of U.S. free trade agreements and reductions in MFN rates. Increasing utilization of preferences has stimulated investment and growth in the beneficiary countries. The literature notes that much of the benefit is tied to apparel preferences under the CBTPA. While these benefits may have diminished since the expiration of the WTO Agreement on Textiles and Clothing in 2005, U.S. apparel imports from a few countries in the region, particularly Haiti, remain important to their economies. CBERA preference programs have provided more limited benefits to nonapparel exporters, though some have benefited from preferences for ethanol, tuna, and petroleum exports. The literature notes that the United States could further enhance Caribbean development by improving CBERA's sectoral coverage and duration, and by liberalizing CBERA's rules of origin to allow fabric inputs from additional non-U.S. sources.

Focusing on Unique Strategic Advantages

Identifying and making use of the various strategic advantages within the region has contributed to the success of various companies. Both the Demerara Distillers (Guyana) and the plastics industry took advantage of local inputs to expand into downstream industries. Demerara uses locally produced fruit for its packaged fruit juice, and Trinidad and Tobago has successfully leveraged its natural resource endowment to expand into chemical products such as plastics. Panama's Copa Airlines and medical tourism industry have both leveraged the country's geographic location to create a regional transport hub (Copa Airlines in Panama) and access nearby U.S. consumers (medical tourism). Apaid of Haiti, citrus producers in Belize, and advanced technology companies in St. Kitts and Nevis and St. Lucia have leveraged their access to CBERA program benefits to remain competitive in their respective industries.

Policy Recommendations by Interested Parties

The Commission received numerous trade-policy-related recommendations from witnesses at its hearing on January 29, 2008 and from written submissions. The testimony and submissions addressed a wide array of issues and raised recommendations regarding U.S. trade policy toward the region.

CBERA Has Been Beneficial to the Countries and the Region

The CBERA program has increased export diversification and promoted nontraditional exports. Parties note that CBERA has been an indispensable tool to transform economies, promote stability, enhance democracy, and create opportunities for sustained economic growth and development. In addition, they state that the program has contributed to increased standards of living in CBERA beneficiary countries. Several parties also highlight that ethanol and textiles and apparel provisions of the original CBERA and CBTPA have been critical for those industries.

Value of Trade Preferences Is Being Reduced

Several parties raised concerns about preference erosion as a result of international (unilateral and multilateral) trade liberalization efforts, the increasing number of U.S. bilateral free trade agreements, and extension and expansion of other preference programs for developing countries. The latter include the EU's Everything But Arms program and the United States' proposed duty-free, quota-free program for least-developed countries. In addition, many countries face preference erosion stemming from reforms by preference-granting countries in key product markets, such as sugar and bananas in the EU.

Market Access Provisions Should Be Renewed and Expanded

Interested parties provided program- and product-related recommendations specific to the CBERA-related trade policy programs. Program-related recommendations include (1) extending the CBTPA and the Haitian Hemispheric Opportunity Through Partnership Encouragement Act or, further, making CBTPA preferences permanent in order to create a

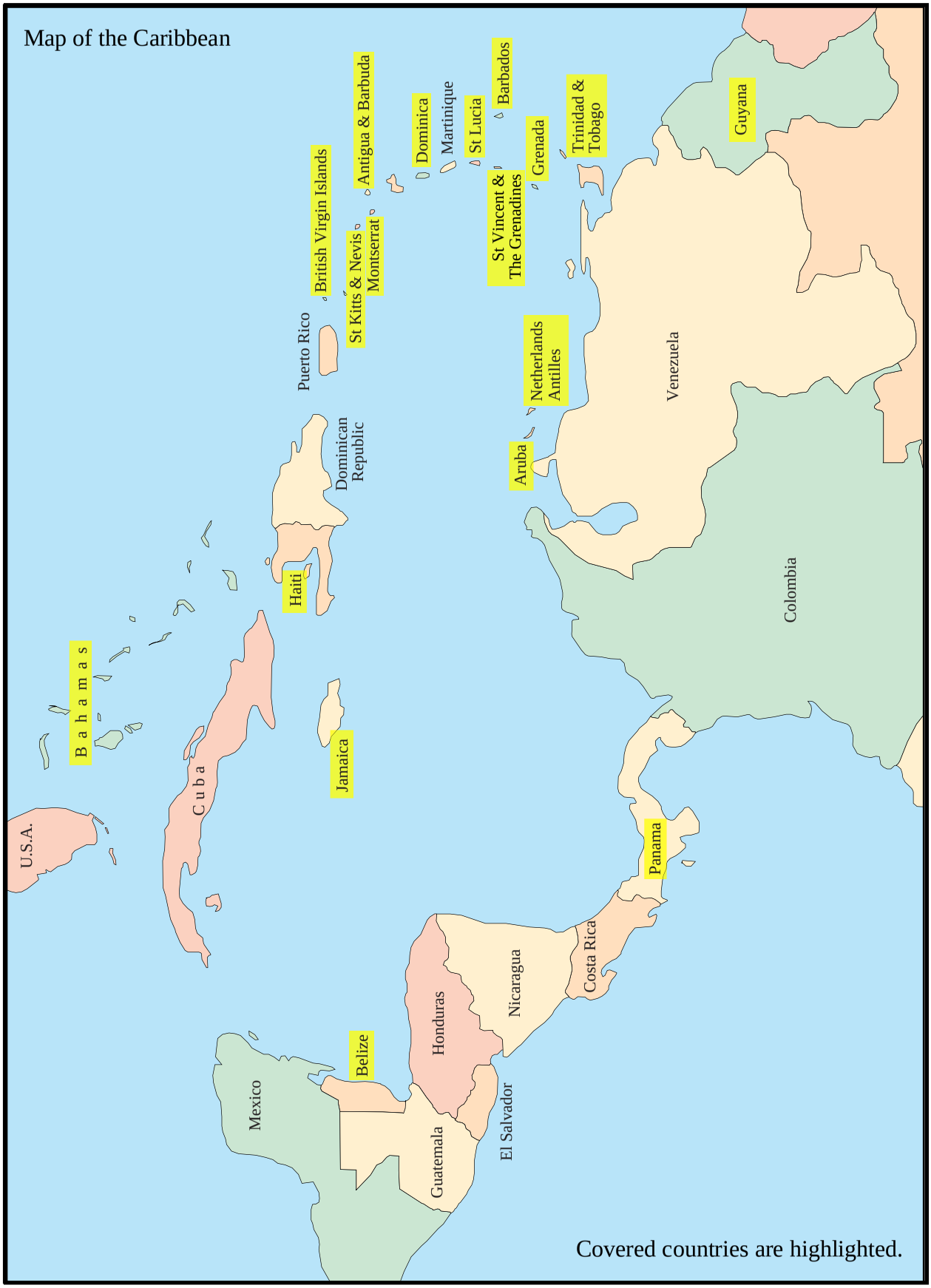
more predictable trading environment and to encourage increased investment by reducing investor uncertainty, and (2) expanding CBTPA to include all CBERA countries. Product-related recommendations include (1) expanding product coverage and (2) relaxing rules of origin, especially with regard to textiles and apparel production and to cumulation allowances for products receiving preferential market access. In addition to merchandise trade, several parties suggested that the CBERA program should be expanded to include services trade, which accounts for a significant share of many CBERA economies.

Future U.S.-Caribbean Relations Should Be Broader and Deeper

Interested parties made various recommendations about the long-term U.S.-Caribbean trade and economic relationship, such as investment-incentive provisions and development assistance. Testimony and written submissions added that the U.S.-Caribbean trade relationship should progress toward a comprehensive trade agreement with a development component, and incorporate a regional perspective into trade and aid policies. For example, it was suggested that the United States could provide assistance to address key constraints on economic development, such as

- inadequate infrastructure,
- limited access to affordable credit,
- high levels of public debt,
- Caribbean countries' supply side, especially trade capacity constraints, and
- limited capabilities and funding to address technical standards, sanitary and phytosanitary standards, pest-risk analysis, and U.S. security-related legislation and policies.

Some suggested that the trade capacity assistance provided by CAFTA-DR or Trade and Investment Framework Agreements could serve as useful models or options.


Map of the Caribbean
U.S.A.
B a h a m a s
C u b a
Jamaica
Haiti
Dominican Republic
Puerto Rico
British Virgin Islands
St Kitts & Nevis
Montserrat
Antigua & Barbuda
Dominica
Martinique
St Lucia
Barbados
St Vincent & The Grenadines
Grenada
Trinidad & Tobago
Aruba
Netherlands Antilles
Venezuela
Guyana
Colombia
Panama
Costa Rica
Nicaragua
Honduras
El Salvador
Guatemala
Belize
Mexico
Covered countries are highlighted.

CHAPTER 1
Introduction

Purpose, Scope, and Approach of Report

Purpose

The purpose of this report is to provide to the House Committee on Ways and Means certain information requested by the Committee relating to economic growth and development in the Caribbean Basin. The Committee asked the Commission, in preparing its report, (1) to provide an in-depth description of the current level of economic development in the Caribbean Basin, and (2) identify possible future trade and development strategies. The Committee indicated that this information would assist it in identifying the ways that U.S. trade and aid policy can most help the Caribbean Basin.

In particular, the Committee asked that the Commission summarize the literature assessing the direction of future Caribbean development, including articles that address, among other things, economic development policies that have been tried in the Caribbean; the importance of trade liberalization; the impact on U.S.-Caribbean trade of North American Free Trade Agreement (NAFTA), the Dominican Republic–Central America–United States Free Trade Agreement (CAFTA-DR), and other trade agreements; countries that have benefited from U.S. Caribbean Basin preference programs; and the ways that U.S. trade policy might strengthen the ability of the region to compete globally. The Committee also requested that the Commission, to the extent possible, include brief case studies of industries that have been able to compete globally despite small size or capacity constraints, with an eye toward identifying factors that enabled these smaller industries to be successful.

The Committee noted that the Caribbean Basin Economic Recovery Act (CBERA)[1] became effective in 1984 as part of the Caribbean Basin Initiative (CBI) to encourage economic growth and development in the Caribbean Basin countries by promoting increased production and exports of nontraditional products through duty preferences. The Caribbean Basin Trade Partnership Act (CBTPA) amended CBERA in 2000 and expanded product coverage for CBERA countries; the Committee noted that CBTPA will expire on September 30, 2008. (Table 1.1 summarizes these trade preferences and lists the countries that benefit under these and other programs.)

[1] CBERA was enacted August 5, 1983, as Pub. L. 98-67, Title II; 97 Stat. 384, 19 U.S.C. 2701 et seq., and became effective January 1, 1984 (Presidential Proclamation No. 5133, 48 Fed. Reg. 54453). Minor amendments to CBERA were made by Pub. L.s 98-573, 99-514, 99-570, and 100-418. Major amendments were made to CBERA by Pub. L. 106-200, the Caribbean Basin Trade Partnership Act. Further modifications were made by Pub. L. 107-210, the Trade Act of 2002; Pub. L. 109-53, the Dominican Republic–Central America–United States Free Trade Agreement Implementation Act ; and Pub. L. 109-432, sec. 5001 et seq., and the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act).

Table 1.1 Summary of CBERA preferential provisions, 2007

History.	Enacted 8/5/1983 - CBERA Expanded and made permanent 8/20/1990 - CBEREA[a] Enhanced 5/18/2000 - CBTPA[b] Modified 8/6/02 - Trade Act of 2002[c] Enhanced for Haiti 12/20/2006[d]
Benefits..	Duty-free entry and reduced-duty entry granted on a non-reciprocal, non-MFN basis
Exclusions under original CBERA. .	Most textiles/apparel, leather goods, canned tuna, petroleum and derivatives, certain footwear, certain watches/parts, over-TRQ agricultural products
Additions under CBTPA[e].	Certain apparel and textile luggage made from U.S. inputs are eligible for duty-free entry. The application of Mexico's NAFTA rates, where goods from CBTPA countries meet NAFTA rule-of-origin criteria, for leather goods, canned tuna, petroleum and derivatives, certain footwear, and certain watches/parts
Additions under HOPE Act.	Expands rules of origin for apparel and wire harness automotive components from Haiti
Duration.	Originally 12 years, until 9/30/1995 CBEREA: dropped expiration date for original CBERA CBTPA: until 9/30/2008[f] HOPE Act: until 12/20/2011
Covered beneficiaries[g].	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*
Coverage (eligible provisions).	Approximately 5,700 8-digit tariff lines
Value of imports under the program.	$3.943 billion
Significance in terms of U.S. trade:	
U.S. imports from covered countries as a share of total U.S. imports. .	0.76%
Share of imports from covered countries that receive program preferences.	25.7%

Source: Commission compilation.

[a] Caribbean Basin Economic Recovery Expansion Act of 1990 (Pub. L. 101-382, sec. 2001 et seq.).

[b] Caribbean Basin Trade Partnership Act, Title II of the Trade and Development Act of 2000, effective October 2000. The measure gives certain preferential treatment to goods originally excluded from the CBERA's benefits by law.

[c] Sec. 3107 of the Trade Act of 2002 (Pub. L. 107-210).

[d] Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (Pub. L. 109-432, sec. 5001 et seq.)

[e] See subchapter XX of chapter 98 of the Harmonized Tariff Schedule. No other CBTPA benefits apply to excluded agricultural and textile/apparel products (that is, NAFTA parity is not accorded).

[f] The CBTPA benefits expire on either September 30, 2008, or the date on which the Free Trade Area of the Americas or comparable agreement enters into force, whichever is earlier. When an FTA such as CAFTA-DR enters into effect for a country, that country loses its status as a CBTPA or CBERA beneficiary country.

[g] Asterisk (*) indicates CBTPA beneficiary countries.

Scope, Approach, and Organization of the Report

This report covers the 18 CBERA beneficiary countries that are not parties to CAFTA-DR. As shown in table 1.1, these countries are Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, the British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, the Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

The current state of economic development in the CBERA countries is provided at the regional and country level. Data permitting, the period covered is 2000–07.[2] A survey of the economic literature related to potential Caribbean development and possible future development strategies relies on literature published in academic journals as well as by international organizations such as the World Bank, International Monetary Fund, and Inter-American Development Bank, and relevant think tanks. Illustrative case studies of successful companies or industries that serve regional and global markets are provided throughout this report. In addition, the Commission held a hearing on January 29, 2008, to obtain information from interested parties on development in the region, potential future development strategies, and for case studies. Information from this hearing and written submissions is also incorporated in this report.

The remainder of this chapter provides a brief overview of U.S. trade preferences available to CBERA countries as well as U.S. institutions affecting trade and economic growth and development in CBERA countries. Chapter 2 provides an overview of the current level of economic development at the regional level for the CBERA countries. It also presents information on industries that have a widespread presence throughout the Caribbean region, such as tourism and financial services. In addition, several case studies illustrate the growth of various industries at the regional level either through expansion across the region or diversification into nontraditional products or services. This chapter also provides an overview of non-U.S. policies and institutions that influence economic growth and development in the CBERA countries.

Chapter 3 consists of an overview of literature addressing potential Caribbean economic development strategies. The request letter detailed a number of development issues to be addressed, including assessments of past development policies and possible future development policies, both long- and short-term, that might be pursued by the countries themselves and by the United States. This discussion draws from the most recent information available, and where appropriate, macroeconomic and region-wide statistics have been updated. In addition, this report also relies on case studies, country profiles, and hearing testimony for recent examples and policy discussions related to Caribbean economic development. This chapter also provides case studies that illustrate how companies and industries have applied past development and trade policies, or have overcome certain impediments identified in the literature.

Chapter 4 provides an overview of the current level of economic development at the country level. Profiles in this chapter focus on economic and social development, the domestic economy, and international integration for each country. The country-specific case studies provide additional insight into domestic and international policies and government regulations that have supported growth for selected companies and industries.

[2] Data sources for regional and country-specific information are provided in chaps. 2 and 4, respectively.

Chapter 5 is a summary of the positions of interested parties expressed in hearing testimony and written submissions, and points to trade and development policy recommendations provided by these parties.

Appendices include copies of the request letter (appendix A), the Federal Register notice of institution of the investigation (appendix B), hearing calendar (appendix C), data sources and definitions underlying the data presented in the country profile tables and figures (appendix D), product-level merchandise trade tables (appendix E), and tables of economic development indicators (appendix F).

Throughout this report, the term "CBERA" refers to CBERA as amended by subsequent legislation, including CBTPA and the HOPE Act. For purposes of identifying CBERA as it existed before CBTPA, the term "original CBERA" will be used. Unlike the trade preferences in CBTPA and the HOPE Act, the trade preferences in "original CBERA" have no expiration date.

U.S. Trade Preferences Available to CBERA Countries

Major U.S. trade preferences available to CBERA countries fall into three categories: (1) CBERA, including original CBERA, and amendments by CBTPA and the HOPE Act; (2) the Generalized System of Preferences (GSP); and (3) production-sharing programs. These trade preference programs have run concurrently in recent years, with some degree of overlap in product coverage and some variation in benefits. However, the unifying program for all of the covered countries is CBERA. A brief overview of each of these preference programs is presented below.

Caribbean Basin Economic Recovery Act

The Caribbean Basin Economic Recovery Act (CBERA) was part of the Caribbean Basin Initiative (CBI), which was intended to encourage economic growth and development in the Caribbean Basin countries by promoting increased production and exports of nontraditional products.[3] CBERA authorizes the president to grant certain unilateral preferential trade benefits to Caribbean Basin countries and territories.[4] The program permits shippers from designated beneficiaries to claim duty-free or reduced-duty treatment for eligible products imported into the customs territory of the United States. CBERA was initially given statutory effect through September 30, 1995. The Caribbean Basin Economic Recovery Expansion Act (CBEREA) of 1990[5] repealed that termination date, made the program

[3] The principal components of CBI were CBERA and a program of preferential access for certain apparel assembled in the region, described in the production sharing section below.

[4] Details can be found in USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Eighteenth Report, 2005–2006*, USITC publication 3954, September 2007.

[5] The Caribbean Basin Economic Recovery Expansion Act of 1990 was signed into law on August 20, 1990, as part of the Customs and Trade Act of 1990 (Pub. L. 101-382, Title II, 104 Stat. 629, 19 U.S.C. 2101).

permanent, and expanded CBERA benefits in several respects.[6] In May 2000, the United States–Caribbean Basin Trade Partnership Act (CBTPA) further expanded the CBERA program and extended trade preferences to textiles and apparel from the region. In August 2002, the Trade Act of 2002[7] amended CBERA to clarify and modify several CBTPA provisions. In December 2006, the Haitian Hemispheric Opportunity Through Partnership Encouragement Act (HOPE Act) enhanced benefits under CBERA for Haiti.[8] Currently, there are 19 countries that are designated as CBERA beneficiary countries—the 18 countries covered in this report plus Costa Rica, which continues to be a CBERA beneficiary country, but it is not covered in this report because it is a party to CAFTA-DR.[9]

Caribbean Basin Trade Partnership Act

The United States-Caribbean Basin Trade Partnership Act (CBTPA), enacted May 18, 2000, was a major enhancement of the CBERA program.[10] Additional modifications and clarifications were made in the Trade Act of 2002, enacted August 6, 2002.[11] CBTPA became effective on October 2, 2000, as a transitional measure through September 30, 2008, or until the Free Trade Area of the Americas (FTAA) or a comparable free trade agreement (FTA) between the United States and individual CBERA countries enters into force. Each CBERA beneficiary country must be separately designated by the president, based on various "rule-of-law" measures, for the enhanced benefits of CBTPA. Of the 18 CBERA countries covered in this report, eight are CBTPA beneficiaries, as shown in table 1.1—Barbados, Belize, Guyana, Haiti, Jamaica, Panama, St. Lucia, and Trinidad and Tobago.

CBTPA authorized duty-free treatment for imports of qualifying cotton, wool, and manmade fiber apparel from CBERA countries for the first time. Key apparel provisions are summarized in table 1.2. For the most part, these CBTPA apparel goods must be made wholly of U.S. inputs and assembled in an eligible CBTPA country.[12] CBTPA also extended preferential treatment (rates of duty identical to those accorded to like goods of Mexico,

---

[6] Among other things, the 1990 act provided duty reductions for certain products previously excluded from such treatment. For a comprehensive description of the 1990 act, see USITC, *Report on the Impact of the Caribbean Basin Economic Recovery Act, Sixth Report 1990*, USITC publication 2432, September 1991, 1-1–1-5.

[7] Modifications to CBERA were made in sec. 3107 of the Trade Act of 2002 (Pub. L. 107-210).

[8] Pub. L. 109-432, sec. 5001 et seq.

[9] See Harmonized Tariff Schedule (HTS) (2008) general note 7. During 2006 and 2007, CAFTA-DR entered into force for five Central American countries—El Salvador (effective March 1, 2006), Guatemala (July 1, 2006), Honduras (April 1, 2006), Nicaragua (April 1, 2006), and the Dominican Republic (March 1, 2007)—which simultaneously ceased to be designated beneficiary countries under CBERA and the CBTPA. The Committee requested that the report include "country profiles on the 18 non-CAFTA-DR CBERA countries." Although Costa Rican accession to CAFTA-DR was approved by national referendum on October 7, 2007, required Costa Rican legislation and regulations have not been completed, and Costa Rica has been given an extension until October 1, 2008, to complete legislation and regulations by its CAFTA-DR partners. USTR, "USTR Announces Agreement on Extension of Time for Costa Rica to Join the CAFTA-DR," press release, February 27, 2008.

[10] See Trade and Development Act of 2000 (Pub. L. 106-200, Title II).

[11] See Trade Act of 2002 (Pub. L. 107-210).

[12] CBERA countries must be listed in chapter 98 of the Harmonized Tariff Schedule (HTS) to be eligible for CBTPA apparel preferences.

Table 1.2 Textiles and apparel made in CBERA countries that are eligible for duty-free and quota-free entry under CBTPA, as amended by the Trade Act of 2002

Brief description of article[a]	**Brief description of criteria and related information**
Apparel assembled from U.S.-formed and -cut fabric HTS 9802.00.8044 and 9820.11.03 (the latter provision is for apparel that underwent further processing such as stone-washing or embroidering)	* Unlimited duty-free and quota-free treatment * Fabric must be made wholly of U.S. yarn * Fabric, whether knit or woven, must be dyed, printed, and finished in the United States
Apparel cut and assembled from U.S. fabric HTS 9820.11.06 Woven apparel HTS 9820.11.18 Knit apparel	* Unlimited duty-free and quota-free treatment * Fabric must be made wholly of U.S. yarn * Fabric, whether knit or woven, must be dyed, printed, and finished in the United States * Apparel must be sewn together with U.S. thread
Certain apparel of "regional knit fabrics" – includes apparel knit to shape directly from U.S. yarn (other than socks) and knit apparel cut and assembled from regional or regional and U.S. fabrics HTS 9820.11.09 Knit apparel except outerwear t-shirts HTS 9820.11.12 Outerwear t-shirts	* Fabric must be made wholly of U.S. yarn * Preferential treatment subject to "caps" for 12-month period beginning on October 1 of 970 million square meter equivalents (SMEs) for HTS 9820.11.09 and 12,000,000 dozen for HTS 9820.11.12 since 2004 until September 30, 2008.
Brassieres cut and assembled in the United States and/or the region from U.S. fabric (HTS 9820.11.15)	* Producer must satisfy rule that, in each of seven 1-year periods starting on October 1, 2001, at least 75 percent of the value of the fabric contained in the firm's brassieres in the preceding year was attributed to fabric components formed in the United States (the 75 percent standard rises to 85 percent for a producer found by Customs to have not met the 75 percent standard in the preceding year).
Textile luggage assembled from U.S.-formed and -cut fabric (HTS 9802.00.8046) or from U.S.-formed fabric cut in eligible CBTPA countries (HTS 9820.11.21)	* Fabric must be made wholly of U.S. yarn.
Apparel cut and assembled from fabrics or yarn as identified in annex 401 of NAFTA as being not available in commercial quantities (in "short supply") in the United States (HTS 9820.11.24) Apparel cut and assembled from additional fabrics or yarns designated as not available in commercial quantities in the United States (HTS 9820.11.27)	* The fabrics and yarn include fine-count cotton knitted fabrics for certain apparel; linen; silk; cotton velveteen; fine wale corduroy; Harris Tweed; certain woven fabrics made with animal hairs; certain lightweight, high thread count polyester/cotton woven fabrics; and certain lightweight, high thread count broadwoven fabrics in production of men's and boys' shirts.[b] * On request of an interested party, the President may proclaim preferential treatment for apparel made from additional fabrics or yarn if the President determines that such fabrics or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner.
Handloomed, handmade, and folklore articles (HTS 9820.11.30)	* Must be certified as such by exporting country under an agreement with OTEXA.

Source: United States-Caribbean Basin Trade Partnership Act, as amended by the Trade Act of 2002.

[a] Applies to articles ineligible for duty-free treatment under the original CBERA (those of cotton, wool, and manmade fibers).

[b] See U.S. House of Representatives, *Trade and Development Act of 2000: Conference Report to Accompany H.R. 434*, 106th Cong., 2d sess., H. Rept. 106-606, p. 77, which explains a substantially identical provision of the African Growth and Opportunity Act that is contained in CBTPA.

under the same rules of origin applicable under NAFTA),[13] to a number of other products previously excluded from CBERA, including certain tuna, petroleum and petroleum products, certain footwear, and certain watches and watch parts. CBTPA also provided duty-free treatment for textile luggage assembled from U.S. fabrics made of U.S. yarns.[14]

The apparel provisions of CBTPA build upon existing U.S. trade programs that have encouraged U.S. producers of apparel to establish production-sharing arrangements in CBERA countries under the provisions of Harmonized Tariff Schedule (HTS) heading 9802.00.80 and related legal notes of the HTS as noted in the section on production sharing below.

HOPE Act of 2006

On December 20, 2006, the United States further amended the CBERA program by enacting the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act).[15] The HOPE Act establishes special new rules of origin that make Haiti eligible for new trade benefits for apparel imports and that enhance sourcing flexibility for apparel producers in Haiti. The first rule grants duty-free treatment for a limited amount of apparel imported from Haiti if at least 50 percent of the value of inputs and/or costs of processing (e.g., being wholly assembled or knit-to-shape) is from Haiti, the United States, a CBERA beneficiary country, an ATPA beneficiary country, an AGOA beneficiary country, or any country that is an FTA partner with the United States during years one to three after the HOPE Act became effective; in year four, the percentage requirement for originating inputs rises to 55 percent or more, and in year five it increases to 60 percent or more.

The second rule allows the components of apparel articles entering under HTS subheading 6212.10 (brassieres) to be sourced from anywhere as long as the garments are both cut and sewn or otherwise assembled in Haiti. The third rule authorizes duty-free treatment for three years for a specified quantity of woven apparel imports from Haiti made from fabric produced anywhere in the world—up to 50 million square meter equivalents (SMEs) in years one and two of the HOPE Act, and up to 33.5 million SMEs in year three (starting December 20, 2009).

There is also a special rule for certain wire harness automotive components that expands the rules of origin for such components imported into the United States from Haiti for five years.

---

[13] Pursuant to HTS general note 12

[14] See HTS 9820.11.21.

[15] Pub. L. 109-432, sec. 5001 et seq. See 19 U.S.C. 2701 et seq. for various provisions.

Other Preference Programs Available to CBERA Countries

There are two other U.S. trade preference programs available to CBERA countries, the U.S. Generalized System of Preferences (GSP) and production sharing. GSP has been in effect since January 1, 1976.[16] GSP provides nonreciprocal duty-free entry for products under about one-half of the dutiable tariff lines in the HTS from 131 beneficiary developing countries (BDCs). About 40 percent of the remaining dutiable tariff lines are eligible for duty-free entry from 42 least developed beneficiary developing countries (LDBDCs).[17] GSP benefits expire at the end of 2008 under current legislation, but they have been renewed numerous times in the past.[18] Although all of the CBERA countries covered in this report have been GSP beneficiaries at some time in the past, Aruba, Antigua and Barbuda, Barbados, The Bahamas, and the Netherlands Antilles are not currently GSP beneficiaries because they have become "high income" countries.[19] Haiti is the only CBERA beneficiary country designated as an LDBDC under GSP. CBERA and GSP are similar in many ways, but CBERA covers more tariff categories than GSP, and U.S. imports under CBERA are not subject to GSP competitive-need limitations[20] and country-income restrictions.[21] In addition, CBERA qualifying rules for individual products are more liberal than those of GSP. GSP requires that 35 percent of the value of the product be added in a single country or in a specified association of eligible GSP counties,[22] whereas CBERA allows regional cumulation within CBERA (including former CBERA beneficiaries, Puerto Rico, and the U.S. Virgin Islands) and allows limited U.S. content to be included in the cumulation.

There are two main production-sharing provisions that provide duty reduction or elimination for imports from CBERA countries, one of which applies to all countries and the other applies only to CBERA countries. The provision applicable to all countries permits a duty exemption for the value of U.S.-made components that are returned to the United States as parts of articles assembled abroad.[23] Under normal production-sharing rules, the fabric for making parts for apparel can be of either U.S. or foreign origin as long as it is cut to shape in the United States and exported ready for assembly. As part of the Caribbean Basin

---

[16] The U.S. GSP program was originally enacted pursuant to Title V of the Trade Act of 1974, Pub. L. 93-618, 88 Stat. 2066 et seq. and was renewed for an additional 10 years pursuant to Title V of the Trade and Tariff Act of 1984, Pub. L. 98-573, 98 Stat. 3018 et seq. as amended by 19 U.S.C. 2461 et seq. Since that time, the GSP program has expired and been renewed several times. El Salvador, the Dominican Republic, Honduras, and Guatemala lost GSP beneficiary status when they moved to CAFTA-DR. See sec. 201 of Pub. L. 109-53.

[17] Tariff line count from USITC Tariff Database (2008), *http://reportweb.usitc.gov/tariff/tariff_form_.jsp* (accessed April 16, 2008). Country count from HTS (2008).

[18] See USITC, *CBERA, Eighteenth Report, 2005–2006*, footnote 36, 1-8.

[19] GSP beneficiary countries lose their beneficiary status after the president determines they have become "high-income" countries as defined by the World Bank. Sec. 502(e) of Title V of the Trade Act of 1974. Trinidad and Tobago is now designated by the World Bank as a high-income country and is likely to be graduated from the GSP program in the near future. World Bank, *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20421402~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed April 16, 2008).

[20] A beneficiary developing country loses GSP benefits for an eligible product when U.S. imports of the product exceed the competitive-need limit, which is defined as either a specific annually adjusted value ($135 million in 2008) or 50 percent of the value of total U.S. imports of the product in the preceding calendar year (sec. 503(c)(2) of the Trade Act of 1974, as amended).

[21] See footnote 19.

[22] See 19 U.S.C. 2463(b)(1)(B). In 2008, 10 Caribbean Community (CARICOM) countries, all of which are CBERA beneficiaries, comprise a specified association for GSP cumulation purposes. These countries are Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. HTS (2008) general note 4.

[23] HTS heading 9802.00.80.

Initiative, the United States had a "special access program" that allowed apparel made in participating CBERA countries from U.S.-formed and cut fabric to enter under preferential quotas known as guaranteed access levels, but still be subject to duty on the value added abroad.[24] The special access program was used extensively for the production of apparel and textile luggage in CBERA countries prior to the implementation of CBTPA in late 2000. This program provided a significant boost to U.S. apparel imports from CBERA countries. The share of total U.S. imports from CBERA countries accounted for by apparel increased from 5.3 percent in 1984 to 43.4 percent in 2000, largely as a result of the special access program.[25] A few nonapparel products, mostly electrical components, are also imported from CBERA countries under normal production-sharing rules.

The second provision, which applies only to CBERA countries, provides for duty-free entry of products (other than textiles and apparel and petroleum and petroleum products) that are assembled or processed in whole of fabricated components that are a product of the United States, or processed in whole of ingredients (other than water) that are a product of the United States in a CBERA country. This provision allows duty-free entry of products that cannot otherwise meet the local content requirements of CBERA and for products otherwise excluded by CBERA.[26]

Major U.S. Institutions Affecting Trade and Economic Growth and Development in CBERA Countries

Several U.S. institutions promote economic growth in CBERA countries through various channels, including financial and technical assistance as well as investment promotion. These include the U.S. Agency for International Development (USAID), the U.S. Trade and Development Agency (USTDA), the Overseas Private Investment Corporation (OPIC), and the U.S. Department of Agriculture (USDA).

USAID is an independent U.S.-government agency that provides economic, development, and humanitarian assistance around the world in support of the foreign policy goals of the United States.[27] USAID has missions in Guyana, Haiti, Jamaica, and Panama, as well as a Caribbean regional mission and a Latin American and Caribbean (LAC) mission. In fiscal year 2007, USAID provided $14.6 million to its Caribbean Regional Program, $70.3 million to its LAC Program, $14.1 million to Guyana, $147.7 million to Haiti, $10.2 million in Jamaica, and $3.2 million to Panama.[28]

USTDA is an independent U.S. government foreign assistance agency. USTDA advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, early investment analysis,

---

[24] U.S. imports of textiles and apparel from most countries were subject to quotas until 2005.

[25] USITC, *CBERA, Sixteenth Report 2001-2002*, table 2-2, 2-6.

[26] The principal products imported under this provision have been certain footwear, mostly from the Dominican Republic, that is excluded under original CBERA, or subject at one time to stricter rules of origin under CBTPA that mirrored NAFTA rules. See USITC, *CBERA, Eighteenth Report 2005-2006*, 2-31.

[27] USAID, "Frequently Asked Questions," *http://www.usaid.gov/faqs.html* (accessed March 7, 2008).

[28] USAID, "Budget Justification to Congress Fiscal Year 2007," *http://www.usaid.gov/policy/budget/cbj2007/* (accessed March 7, 2008).

training, orientation visits, and business workshops that support the development of a modern infrastructure and a fair and open trading environment.[29] Recently, USTDA has supported projects in Haiti and Panama. In Haiti, USTDA provided a $300,000 grant to the National Airports Authority supporting the modernization of the Port-au-Prince International Airport. This project aims to help the airport as it strives to meet International Civil Aviation Organization (ICAO) standards. In Panama, a $331,341 feasibility study grant will support the Panama Maritime Authority (Autoridad Maritima de Panama, AMP) in the development of a Maritime Sector Monitoring and Control Center. The center will help the AMP monitor and control Panama's maritime sector, including the administration of the Panamanian-registered fleet, national and international fishing fleets, ports, safety, security, and environmental management.[30]

OPIC is an independent U.S. government agency whose mission is to help U.S. businesses invest overseas, foster economic development in new and emerging markets, complement the private sector in managing risks associated with foreign direct investment, and support U.S. foreign policy.[31] In May 2007, OPIC sponsored an investment conference in El Salvador where it was noted that over the previous year, OPIC had supported more than one-third of a billion dollars in new U.S. investment in the Central American and Caribbean region.[32]

Finally, USDA is providing $50 million of credit guarantees for sales of U.S. agricultural commodities to the Caribbean region[33] under the Commodity Credit Corporation's (CCC) Export Credit Guarantee Program (GSM-102) for fiscal year 2008.[34] The GSM-102 program helps ensure that credit is available to finance commercial exports of U.S. agricultural products to developing countries, while providing competitive credit terms in these countries. Under this program, the CCC reduces the financial risk to lenders by guaranteeing payments due from approved foreign banks to exporters or financial institutions in the United States.[35]

---

[29] USTDA, "Mission Statement," *http://www.ustda.gov/* (accessed March 7, 2008).

[30] USTDA, "Promoting Economic Cooperation Between the U.S. and Latin America," *http://www.ustda.gov/program/regions/lac/USTDARegionalBrief_LatinAmericaCaribbean.pdf* (accessed March 7, 2008).

[31] OPIC, "About Us," *http://www.opic.gov/about/index.asp* (accessed March 7, 2008).

[32] OPIC, *Opic News*. May 2007, Vol. 9, No. 1. *http://www.opic.gov/news/newsletter/documents/OPICNews0901.pdf* (accessed March 7, 2008).

[33] Eligible covered countries are Antigua and Barbuda, Aruba, The Bahamas, Barbados, the British Virgin Islands, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Montserrat, Netherlands Antilles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. Anguilla, Cayman Islands, Guadeloupe, and Suriname are also eligible.

[34] USDA Press Release, "USDA Offers GSM-102 Credit Guarantees for Export Sales to Caribbean Region," *http://www.fas.usda.gov/scriptsw/PressRelease/* (accessed March 7, 2008).

[35] Ibid.

CHAPTER 2
Current Level of Caribbean Economic Development: Regional Overview

This chapter presents information on economic development and trade at the regional level for the 18 Caribbean Basin countries covered in this report. This regional overview describes economic development indicators for the CBERA countries, the importance of trade for the countries, and the extent of each country's utilization of CBERA preferences. This chapter also covers the Caribbean tourism and financial services industries, which have a widespread presence throughout the region, as well as the ethanol dehydration industry, which is the second-leading U.S. import under the provisions of the original CBERA. The chapter concludes with an overview of non-U.S. policies and institutions that influence economic growth and development in the CBERA countries. This chapter also includes four case studies of industries that serve the Caribbean regional market—the mobile telephone industry in Jamaica, the rum industry in Guyana, medical tourism in Panama, and financial services in Trinidad and Tobago.

Regional Overview

The economies of the 18 Caribbean Basin countries covered in this report share many characteristics. They are generally small island economies that are heavily dependent on the United States, the EU, and increasingly, China and other Asian countries for trade, investment, and economic assistance. Their geographic location offers the advantages of proximity to the large U.S. market, a strategic location adjacent to major shipping lanes, and a climate favorable to the production of certain tropical crops and the development of a year-round tourism industry. Their location within the hurricane belt, however, makes them highly susceptible to weather-related natural disasters that can cause sharp downturns in their economic performance through damage to property, economic infrastructure, and crops, as well as associated societal devastation. Environmental degradation, including excessive deforestation, soil erosion, and increased susceptibility to floods and landslides, also are common problems facing the countries in Caribbean Basin region.[1]

Historically, the Caribbean Basin economies have been focused on the production and export of a few agricultural products (primarily sugar and bananas), the assembly and export of apparel and light manufactured goods (which are aided by preferential tariff programs offered by the United States, the EU, and Canada), tourism, and, more recently, financial services.[2] Exports of goods and services to the United States are a significant portion of total exports for many of the Caribbean Basin countries. Many countries in the region also have become increasingly reliant on international migration, which provides an outlet for

[1] According to one report, "[c]limate change, the more pronounced rainfall patterns and rising sea water levels, could put additional ecological stress on the low lying coastal and flood prone land areas of the islands." World Bank, *A Time to Choose*, 21.

[2] For a discussion of U.S. trade with the Caribbean Basin countries as well as U.S. trade programs to encourage economic diversification, see the series USITC, *The Impact of the Caribbean Basin Economic Recovery Act*.

domestic population growth pressure and rising unemployment, often at the expense of the migration of skilled and educated workers to the United States, Canada, and the EU, and provides substantial financial inflows through remittances from workers and relatives abroad.[3]

Notwithstanding these common characteristics, the Caribbean countries show differing levels of economic development; natural resource endowments; macroeconomic, trade, and investment environments; diversification of their economies; and past and present policy choices. The following sections provide an overview of both the common characteristics and some of the key differences among the Caribbean Basin countries with respect to their economic and social development indicators, competitiveness and macroeconomic structure, and the role of foreign trade in their development.

Data for this chapter are drawn from a number of government, nongovernment, and private sources that report economic statistics for the CBERA region, including the U.S. Department of Commerce, the IMF, the World Bank, the Economist Intelligence Unit, and industry organizations. This chapter also relies on information provided by the Caribbean governments, including officials who testified at the Commission's hearing for this investigation.[4] The discussion focuses on current trends in the Caribbean region, particularly after 2001.

Population and Levels of Economic Development

The Caribbean Basin countries covered in this report vary considerably in terms of population and the level of economic development. Haiti, with a population of 8.6 million in 2006, is by far the most populous country in the region and accounts for more than one-half of the regional population of nearly 17 million inhabitants (figure 2.1).[5] Haiti, Panama, Jamaica, Trinidad and Tobago, and Guyana combined account for 90 percent of the population of the region. Of the remaining 13 countries, five have populations under 100,000.

Panama and Trinidad and Tobago have the largest economies, as measured by gross domestic product (GDP) at purchasing power parity (PPP) in 2006 (figure 2.2).[6] Panama's $27.5 billion services-based economy is driven largely by capital investment, port activities and operations of the Panama Canal, and tourism. Trinidad and Tobago's $22.3 billion economy is fueled by the country's petroleum and natural gas reserves, making Trinidad and

---

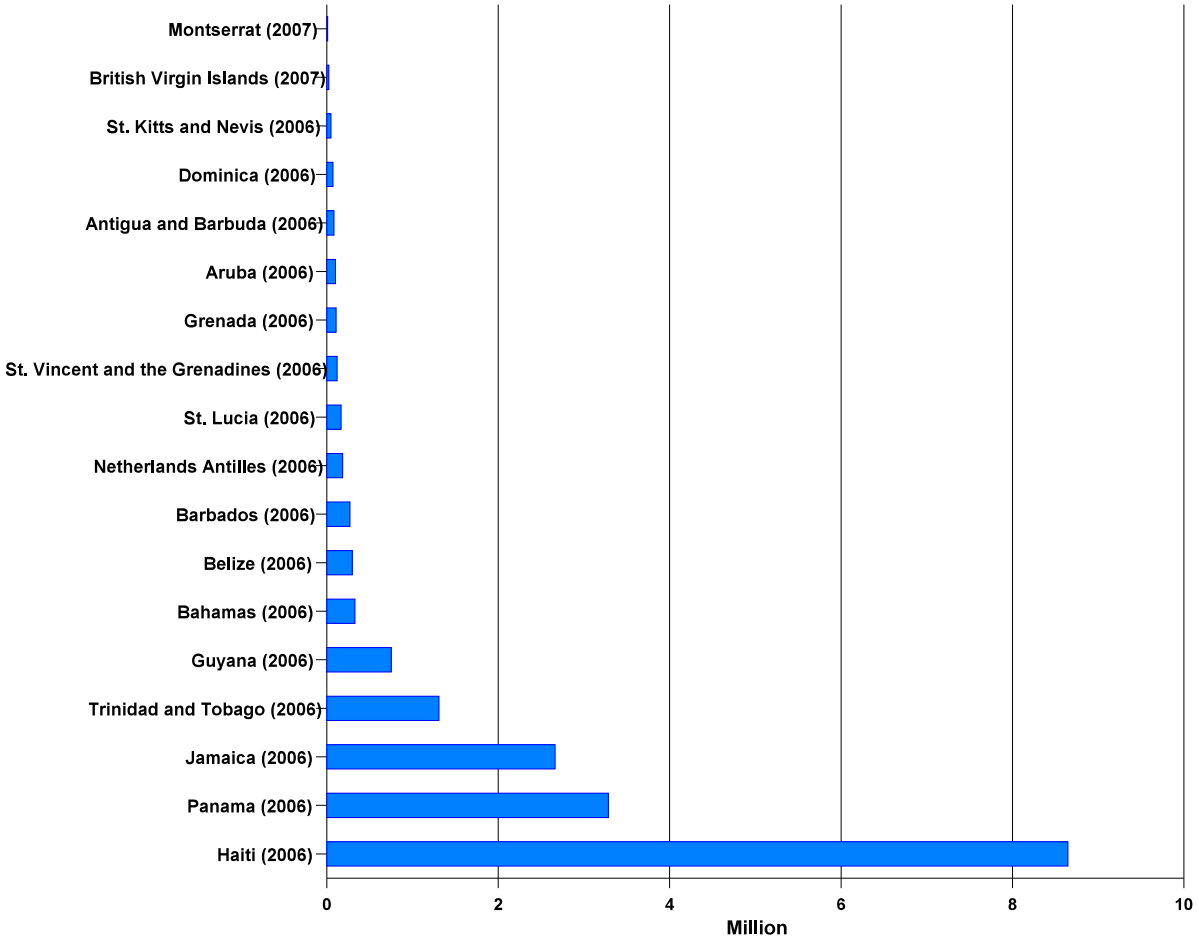
[3] World Bank, *A Time to Choose*, 10. The importance of remittances is discussed in more detail in the section on "Financial Services in CBERA Countries" later in this chapter, and in the country profiles in chap. 4.

[4] The Commission held a hearing on January 29, 2008, to obtain information from interested parties on development in the region, potential future development strategies, and for case studies. Summaries of the positions of interested parties are presented in chap. 5 of this report.

[5] Population data do not reflect Haitians living elsewhere. Reportedly more than 500,000 Haitians or persons of Haitian origin live in the Dominican Republic, and more than 2 million Haitians live in the United States. EIU, *Country Profile 2007: Haiti*, 17.

[6] Purchasing power parity measurements of GDP take relative cost of living into account. Therefore, if two countries (A and B) have the same nominal GDP and country A has a lower cost of living, country A will have a higher PPP measurement of GDP than country B.

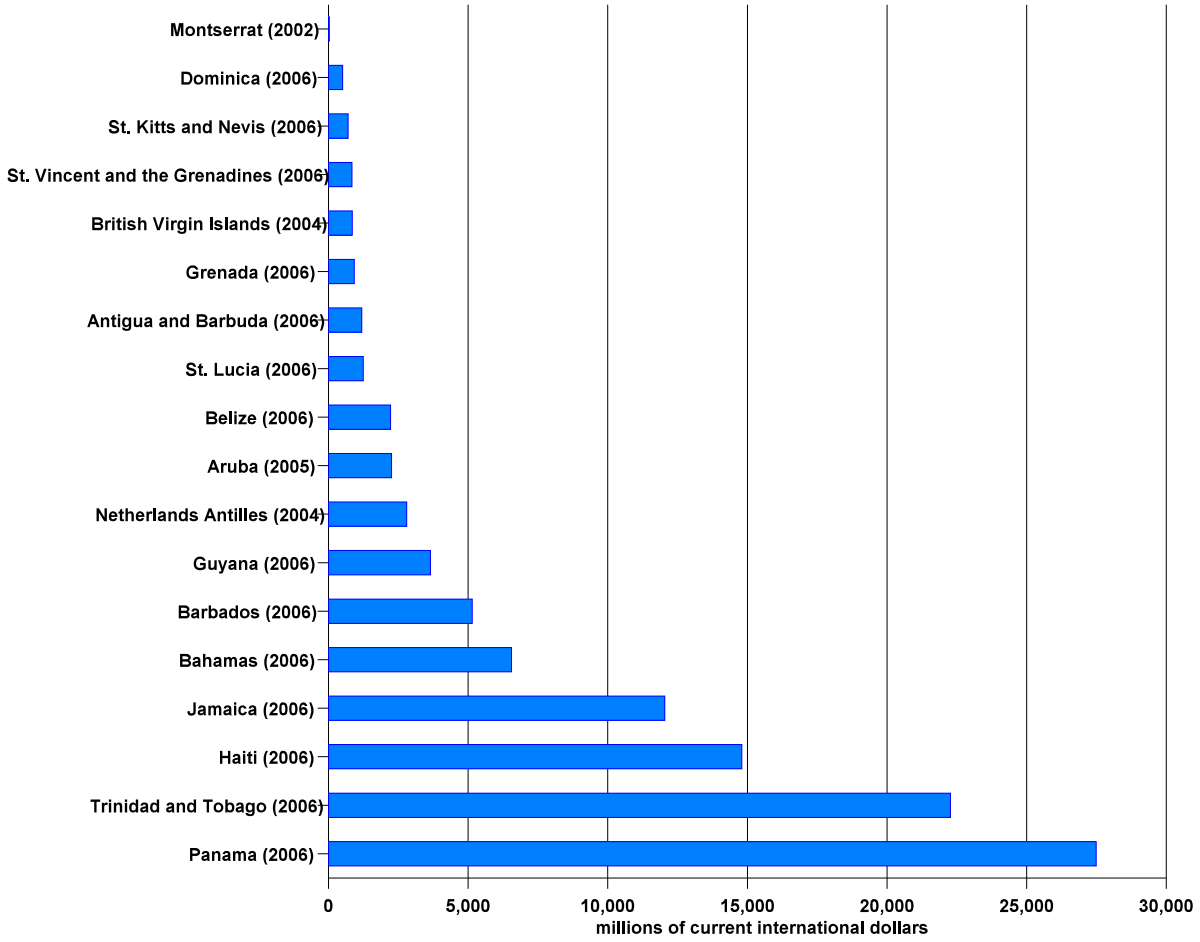
Figure 2.1 Population, most recent year, In millions, 2006-07



Source: The World Bank, *World Development Indicators*, and the CIA, *World Factbook*.

Note: Values for the British Virgin Islands and Montserrat are CIA estimates.

Figure 2.2 GDP, most recent year, 2002-06[a]



Source: The World Bank, *World Development Indicators*, and the CIA, *World Factbook*.

Note: Values for the British Virgin Islands, Aruba, The Bahamas, Barbados, Netherlands Antilles, and Montserrat are CIA estimates.

[a] PPP basis.

Tobago not only the leading Caribbean producer and exporter of oil and gas, but also the world's leading exporter of methanol and ammonia. Haiti, although the poorest country in the Western Hemisphere, ranked as the region's third-largest economy with a GDP (PPP basis) of $14.8 billion. Following years of economic contraction, Haiti resumed economic growth in 2005 based largely on export-oriented, low-wage apparel assembly. Montserrat's $119 million economy is the smallest in the region, as most of that island's economy has been devastated by a large volcanic eruption in 1995 and ongoing volcanic activity.[7]

Figure 2.3 shows GDP per capita (at PPP) for the covered CBERA countries as well as world averages for low-income, lower-middle-income, middle-income, upper-income, and high-income countries, as defined by the World Bank. The British Virgin Islands, with a 2005 population of 27,000, the region's second-smallest, had the highest GDP per capita in the region at more than $35,000 in 2006. With an economy driven mainly by luxury tourism and offshore financial services, the British Virgin Islands was the only country in the region with a per capita GDP above the high-income average. Panama, the region's largest economy, had a per-capita GDP of about $8,300 in 2006, close to the middle-income-country average of about $8,000. Eight countries in the region have per-capita GDP greater than the upper-middle-income-country average GDP per capita of $11,100.[8]

Haiti had the region's lowest per-capita GDP of about $1,700 in 2006. Haiti is the only country in the region with per-capita GDP ranking below the low-income average. Political instability and domestic unrest contributed to a deteriorating business and investment climate in Haiti during the past two decades, causing large economic and social setbacks. Although somewhat improved political and economic stability, coupled with large inflows of foreign economic assistance, have helped Haiti achieve increases in real GDP growth since 2005, Haiti's social development indicators continue to lag significantly behind other countries in the Caribbean region.[9] For example, Haiti ranks as the Caribbean country with the highest incidence of poverty with 80 percent of the population falling below the poverty line in 2003, the most recent year for which data are available,[10] and income inequality (based on a relatively high Gini coefficient of 0.65).[11]

---

[7] See the country profiles in chap. 4 for additional country-specific information.

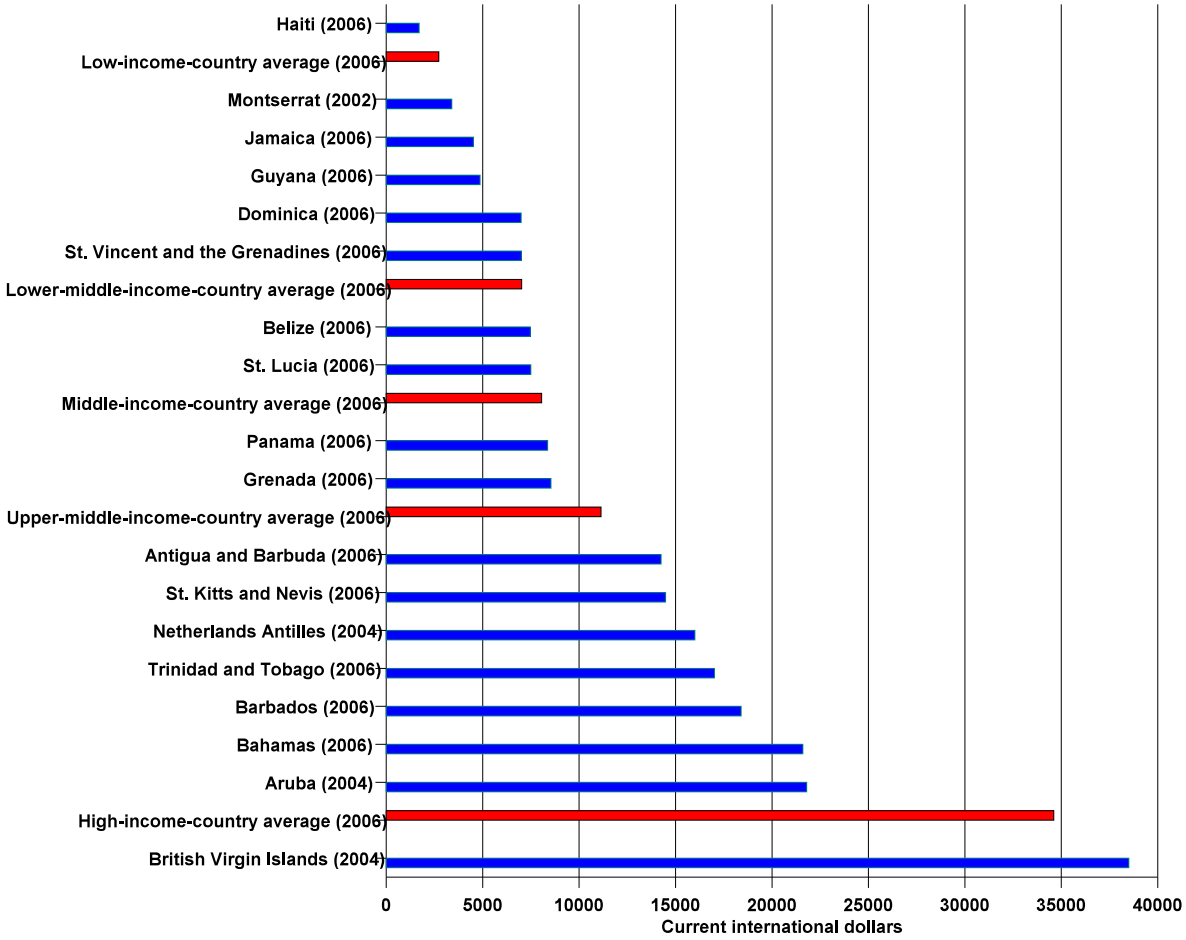
[8] The eight countries are the British Virgin Islands, Aruba, The Bahamas, Barbados, Trinidad and Tobago, the Netherlands Antilles, St. Kitts and Nevis, and Antigua and Barbuda. See the country profiles in chap. 4 for additional country-specific information.

[9] See the country profile in chap. 4 for additional information on Haiti.

[10] Available data on percentage of the population below the poverty line is presented in the country profiles in chap. 4.

[11] The Gini coefficient is a standard measure of statistical dispersion of inequality of income distribution. The coefficient ranges between 0 and 1, with 0 corresponding to perfect equality (everyone having exactly the same income) and 1 corresponding to perfect inequality (where one person has all the income, while everyone else has zero income). According to a World Bank report, the income inequality Gini coefficient in its most recent year survey was 0.38 for the Caribbean region. Haiti had the highest Gini coefficient (most unequal income distribution) of 0.65, followed by Antigua and Barbuda with 0.50. A relatively low Gini coefficient (most equal income distribution) of 0.10 was reported for St. Kitts and Nevis. World Bank, *A Time to Choose*, annex table 1.7, 210. For additional information on Gini coefficients, see World Bank, "Measuring Inequality," *http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html* (accessed Apr. 11, 2008).

Figure 2.3 GDP per capita, PPP, most recent year, 2002-06



Source: The World Bank, *World Development Indicators*, and the CIA, *World Factbook*.

Note: Values for the British Virgin Islands, Aruba, The Bahamas, Barbados, Netherlands Antilles, and Montserrat are CIA estimates.

A 2004 Inter-American Development Bank (IDB) report shows that income inequality in Latin America and the Caribbean is higher than in all other regions of the world, including Africa, Asia, and Eastern Europe.[12] The IDB reports a Gini coefficient of 0.51 for the region in the 1990s. In comparison, the average Gini coefficient for the United States between 1990 and 2006 was 0.41. The IDB also reports that the proportion of the population living in extreme poverty (defined as earning less than $1 per day) fell only slightly from 1990 to 2002, from 19 to 17 percent. However, the proportion living in poverty varied widely across countries in the 2000–2006 period. For example, less than 15 percent of people in Panama and Jamaica live in extreme poverty, but more than one-half of Haitians are extremely poor.[13]

[12] IDB, "Toward Sustainable and Equitable Development," 9. Regional Gini coefficients reported by the IDB and World Bank cover sets of countries that differ from the set of countries covered in this report.

[13] Country profiles in chap. 4 present poverty statistics for each of the 18 countries in this report.

Indicators of Economic Development

Three indicators of economic development— life expectancy at birth, adult literacy rate, and fixed and mobile telephone lines per 1,000 population—are presented in tables 2.1 to 2.3.[14] Indicators for several Caribbean Basin countries are comparable to or exceed those for the United States. For example, life expectancy of 79 years in Montserrat is greater than 78 years in the United States, and is quite close to the 77 years in the British Virgin Islands and Dominica. Life expectancy is 70 years or less only in Trinidad and Tobago, Guyana, and Haiti. Five countries have adult literacy rates within 1 percentage point of the 99 percent adult rate literacy in the United States, and 14 of the 18 Caribbean Basin countries covered in this report have adult literacy rates of 90 percent or greater. Belize, with more than 33 percent of households living below the poverty line, has an adult literacy rate of 77 percent. Haiti's adult literacy rate is 53 percent, the region's lowest. Four Caribbean Basin countries have more than 1,000 fixed line and mobile phone subscribers per 1,000 people, placing them roughly in the same category as the United States. Barbados, with 1,265 fixed line and mobile phone subscribers per 1,000, ranks higher than the 1,227 subscribers per 1,000 in the United States.

There is a rough correlation between these indicators of economic development and GDP per capita, although a few anomalies stand out. For example, although Trinidad and Tobago is among the highest in GDP per capita, its population has a lower life expectancy than that of Jamaica. Whereas Guyana is a lower-middle-income country, it has a 99 percent adult literacy rate, and while Jamaica is also a lower-middle-income country, it has a phone-line-subscriber rate approaching that of the United States.

A recent World Bank study reported on the impact of mobile telephone services in promoting economic growth and poverty reduction in developing countries, and found that information and communication technology "provides key inputs for economic development, contributes to global integration, and enhances public sector effectiveness, efficiency, and transparency."[15] One key finding from the report is that access to telephone service in developing countries has improved significantly in recent years, and that "[m]obile phones have an especially dramatic impact in developing countries—substituting for scarce fixed connections, increasing mobility, reducing transaction costs, broadening trade networks, and facilitating searches for employment. . . . even poor households have been able to benefit from increased telephone access."[16]

The World Bank found that developing countries that open their telecommunications markets can create competitive markets for telecommunications services. "As a result, the traditional monopoly model of telecommunications services—based on extensive state control and protected national markets—has eroded, in concert with rapid technological advances in the sector and fundamental changes in economic policy in developing

---

[14] The three indicators presented are ones for which nearly complete and recent data are available. Additional indicators are considered in the country profiles in chap. 4 of this report.

[15] World Bank, *Information and Communications for Development*, 2006, *http://siteresources.worldbank.org/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/282822-1141851022286/IC4DOverview.pdf*, (accessed April 14, 2008).

[16] Ibid.

Table 2.1 Selected CBERA countries: Life expectancy at birth, most recent year, compared to world averages and the United States

Country	Year	Life expectancy (years)
High-income average	***(2005)***	***79***
Montserrat	(2007)	79[a]
United States	**(2005)**	**78**
British Virgin Islands	(2007)	77[a]
Dominica	(2002)	77
Netherlands Antilles	(2005)	76
Antigua and Barbuda	(2002)	75
Panama	(2005)	75
Barbados	(2004)	75
Aruba	(2007)	75[a]
St. Lucia	(2005)	74
Grenada	(2002)	73
St. Vincent and the Grenadines	(2005)	72
Belize	(2005)	72
St. Kitts and Nevis	(2002)	71
Bahamas	(2005)	71
Jamaica	(2005)	71
Middle-income average	***(2005)***	***70***
Trinidad and Tobago	(2005)	70
Guyana	(2005)	64
Low-income average	***(2005)***	***59***
Haiti	(2005)	53

Source: The World Bank, *World Development Indicators*, and the CIA, *World Factbook*.

[a] CIA Estimate.

Table 2.2 Selected CBERA countries and the United States: Adult literacy rate, most recent year

Country	Year	Percent
Barbados	(2002)	100
United States	***(2003)***	***99***
Guyana	(2003)	99
Trinidad and Tobago	(2003)	99
British Virgin Islands	(1991)	98
St. Kitts and Nevis	(2003)	98
Aruba	(2000)	97
Montserrat	(1970)	97
Netherlands Antilles	(2003)	97
Bahamas	(2003)	96
Grenada	(2003)	96
St. Vincent and the Grenadines	(1970)	96
Dominica	(2003)	94
Panama	(2000)	92
St. Lucia	(2001)	90
Jamaica	(2003)	88
Antigua and Barbuda	(2003)	86
Belize	(2000)	77
Haiti	(2003)	53

Source: CIA, *World Factbook.*

Table 2.3 Selected CBERA countries: Number of fixed line and mobile phone subscribers, most recent year, per 1,000 people, compared to world averages and the United States

Country	Year	Lines per 1,000 people
High income average (world)	***(2005)***	***1,337***
Barbados	(2005)	1,265
United States	***(2004)***	***1,227***
Jamaica	(2005)	1,146
Antigua and Barbuda	(2004)	1,130
Bahamas	(2004)	1,023
Dominica	(2004)	879
Trinidad and Tobago	(2005)	861
St. Vincent and the Grenadines	(2005)	782
St. Kitts and Nevis	(2004)	745
Grenada	(2004)	719
Netherlands Antilles	(1999)	617
Middle-income average (world)	**(2005)**	**587**
Panama	(2005)	555
Guyana	(2005)	521
Belize	(2005)	433
St. Lucia	(2002)	411
Low-income average (world)	**(2005)**	**113**
Haiti	(2004)	64

Source: World Bank, World Development Indicators.

Note: WDI data not available for Aruba, the British Virgin Islands, and Montserrat.

countries."[17] Digicel, a mobile telecommunications services operator based in Jamaica and serving the Caribbean region, is an example of the recent growth of the telecommunications sector in the region (box 2.1).

Macroeconomic Conditions and Performance

The Caribbean tourism industry and foreign investment in the Caribbean region declined sharply following the September 11, 2001 terrorist attacks. Economic growth throughout the region had generally resumed by 2004. The Caribbean region as a whole experienced robust 4.2 percent economic growth in 2007, although economic performance varied in specific countries as described in the country profiles in chapter 4 of this report.[18]

Antigua and Barbuda, the British Virgin Islands, Panama, and Trinidad and Tobago each recorded economic growth in excess of 7 percent in 2006, and each has generally achieved economic growth in excess of 5 percent since 2003. The Bahamas, Barbados, Belize, Dominica, Guyana, and St. Lucia generally recorded annual economic growth in the range of 3 to 5 percent during 2004–6. Jamaica and the Netherlands Antilles recorded economic growth in the range of 1 to 3 percent during 2004–6. Grenada and Haiti experienced sharp

[17] Ibid.

[18] IMF, *World Economic and Financial Surveys: Regional Economic Outlook, Western Hemisphere*, April 2008.

Box 2.1 Mobile Telephone Industry in the Caribbean: Targeting Subscribers in Developing Countries Yields Strong Growth

The Digicel Group, based in Kingston, Jamaica, was founded in 2001. It has grown rapidly to become one of the largest mobile services operators in the Caribbean region. Over the past seven years, Digicel has invested approximately $2 billion in mobile services licenses, network infrastructure, and business operations in 23 Caribbean countries. Digicel currently maintains either active or pending operations in 13 of the 18 covered CBERA countries, and is currently approved to bid in a mobile license auction in Panama in 2008. Digicel's rapid overall subscriber growth, which has grown at a compound annual rate of approximately 60 percent since 2001, has been a major factor behind the rapid increase of mobile penetration rates in the Caribbean region over the past several years. In Jamaica, for example, the mobile penetration rate increased from 10 percent in 2001 to approximately 90 percent by the end of 2007. Competition between Digicel and various national incumbent telecommunications carriers has also resulted in a substantial decrease in the price of telephone services in the Caribbean. In St. Vincent & the Grenadines, for example, Digicel's market entrance resulted in a 78 percent decrease in the price of international calls and a 62 percent decrease in peak-time rates for mobile telephone calls. Currently, Digicel provides mobile telephone services to more than 6 million subscribers in the Caribbean and Central American regions and employs more than 4,000 people, 90 percent of which are drawn from Caribbean countries.

Digicel's success in the Caribbean region is partly attributable to a market-entry strategy of targeting small, low-income countries. Digicel historically has focused almost exclusively on small island countries, largely because moderate network investment in such countries often yielded population coverage of nearly 100 percent. Digicel also focused on countries with recently liberalized telecommunication services markets, as such markets were often characterized by high levels of latent demand and were typically served by incumbent operators offering poor service and high prices. Rather than focusing on per-capita income, Digicel also tended to target countries with large cash-based populations and high levels of remittance income.

Digicel's success in many Caribbean markets also stems from its unique business model, which was adapted to reflect the demands of the Caribbean market. Catering to the region's many low-income consumers, for example, Digicel focused almost exclusively on inexpensive voice telephone services, often substantially undercutting incumbent pricing for such services. Similarly, it offered subscribers inexpensive, brand-name mobile telephone handsets, often at one-half the price of competitors' models. Digicel was also the first mobile operator in the Caribbean region to offer mobile services via prepaid billing methods,[1] a move that was popular with its many cash-based subscribers. In an effort to attract low-income customers, Digicel also introduced several innovative features designed to reduce the cost of making mobile telephone calls, including per-second billing[2] and "Call Me"[3] services.

Seeking to tap into many subscribers' dissatisfaction with incumbent mobile services providers, Digicel also launched large-scale marketing campaigns that emphasized not only the affordability of its voice services, but also its reliability, quality, and customer-friendly nature. Digicel's marketing and branding efforts also sought to position itself as a popular mobile carrier, often via association with regional sports teams. Over the past few years, for example, Digicel has sponsored football (i.e., soccer) federations in many Caribbean countries, and is the lead sponsor of the West Indies Cricket Team and the Digicel Caribbean Football Union Cup. Digicel has also sponsored the Jamaica Jazz and Blues Festival, as well as Special Olympics teams from across the Caribbean region.

Sources: Digicel Group representative, e-mail to the USITC, April 30, 2008; Sue Marek, "Carrier Adapts To Island Demographics," *Wireless Week.* February 2005; Digicel Group Web site, "About Digicel." *http://www.digicelgroup.com/group/about_digicel.php* (accessed January 9, 2008); "The Irish Are Coming," *The Economist*, September 27, 2007; Kathleen Kingsbury, "The Cell Islands." *Time South Pacific,* Issue 47, November 2006; Maria O'Brian, "Digicel Takes Caribbean By Storm," *Latin Finance,* March 2007, 2--2; Shawn Young, "Cellphone Start-Up's Aggressive Expansion," *Wall Street Journal.* September 2006; Ken Park, "Digicel Optimistic On Growth," *Dow Jones Newswires,* August 2, 2007.

[1] Ninety percent of Digicel's customers are billed via prepaid methods. Such methods allow customers access basic voice services by purchasing telephone cards, which are readily available at street kiosks and commonly-patronized stores.

[2] Per-second billing allows low-income customers to save money by establishing the minimum billable unit as the second, rather than the more-expensive per-minute method.

[3] "Call Me" services allow subscribers to send a free "Call Me Back" text message to friends and family; returned calls are not billed to the texting subscriber.

economic downturns in 2004, but each recorded economic growth in 2006. Aruba, St. Kitts, and St. Vincent and the Grenadines each recorded steep slowdowns in annual economic growth during 2004–6. Montserrat was the only country in the region to experience economic contraction in 2006 due to ongoing volcanic activity that caused major damage to the economy.[19] A number of Caribbean countries also received an economic boost from increased public and private investment associated with public works and construction projects during the runup to the March–April 2007 Cricket World Cup.[20]

Inflation and exchange rate changes affected Caribbean economies in different ways. Inflation in the Caribbean region as a whole increased from 6 percent at year-end 2006 to 9 percent at year-end 2007, with country-specific variations ranging from a low of 2.1 percent in St. Kitts and Nevis to as high as 17 percent in Jamaica.[21] Increasing inflation in part is related to rising world food and fuel import prices. Several countries in the region either use the U.S. dollar as their national currency (Panama), directly peg their currencies to the U.S. dollar (Barbados, The Bahamas, and Trinidad and Tobago), or use a common currency pegged to the U.S. dollar (members of the Eastern Caribbean Currency Union—Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St Lucia, and St. Vincent and the Grenadines).[22] Countries with currencies tied to the U.S. dollar have experienced rising inflation as a result of recent global exchange rate depreciation of the U.S. dollar. Only Trinidad and Tobago is experiencing significant inflationary pressure from growth in domestic demand,[23] most likely due to higher income growth from rising oil prices.[24]

Importance of Trade to the Caribbean Basin Countries

International trade in goods and services is important for economic development in CBERA countries because they are small, open economies, most with limited economic resources. Trade-to-GDP ratios are shown in table 2.4. For both imports and exports, all of the covered countries exceeded the average for the Latin America and Caribbean (LAC) region except Haiti. Haiti was below the average only for exports.

Merchandise trade with the United States is important for most of the covered countries, more so for imports than for exports (table 2.5). The United States accounted for between 27 percent of imports for Panama to 88 percent for The Bahamas in 2006. For exports to the

---

[19] See the country profiles in chap. 4 for additional country-specific information. See also Eastern Caribbean Central Bank, *Economic and Financial Review*, September 2007, 1, *http://www.eccb-centralbank.org/PDF/efrsep07.pdf*.

[20] Venues for the 2007 Cricket World Cup included: Antigua and Barbuda, Barbados, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[21] IMF, *World Economic and Financial Surveys: Regional Economic Outlook, Western Hemisphere*, April 2008. The definition of the Caribbean region used in this source does not include all of the 18 CBERA countries that are the subject of this report.

[22] Anguilla also participates. The currency, the Eastern Caribbean dollar, has a fixed exchange rate peg to the U.S. dollar. Eastern Caribbean Central Bank, *Report and Statement of Accounts: Annual Report 2006–2007*, *http://www.eccb-centralbank.org/PDF/annual0607(1).pdf*.

[23] IMF, *World Economic and Financial Surveys: Regional Economic Outlook, Western Hemisphere*, April 2008.

[24] Price increases in Trinidad and Tobago's natural-resource-based economy, likely an example of so-called "Dutch disease," is discussed in more detail in chap. 4 of this report.

Table 2.4 Goods and services trade relative to GDP for selected CBERA countries, 2000–06

Country	2000	2001	2002	2003	2004	2005	2006
	Exports of goods and services—ratio to GDP (*percent*)						
Antigua and Barbuda	68	62	60	62	62	na	na
Barbados	50	51	50	51	50	58	na
Belize	53	51	53	53	51	55	na
Dominica	53	46	47	49	48	45	na
Grenada	57	50	43	41	43	na	na
Guyana	96	95	93	90	96	88	na
Haiti	12	12	11	15	na	na	na
Jamaica	43	38	36	40	43	41	44
Panama	73	73	67	64	68	75	73
St. Kitts and Nevis	46	45	44	45	49	na	na
St. Lucia	55	49	47	54	60	na	na
St. Vincent and the Grenadines	53	51	49	45	45	44	na
Trinidad and Tobago	59	56	51	55	58	na	na
Latin America and Caribbean average	***20***	***20***	***23***	***24***	***25***	***25***	***24***
	Imports of goods and services—ratio to GDP (*percent*)						
Antigua and Barbuda	73	67	71	71	69	na	na
Barbados	57	54	55	56	61	69	na
Belize	73	69	66	66	59	63	na
Dominica	68	64	60	65	61	69	na
Grenada	76	71	67	71	76	na	na
Guyana	111	111	105	100	106	124	na
Haiti	32	35	33	44	na	na	na
Jamaica	54	54	55	58	60	61	60
Panama	70	66	62	59	64	69	71
St. Kitts and Nevis	76	71	73	70	61	na	na
St. Lucia	65	61	59	70	70	na	na
St. Vincent and the Grenadines	60	60	58	62	67	65	na
Trinidad and Tobago	45	45	45	40	46	na	na
Latin America and Caribbean average	***21***	***21***	***21***	***21***	***23***	***22***	***22***
	Total trade in goods and services—ratio to GDP (*percent*)						
Antigua and Barbuda	141	129	131	133	131	na	na
Barbados	107	105	105	107	111	127	na
Belize	126	120	119	119	110	118	na
Dominica	121	110	107	114	109	114	na
Grenada	133	121	110	112	119	na	na
Guyana	207	206	198	190	202	212	na
Haiti	44	47	44	59	na	na	na
Jamaica	97	92	91	98	103	102	104
Panama	143	139	129	123	132	144	144
St. Kitts and Nevis	122	116	117	115	110	na	na
St. Lucia	120	110	106	124	130	na	na
St. Vincent and the Grenadines	113	111	107	107	112	109	na
Trinidad and Tobago	104	101	96	95	104	na	na
Latin America and Caribbean average	***41***	***41***	***44***	***45***	***48***	***47***	***46***

Source: The World Bank, World Development Indicators.

Note: WDI data not available for Aruba, The Bahamas, the British Virgin Islands, Montserrat, and the Netherlands Antilles.

Table 2.5 Merchandise trade with the United States as a share of total merchandise trade for selected CBERA countries, 2000–06

Country	2000	2001	2002	2003	2004	2005	2006
	Merchandise imports *(percent)*						
Bahamas	87.9	83.3	na	na	na	na	87.6
St. Kitts and Nevis	56.9	50.5	51.2	53.4	58.0	57.9	58.3
Aruba	na	na	54.5	54.9	55.2	55.6	52.1
Montserrat	na	59.6	65.0	58.4	60.7	56.6	42.8
St. Lucia	41.2	41.7	42.8	46.4	42.9	44.0	39.3
Belize	50.1	46.1	33.4	46.2	39.9	40.3	38.8
Barbados	41.6	42.1	44.1	37.9	43.6	35.9	37.6
Jamaica	45.5	45.4	43.1	43.6	41.3	41.6	36.8
Dominica	37.3	36.4	36.6	37.1	36.6	36.6	36.1
St. Vincent and the Grenadines	38.2	35.2	40.7	41.2	37.4	33.3	32.6
Trinidad and Tobago	35.4	34.4	33.9	30.5	34.6	29.2	27.6
Guyana	38.2	37.7	34.7	31.8	29.9	31.1	27.2
Panama	33.1	33.0	34.3	35.0	na	27.5	27.0
Antigua and Barbuda	49.3	na	na	na	na	48.9	na
	Merchandise exports *(percent)*						
St. Kitts and Nevis	66.2	71.2	93.5	78.5	70.0	91.9	88.5
Bahamas	78.2	77.5	na	na	na	na	71.3
Trinidad and Tobago	46.6	42.3	50.4	54.9	69.8	58.6	58.1
Belize	54.7	50.6	36.9	56.3	55.2	53.9	42.0
Panama	45.9	47.5	45.7	52.0	50.0	44.9	39.0
Jamaica	39.2	33.0	28.4	28.6	21.5	25.6	30.4
St. Lucia	18.5	17.6	20.4	19.5	13.2	14.0	20.6
Barbados	15.8	15.0	16.5	14.5	20.0	13.4	20.1
Guyana	31.3	33.2	25.5	19.9	16.4	15.5	15.5
Aruba	na	na	12.2	9.2	10.4	11.2	11.9
St. Vincent and the Grenadines	2.6	2.6	5.2	13.2	5.3	9.2	5.0
Dominica	7.4	6.1	9.2	6.3	4.5	4.5	4.5
Montserrat	na	9.4	12.8	34.3	4.6	23.6	4.1
Antigua and Barbuda	19.0	na	na	na	na	7.7	na

Source: The World Bank, *World Integrated Trade Solution*.

Note: Data not available for the British Virgin Islands, Grenada, Haiti, and the Netherlands Antilles.

United States, the range was from 4 percent for Montserrat to 89 percent for St. Kitts and Nevis.

U.S. imports from covered countries come predominantly from three countries, with 84 percent of imports coming from Trinidad and Tobago, Aruba, and the Netherlands Antilles in 2007 (table 2.6). These countries export large quantities of petroleum and natural gas and their derivatives to the United States, the latter two exporting mainly refined petroleum products.

Petroleum and natural gas and their derivatives dominate U.S. imports from covered countries. Mineral fuels,[25] which includes liquified natural gas, and crude and refined

[25] HTS chapter 27.

Table 2.6 U.S. merchandise imports[b] from covered CBERA countries, 2000–07

Country	2000	2001	2002	2003	2004	2005	2006	2007
				(*1,000 dollars*)				
Trinidad and Tobago	2,351,709	2,554,241	2,645,520	4,683,690	6,251,323	8,251,810	8,849,097	9,310,841
Aruba	1,270,604	862,766	738,725	882,543	1,721,398	2,922,846	2,679,444	2,817,062
Netherlands Antilles	748,938	527,044	408,901	657,109	466,742	989,894	1,141,802	738,318
Jamaica	660,639	471,622	397,433	438,087	327,141	364,911	498,926	730,084
Haiti	306,963	271,886	263,153	341,517	380,333	458,550	508,536	500,016
Bahamas	288,041	327,400	482,140	493,472	662,691	723,688	457,459	411,920
Panama	317,226	304,284	313,619	306,813	316,114	342,141	363,047	386,350
Guyana	145,732	139,546	116,617	116,866	133,517	132,815	140,481	145,819
Belize	95,681	104,064	81,151	106,021	113,304	104,344	155,037	94,714
St. Kitts and Nevis	38,157	42,284	49,901	46,142	43,256	51,894	52,887	56,478
British Virgin Islands	31,562	12,341	27,104	28,875	18,138	34,119	27,533	43,800
Barbados	39,562	40,719	35,711	44,877	37,799	32,999	34,301	39,431
St. Lucia	23,114	32,380	20,236	13,601	14,943	67,301	39,865	27,127
Antigua and Barbuda	2,450	3,932	3,748	5,400	4,739	4,585	5,932	8,946
Grenada	27,710	22,539	8,202	7,982	5,435	6,246	4,910	8,741
Dominica	7,272	5,584	5,804	6,040	3,361	3,632	3,312	1,858
St. Vincent and the Grenadines	8,900	22,681	16,658	4,194	4,215	15,784	2,112	1,394
Montserrat	172	296	439	1,354	481	969	800	559
Grand Total	6,364,431	5,745,611	5,615,061	8,184,582	10,504,929	14,508,526	14,965,478	15,323,458
				Share of total (*percent*)				
Trinidad and Tobago	37.0	44.5	47.1	57.2	59.5	56.9	59.1	60.8
Aruba	20.0	15.0	13.2	10.8	16.4	20.1	17.9	18.4
Netherlands Antilles	11.8	9.2	7.3	8.0	4.4	6.8	7.6	4.8
Jamaica	10.4	8.2	7.1	5.4	3.1	2.5	3.3	4.8
Haiti	4.8	4.7	4.7	4.2	3.6	3.2	3.4	3.3
Bahamas	4.5	5.7	8.6	6.0	6.3	5.0	3.1	2.7
Panama	5.0	5.3	5.6	3.7	3.0	2.4	2.4	2.5
Guyana	2.3	2.4	2.1	1.4	1.3	0.9	0.9	1.0
Belize	1.5	1.8	1.4	1.3	1.1	0.7	1.0	0.6
St. Kitts and Nevis	0.6	0.7	0.9	0.6	0.4	0.4	0.4	0.4
British Virgin Islands	0.5	0.2	0.5	0.4	0.2	0.2	0.2	0.3
Barbados	0.6	0.7	0.6	0.5	0.4	0.2	0.2	0.3
St. Lucia	0.4	0.6	0.4	0.2	0.1	0.5	0.3	0.2
Antigua and Barbuda	([b])	0.1	0.1	0.1	([b])	([b])	([b])	0.1
Grenada	0.4	0.4	0.1	0.1	0.1	([b])	([b])	0.1
Dominica	0.1	0.1	0.1	0.1	([b])	([b])	([b])	([b])
St. Vincent and the Grenadines	0.1	0.4	0.3	0.1	([b])	0.1	([b])	([b])
Montserrat	([b])	([b])	([b])	([b])	([b])	([b])	([b])	([b])
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Imports for consumption, c.i.f. value.
[b] Less than 0.05 percent.

petroleum products, accounted for 61 percent of imports in 2007, while inorganic chemicals[26]—mostly anhydrous ammonia, a natural gas derivative and organic chemicals[27]—mostly methanol, also a natural gas derivative, accounted for 11 percent and 8 percent, respectively (table 2.7).[28]

U.S. exports to the region are not as concentrated as imports. Exports vary widely, consisting of petroleum products, food (including wheat, rice, corn, and fresh or frozen poultry), and jewelry. Five countries—Panama, The Bahamas, Jamaica, the Netherlands Antilles, and Trinidad and Tobago—accounted for 80 percent of U.S. exports to the region in 2007 (table 2.8).

Mineral fuels[29] accounted for 27 percent of U.S. exports in 2007, consisting mostly of refined petroleum products. Machinery and equipment[30] accounted for 17 percent, consisting of a wide variety of products, including parts for heavy machinery, computer-related equipment, and cellular phones (table 2.9).[31]

Export Diversification

Exports from most Caribbean countries are concentrated in a relatively narrow range of goods and services. As noted in chapter 3, concentration of production and exports in a narrow range of goods can magnify the adverse effects of external price declines and lead to increased income volatility. In part, limited export diversity is a result of the size, stage of development, and resource endowments of these countries, which do not currently have productive capacity to diversify into a wider range of products. The range of exports is also, in part, the result of foreign trade preferences or government policies of the Caribbean countries that may have diverted resources to a small number of goods.[32]

The exports of the countries covered by this report are, on average, slightly more concentrated than exports of other developing countries at similar income levels. A common measure of export concentration is the UNCTAD concentration index, a Herfindahl-Hirschmann index for which values range from zero to one, with values closer to one representing greater concentration.[33] The average value of 0.44 for covered countries in 2004 and 2005 was slightly higher than the average value for all developing countries of 0.38 in 2005.[34] Given that export concentration generally falls as income rises, and that the countries

---

[26] HTS chapter 28.

[27] HTS chapter 29.

[28] See table E.1 for the leading imports at the 4-digit HTS level. See table E.2 for the leading imports under CBERA at the 4-digit HTS level.

[29] Harmonized System (HS) chapter 27.

[30] HS chapters 84 (nonelectrical machinery and equipment) and 85 (electrical machinery and equipment).

[31] See table E.3 for the leading exports at the 4-digit HTS level.

[32] World Bank, "A Time To Choose: Caribbean Development in the 21st Century," 2005, 77.

[33] UNCTAD, "Concentration and diversification indices of exports," 2007, Table 4.1. See country profiles for Herfindahl-Hirschmann index values for countries covered in this report.

[34] Export concentration data were available for ten countries covered by this report in 2005 and for an additional three countries in 2004. (See chap. 4 for individual country data.) The average export concentration of the ten available covered countries in 2005 was 0.43 and the average of all 13 countries in both years was 0.44. Although price changes can introduce difficulties when comparing export concentration values across years, the average of all 13 countries in 2004 was 0.45, indicating that price changes had a very small effect on the average concentration value.

Table 2.7 Leading U.S. merchandise imports[a] from covered CBERA countries, 2000–07

HTS chapter	Description	2000	2001	2002	2003	2004	2005	2006	2007
		(*1,000 dollars*)							
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	3,128,861	2,756,331	2,894,752	4,740,938	6,528,936	9,643,058	9,578,640	9,355,594
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	461,135	522,861	438,862	856,143	1,044,772	1,407,105	1,342,769	1,648,505
29	Organic chemicals	489,077	453,736	332,924	449,299	564,134	852,290	1,228,091	1,185,178
61	Articles of apparel and clothing accessories, knitted or crocheted	464,695	371,736	307,575	365,374	384,104	426,052	459,695	444,830
72	Iron and steel	90,271	119,692	145,859	91,166	249,642	125,742	169,535	423,488
22	Beverages, spirits and vinegar	76,445	80,905	88,137	107,800	111,000	163,460	292,307	361,287
03	Fish and crustaceans, molluscs and other aquatic invertebrates	307,644	305,793	283,495	320,248	287,984	276,497	285,856	264,451
31	Fertilizers	35,793	51,959	48,850	73,603	84,732	126,346	93,893	175,139
26	Ores, slag and ash	69,950	112,656	87,982	90,206	85,708	116,292	104,828	148,761
39	Plastics and articles thereof	59,790	73,995	70,659	91,629	99,307	125,110	137,764	147,722
	Total of above	5,183,661	4,849,665	4,699,095	7,186,405	9,440,317	13,261,952	13,693,378	14,154,955
	All other	1,180,770	895,946	915,966	998,177	1,064,611	1,246,574	1,272,101	1,168,503
	Grand total	6,364,431	5,745,611	5,615,061	8,184,582	10,504,929	14,508,526	14,965,478	15,323,458
		Share of total (*percent*)							
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	49.2	48.0	51.6	57.9	62.2	66.5	64.0	61.1
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	7.2	9.1	7.8	10.5	9.9	9.7	9.0	10.8
29	Organic chemicals	7.7	7.9	5.9	5.5	5.4	5.9	8.2	7.7
61	Articles of apparel and clothing accessories, knitted or crocheted	7.3	6.5	5.5	4.5	3.7	2.9	3.1	2.9
72	Iron and steel	1.4	2.1	2.6	1.1	2.4	0.9	1.1	2.8
22	Beverages, spirits and vinegar	1.2	1.4	1.6	1.3	1.1	1.1	2.0	2.4
03	Fish and crustaceans, molluscs and other aquatic invertebrates	4.8	5.3	5.0	3.9	2.7	1.9	1.9	1.7
31	Fertilizers	0.6	0.9	0.9	0.9	0.8	0.9	0.6	1.1
26	Ores, slag and ash	1.1	2.0	1.6	1.1	0.8	0.8	0.7	1.0
39	Plastics and articles thereof	0.9	1.3	1.3	1.1	0.9	0.9	0.9	1.0
	Total of above	81.4	84.4	83.7	87.8	89.9	91.4	91.5	92.4
	All other	18.6	15.6	16.3	12.2	10.1	8.6	8.5	7.6
	Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Imports for consumption, c.i.f. value.

Table 2.8 U.S. merchandise exports[a] to covered CBERA countries, 2000–07

Country	2000	2001	2002	2003	2004	2005	2006	2007
				(*1,000 dollars*)				
Panama	1,501,429	1,222,878	1,298,957	1,699,707	1,642,680	1,981,901	2,523,583	3,492,370
Bahamas	1,026,584	913,223	936,655	1,029,003	1,121,385	1,703,415	2,224,494	2,422,848
Jamaica	1,339,061	1,351,583	1,357,752	1,396,994	1,320,601	1,595,603	1,944,363	2,236,740
Netherlands Antilles	614,701	763,263	664,855	666,712	717,519	974,757	1,324,390	1,897,023
Trinidad and Tobago	1,072,883	1,053,562	984,448	997,598	1,150,507	1,366,455	1,511,554	1,679,129
Haiti	562,520	541,930	571,124	626,688	649,940	674,740	772,888	696,216
Aruba	269,566	263,142	442,579	317,671	338,508	502,417	481,901	492,534
Barbados	282,195	266,402	248,164	275,256	303,094	355,152	402,185	418,274
Antigua	130,911	88,816	75,025	119,206	114,000	180,434	180,391	230,805
Belize	204,320	165,914	129,930	189,499	143,683	209,821	229,994	227,913
Guyana	154,090	137,511	125,704	112,756	129,556	166,503	171,584	178,895
British Virgin Islands	58,837	67,655	60,505	63,445	90,875	114,805	206,943	161,583
St. Lucia	97,864	82,320	91,501	114,709	92,637	124,964	142,904	155,335
St Kitts and Nevis	53,295	44,379	47,755	56,974	55,938	86,622	121,662	103,372
Dominica	35,470	29,393	37,777	30,761	32,287	59,207	65,238	81,640
Grenada	76,443	57,378	54,325	63,383	66,196	78,933	72,479	80,537
St. Vincent and the Grenadines	35,808	37,365	38,961	44,642	43,794	43,913	55,557	66,816
Montserrat	9,807	5,735	4,844	6,946	5,628	4,334	13,643	3,985
Grand Total	7,525,785	7,092,447	7,170,861	7,811,950	8,018,832	10,223,977	12,445,753	14,626,017
				Share of total (*percent*)				
Panama	20.0	17.2	18.1	21.8	20.5	19.4	20.3	23.9
Bahamas	13.6	12.9	13.1	13.2	14.0	16.7	17.9	16.6
Jamaica	17.8	19.1	18.9	17.9	16.5	15.6	15.6	15.3
Netherlands Antilles	8.2	10.8	9.3	8.5	8.9	9.5	10.6	13.0
Trinidad and Tobago	14.3	14.9	13.7	12.8	14.3	13.4	12.1	11.5
Haiti	7.5	7.6	8.0	8.0	8.1	6.6	6.2	4.8
Aruba	3.6	3.7	6.2	4.1	4.2	4.9	3.9	3.4
Barbados	3.7	3.8	3.5	3.5	3.8	3.5	3.2	2.9
Antigua	1.7	1.3	1.0	1.5	1.4	1.8	1.4	1.6
Belize	2.7	2.3	1.8	2.4	1.8	2.1	1.8	1.6
Guyana	2.0	1.9	1.8	1.4	1.6	1.6	1.4	1.2
British Virgin Islands	0.8	1.0	0.8	0.8	1.1	1.1	1.7	1.1
St. Lucia	1.3	1.2	1.3	1.5	1.2	1.2	1.1	1.1
St Kitts and Nevis	0.7	0.6	0.7	0.7	0.7	0.8	1.0	0.7
Dominica	0.5	0.4	0.5	0.4	0.4	0.6	0.5	0.6
Grenada	1.0	0.8	0.8	0.8	0.8	0.8	0.6	0.6
St. Vincent and the Grenadines	0.5	0.5	0.5	0.6	0.5	0.4	0.4	0.5
Montserrat	0.1	0.1	0.1	0.1	0.1	([b])	0.1	([b])
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Domestic exports, f.a.s. value.
[b] Less than 0.05 percent.

Table 2.9 Leading U.S. merchandise exports[a] to covered CBERA countries, 2000–07

HTS chapter	Description	2000	2001	2002	2003	2004	2005	2006	2007
					(*1,000 dollars*)				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	685,734	659,974	787,208	1,232,985	1,302,266	1,982,391	2,755,595	3,909,265
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	987,274	1,116,580	931,335	989,599	927,251	1,246,702	1,434,761	1,612,700
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	558,050	628,034	546,725	604,472	595,695	678,193	934,822	905,749
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	197,924	223,935	320,495	353,968	384,142	558,316	614,578	620,591
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	308,525	236,359	234,754	241,177	241,951	310,826	409,402	499,968
10	Cereals	244,261	237,887	264,913	303,198	323,650	335,885	372,761	474,896
39	Plastics and articles thereof	234,676	216,450	202,027	207,476	227,507	274,514	329,059	373,156
88	Aircraft, spacecraft, and parts thereof	524,615	110,006	372,882	300,779	259,753	257,671	329,734	315,584
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	121,704	153,354	143,594	143,547	158,350	197,138	250,206	280,257
73	Articles of iron and steel	127,639	166,550	164,483	139,779	171,567	229,150	272,509	277,535
	Total of above	3,990,402	3,749,129	3,968,417	4,516,979	4,592,132	6,070,785	7,703,427	9,269,701
	All other	3,535,383	3,343,317	3,202,443	3,294,971	3,426,699	4,153,191	4,742,327	5,356,316
	Grand total	7,525,785	7,092,447	7,170,861	7,811,950	8,018,832	10,223,977	12,445,753	14,626,017
					Share of total (*percent*)				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	9.1	9.3	11.0	15.8	16.2	19.4	22.1	26.7
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	13.1	15.7	13.0	12.7	11.6	12.2	11.5	11.0
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	7.4	8.9	7.6	7.7	7.4	6.6	7.5	6.2
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2.6	3.2	4.5	4.5	4.8	5.5	4.9	4.2
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	4.1	3.3	3.3	3.1	3.0	3.0	3.3	3.4
10	Cereals	3.2	3.4	3.7	3.9	4.0	3.3	3.0	3.2
39	Plastics and articles thereof	3.1	3.1	2.8	2.7	2.8	2.7	2.6	2.6
88	Aircraft, spacecraft, and parts thereof	7.0	1.6	5.2	3.9	3.2	2.5	2.6	2.2
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1.6	2.2	2.0	1.8	2.0	1.9	2.0	1.9
73	Articles of iron and steel	1.7	2.3	2.3	1.8	2.1	2.2	2.2	1.9
	Total of above	53.0	52.9	55.3	57.8	57.3	59.4	61.9	63.4
	All other	47.0	47.1	44.7	42.2	42.7	40.6	38.1	36.6
	Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Domestic exports, f.a.s. value.

covered in this report on average have higher per-capita incomes than the average developing country, these Caribbean countries appear to be less diversified than countries with similar per-capita incomes. There is considerable variation in export diversity among these Caribbean countries. Barbados is the most diverse, with a concentration index value of 0.27, while Jamaica and the very small countries of Antigua and Barbuda and the Netherlands Antilles have the least diverse exports, with index values above 0.6. Trinidad and Tobago, while not concentrated according to the index value of 0.38, is not well diversified outside of the energy sector.[35] Guyana, with an index value of 0.32, is somewhat more diverse than the Caribbean average. An example of industry and export diversification in the case of Demerara Distillers of Guyana is provided in box 2.2.

Box 2.2 Rum Industry in Guyana: Expanding Through Variety

Demerara Distillers (DDL), a diversified international company headquartered in Georgetown, Guyana, is a global supplier of premium and bulk rum, and one of Guyana's and the region's leading businesses. The company has its roots in the 17th century when Guyana's 200 sugar plantations each had small distilleries. Over the years, Guyana's rum production consolidated into a single large producer, DDL, which was incorporated in 1952. DDL's core business is its premium brand rum, El Dorado, which is widely marketed in the region and internationally. The company is also the largest supplier of bulk rum to North America and Europe. In addition, DDL is now a leading regional producer of carbonated beverages, fruit juices, and mineral water. Other company operations include distribution, warehousing, shipping, and seafood processing. DDL has subsidiary distribution companies in North America, Europe, the Caribbean, and India, as well as distribution arrangements in Asia.

DDL's success is based on the development of higher value-added products and the expansion of operations from its primary rum business. Long a supplier of bulk rum to developed markets, DDL launched its premium and superpremium branded rum in 1993, which has steadily gained international market share and quality awards. Building on its expertise in spirits marketing, DDL entered into agreements to bottle and distribute international spirits products such as Dekuypers liqueurs and Scotch whisky throughout the Caribbean. DDL also has expanded into nonalcoholic beverages. The company manufactures and distributes PepsiCo products including Pepsi, Mountain Dew, Gatorade, and Tropicana brands for the Guyana market and for export to regional markets. DDL's subsidiary, Demerara Services, Ltd., is a regional distributor for several multinational consumer products companies, including Johnson & Johnson, Colgate Palmolive, and Nestlé products. Entering such agreements has enabled DDL to develop and strengthen its production and marketing capabilities to international standards.

DDL also assists Guyana fruit farmers, who are the primary suppliers to its subsidiary, Topco, a manufacturer of pasteurized packaged fruit juice. To ensure a reliable supply of domestically produced fruit, DDL entered into an agreement with an international microfinance institution, Institute of Private Enterprise Development (IPED), in 2002, whereby IPED provided financing to Guyana fruit producers, primarily small-scale low-income farmers, to expand and shift production to meet Topco's sourcing requirements. In exchange, Topco guaranteed a market for the increased and diversified fruit production. Consequently, fruit output doubled by 2005, enabling Topco to expand production to become a leading regional supplier of packaged fruit juice.

Sources: Demerara Distillers, Ltd. *Annual Report, 2003* (latest available); Demerara Distillers, Ltd. company Web site *http://www.demrum.com* (accessed March 4, 2008); Arthur Lok Jack, "Demerara Distillers, Ltd.," Graduate School of Business, The University of the West Indies, Trinidad, Case Studies. 2005;"El Dorado Spirit Brands Are the Major Success Story of D.D.L and Guyana," *International Reports*, Guyana, 2006. *http://www.internationalreports.net*.

[35] Rojas-Suarez and Elias note that the energy sector in Trinidad and Tobago accounts for more than 80 percent of exported goods (Rojas-Suarez and Elias, 2006). Trinidad and Tobago's measured export concentration has risen in recent years, at least partly due to the large increase in energy prices relative to prices of other goods exported by Trinidad and Tobago, which has increased the value share of the energy sector in their exports. The concentration index was 0.32 in 2001, when energy prices were considerably lower.

Extent of Utilization of CBERA Preferences

The share of U.S. imports from covered CBERA countries that entered under CBERA preferences (original CBERA and CBTPA combined)[36] rose considerably in the first full year after CBTPA went into effect in late 2000 (table 2.10). CBTPA expanded CBERA to include apparel and petroleum, petroleum products, and certain other products, causing the CBERA utilization rate to increase from 11.6 percent in 2000 to 25.1 percent in 2001. A substantial portion of U.S. imports from covered CBERA countries has always entered free of duty under NTR (MFN) provisions[37] (also shown in table 2.10). That share has generally risen as Trinidad and Tobago has increased its exports of natural gas and natural gas derivatives, several of which are imported into the United States free of duty under NTR provisions.[38] Of the 25 percent to 30 percent of total imports from the covered countries that does not enter free of duty, over 95 percent consists of refined petroleum products from countries that are not CBTPA beneficiaries, mainly Aruba and the Netherlands Antilles.

The share of U.S. imports entered under CBERA preferences varies greatly by country depending mainly on whether the country is a CBTPA beneficiary and on the product mix the country exports to the United States (table 2.11). Haiti stands out with an 88.3 share of imports under CBERA in 2007, based mainly on its exports of apparel under CBTPA. U.S. imports of apparel from the covered countries are overwhelmingly dominated by Haiti, which accounted for nearly 90 percent of such imports in 2007 (table 2.12). Jamaica and Belize account for an additional 9 percent. Total U.S. imports of apparel from Jamaica in 2007 represented only 14 percent of the 2000 value, when such imports accounted for over 46 percent of U.S. apparel imports from the covered countries.

The share of U.S. imports of apparel entered under CBERA provisions has risen steadily over the years during which CBTPA has been in effect (table 2.13). The share for Haiti rose to 93 percent in 2007 and the shares for both Jamaica and Belize have risen to around 98 percent. The share entered under CBERA in 2000 was low because CBTPA went into effect in October 2000 and no imports were entered under CBTPA until December.

Tourism and Financial Services as Important Region-Wide Sectors

The tourism and financial services industries have a widespread and long-standing presence in the region. They represent well-established industries for some countries, and potential industries for others. Even for those countries with established services industries, these services sectors represent areas within which governments are attempting to diversify, adding innovative and nontraditional components to the tourism and financial services sectors. Overviews of these industries are presented below.

---

[36] The CBERA utilization rate.

[37] This is nondiscriminatory tariff treatment, which is commonly and historically called "most-favored-nation" (MFN) status and is referred to as Normal Trade Relations (NTR) status in the United States.

[38] See the country profile in chap. 4 of this report for additional information on Trinidad and Tobago.

Table 2.10 U.S. imports from covered CBERA countries, and CBERA and NTR utilization rates, 1997-2007

Year	Imports under CBERA	Total imports	Share under CBERA	Share NTR (MFN) duty-free
	----------(*1,000 dollars*)--------		--------(*Percent*)--------	
1997	626,139	4,124,735	15.2	37.3
1998	594,650	3,683,869	16.1	38.0
1999	608,420	4,370,692	13.9	40.6
2000	738,874	6,364,431	11.6	39.3
2001	1,441,604	5,745,611	25.1	40.2
2002	1,878,482	5,615,061	33.5	39.2
2003	2,142,797	8,184,582	26.2	49.9
2004	2,420,418	10,504,929	23.0	51.0
2005	3,621,541	14,508,526	25.0	44.7
2006	4,773,197	14,965,478	31.9	41.0
2007	3,942,776	15,323,458	25.7	46.1

Source: Compiled from official statistics of the U.S. Department of Commerce; and computations by USITC staff.

Note: See table D.1 for definition of utilization rate.

Table 2.11 CBERA utilization rates, by country, 2000-07

Country	2000	2001	2002	2003	2004	2005	2006	2007
				(*Percent*)				
Antigua and Barbuda	0.2	4.6	1.7	1.5	1.2	0.9	0.5	1.6
Aruba	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
Bahamas	26.3	23.7	15.1	18.2	14.3	15.7	28.1	34.1
Barbados	27.4	30.8	36.6	16.8	10.4	13.0	15.3	19.5
Belize	36.8	50.2	58.7	41.9	42.8	56.8	50.9	64.4
British Virgin Islands	0.1	0.2	0.3	0.8	1.8	0.7	0.9	0.2
Dominica	2.9	1.6	7.2	45.2	12.9	2.8	2.3	2.7
Grenada	61.1	32.8	0.5	([a])	0.2	0.2	1.2	0.3
Guyana	13.4	19.2	20.8	15.5	17.1	5.5	3.9	7.7
Haiti	9.4	60.4	69.4	63.3	58.9	67.8	76.4	88.0
Jamaica	14.6	43.2	51.0	42.8	52.8	43.4	51.6	34.6
Montserrat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands Antilles	0.5	1.2	0.8	0.4	1.2	0.7	0.2	0.5
Panama	15.1	15.6	15.1	14.8	11.7	13.9	11.2	10.0
St. Kitts-Nevis	75.2	71.8	56.6	58.0	71.1	50.9	49.6	30.9
St. Lucia	33.9	23.8	42.3	41.5	40.5	10.0	18.9	34.6
St. Vincent and the Grenadines	22.4	9.8	33.2	61.0	70.4	3.6	11.6	21.2
Trinidad and Tobago	15.5	31.4	46.9	31.9	28.3	34.9	43.3	31.8

Source: USITC calculations.

Note: See table D.1 for definition of utilization rate.

[a] Less than 0.05 percent.

Table 2.12 U.S. imports of apparel from covered CBERA countries, c.i.f. value, 2000–07

Country	2000	2001	2002	2003	2004	2005	2006	2007
				(*1,000 dollars*)				
Haiti	262,963	237,055	225,128	300,889	334,294	414,706	457,793	460,492
Jamaica	270,056	189,507	125,727	106,860	86,692	57,228	49,479	37,112
Belize	18,535	15,613	14,782	16,247	18,776	17,664	19,217	10,394
Guyana	11,241	10,497	10,846	8,611	7,547	5,872	4,933	4,752
Panama	4,352	3,573	3,033	2,723	1,731	2,535	1,977	2,015
St. Lucia	5,671	5,829	4,240	2,846	2,389	313	184	303
Dominica	83	12	21	10	85	12	26	153
Trinidad and Tobago	2,492	2,279	1,444	913	992	857	305	125
Barbados	4,688	2,113	447	228	161	152	132	85
St. Kitts and Nevis	2,134	2,191	1,705	600	6	8	37	60
Netherlands Antilles	32	53	30	142	90	233	104	47
Bahamas	4	13	6	9	24	97	26	20
Antigua	1	5	4	1	1	29	14	13
British Virgin Islands	63	3	217	199	37	49	79	5
Grenada	0	0	1	0	1	0	1	2
Aruba	1	4	1	5	2	2	3	1
St. Vincent and the Grenadines	39	114	10	2	31	1	1	0
Montserrat	7	18	21	1	98	2	1	0
Grand total	582,362	468,877	387,662	440,286	452,955	499,761	534,313	515,577
				Share of total (*percent*)				
Haiti	45.2	50.6	58.1	68.3	73.8	83.0	85.7	89.3
Jamaica	46.4	40.4	32.4	24.3	19.1	11.5	9.3	7.2
Belize	3.2	3.3	3.8	3.7	4.1	3.5	3.6	2.0
Guyana	1.9	2.2	2.8	2.0	1.7	1.2	0.9	0.9
Panama	0.7	0.8	0.8	0.6	0.4	0.5	0.4	0.4
St. Lucia	1.0	1.2	1.1	0.6	0.5	0.1	([a])	0.1
Dominica	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
Trinidad and Tobago	0.4	0.5	0.4	0.2	0.2	0.2	0.1	([a])
Barbados	0.8	0.5	0.1	0.1	([a])	([a])	([a])	([a])
St. Kitts and Nevis	0.4	0.5	0.4	0.1	([a])	([a])	([a])	([a])
Netherlands Antilles	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
Bahamas	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
Antigua	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
British Virgin Islands	([a])	([a])	0.1	([a])	([a])	([a])	([a])	([a])
Grenada	0.0	0.0	([a])	0.0	([a])	0.0	([a])	([a])
Aruba	([a])	([a])	([a])	([a])	([a])	([a])	([a])	([a])
St. Vincent and the Grenadines	([a])	([a])	([a])	([a])	([a])	([a])	([a])	0.0
Montserrat	([a])	([a])	([a])	([a])	([a])	([a])	([a])	0.0
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Less than 0.05 percent.

Table 2.13 U.S. imports of apparel (c.i.f. value) from covered CBERA countries, ratio of imports under CBERA preferences to total imports of apparel, selected countries and total, 2000–07

Country	2000	2001	2002	2003	2004	2005	2006	2007
				(*Percent*)				
Haiti	2.5	62.8	73.2	67.8	63.2	70.6	80.9	92.9
Jamaica	1.0	59.1	88.5	87.0	85.9	92.5	96.0	98.3
Belize	0.0	71.3	87.0	85.7	79.1	85.3	89.1	97.7
All countries	1.9	59.8	76.8	72.5	68.2	73.6	82.5	93.0

Source: USITC computation from official statistics of the U.S. Department of Commerce.

The Contribution of Tourism to CBERA Countries

Many CBERA countries have developed large tourism industries owing to their year-round warm climates, beaches, and natural beauty, as well as their proximity to the United States, the world's second largest importer of tourism services (i.e., supplier of tourists).[39] In CBERA countries with highly developed tourism industries, tourism services exports often account for a large percentage of GDP. The value of tourism exports is measured by the total expenditures of foreign visitors irrespective of purpose of visit, be it leisure, business, or other activities.[40] The World Travel and Tourism Council (WTTC) estimates of tourism's overall contribution to GDP in CBERA countries in 2007 vary from a low of 8 percent in Haiti to over 75 percent in Antigua and Barbuda (table 2.14). In general, the largest components of exported tourism services are meal and lodging expenditures. The CBERA countries also are developing several important niche areas of tourism. The British Virgin Islands and St. Vincent and the Grenadines, as discussed in the country profiles in chapter 4, have developed smaller, but highly lucrative, luxury and yacht-based tourism. Another

Table 2.14 Estimates of the percentage of GDP generated by the travel and tourism industries (both directly and indirectly) in selected CBERA countries[a]

Country	2007
Antigua and Barbuda	75.8
Aruba	70.1
Bahamas	53.6
Barbados	43.4
Belize	26.0
British Virgin Islands	42.6
Dominica	25.0
Grenada	35.2
Guyana	9.5
Haiti	7.5
Jamaica	31.1
Netherlands Antilles	21.6
Panama	12.3
St. Kitts and Nevis	33.4
St. Lucia	46.0
St. Vincent and the Grenadines	32.3
Trinidad and Tobago	17.2

Source: World Travel and Tourism Council. "Caribbean Travel and Tourism Navigating the Path Ahead". 2007.

[a] Data are not available for Montserrat.

[39] UNWTO, "Tourism Highlights, 2005 Edition," 2005. A nation imports tourism services when its citizens purchase goods and services while traveling abroad.

[40] Certain expenditures are not included as tourism exports. These include: 1) expenditures by foreign residents whose duration of stay exceeds one year, 2) expenditures on transportation between countries, 3) expenditures on health or education services, and 4) expenditures by foreign nationals who work for a domestic firm during their visit.

important trend in the region is the provision of health and medical tourism providing a range of services including day spas, alcohol and drug rehabilitation, traditional and alternative medical diagnosis and treatment, surgery and postoperative care, assisted living, and nursing care.[41] Box 2.3 provides a case study of medical tourism in Panama.

Aside from the direct contribution of tourism services exports to GDP, the tourism services industry also has significant spillover effects in many CBERA countries. Spillover effects accrue to the transportation industry, especially airlines and port services, as well as to local producers of intermediate inputs consumed by both the accommodations[42] and transportation industries. WTTC reported that additional spillover effects include government spending on tourism infrastructure, such as spending on national parks, immigration and customs bureaus, or construction of airports; consumption of accommodations and transportation services by nationals; and, in certain limited circumstances, some spending on intra-regional tourism by residents of Caribbean countries.[43]

According to the WTTC, the direct and indirect effects of the global travel and tourism industry account for slightly more than 10 percent of global GDP.[44] Of the 17 CBERA countries for which data are available, every economy except Haiti and Guyana is more dependent on the travel and tourism industries as a generator of economic activity than the global average.

---

[41] The Caribbean Export Development Agency (Caribbean Export) and Trade Facilitation Office Canada (TFO Canada) hosted a "Caribbean Health & Wellness Tourism" conference in Bridgetown, Barbados on April 1–2, 2008. The conference drew leaders from Canada and 10 Caribbean nations, and explored ways for Caribbean countries to develop Caribbean health and wellness services for use by North American consumers. "Caribbean & Canada To Advance Medical Tourism Opportunities for North American Patients," *Travel Daily News*, *http://www.traveldailynews.com/pages/show_page/25274* accessed April 14, 2008. Similar recent events include the "Caribbean Health Tourism & Spa Symposium" held in May 2007 in Kingston, Jamaica, and the "Alternative Health & Wellness Conference" hosted by the IDB in Washington, D.C. in May 2006. Caribbean Health Tourism Team, "The Caribbean Health Tourism & Spa Symposium 2007," *http://www.caribbeanhealthtourism.com/* accessed April 14, 2008.

[42] Examples of suppliers to the accommodations industry include wholesalers, particularly of food products (as well as the producers of those food products); the construction industry; the energy industry; and business services providers, such as accounting firms.

[43] WTTC, "The Caribbean: The Impact of Travel and Tourism on Jobs and the Economy," May 25, 2004, 31.

[44] WTTC, "Caribbean Travel and Tourism Navigating the Path Ahead," March 8, 2007, 24.

Box 2.3 Medical Tourism in Panama: Diversification into High-Skilled, High Value-Added Services

Panama's private health-care sector is promoting reasonably priced, quality care in an effort to capture part of the rapidly growing medical tourism industry. Medical tourism is travel by individuals, either domestically or internationally, to receive medical treatment. Medical tourism typically occurs because medical treatment is unavailable, more expensive, or requires long waiting periods in a patient's home market.[1] The global medical tourism industry grossed $60 billion in 2006 and is projected to grow to $100 billion by 2012.[2] Panama's increasing popularity as a medical tourism destination has led to the development of medical tourism companies that help direct patients to Panama's four private hospitals. These companies coordinate patients' medical and travel arrangements, providing a combination of services, including physician referrals, transportation, and accommodations. Panama's industry benefits from geographic proximity—only three to five hours travel from major U.S. cities—coupled with a growing U.S. "Latino population [willing to] travel [to the Caribbean/South America] for health care."[3] Industry representatives forecast continued industry growth, suggesting the country's proximity coupled with a relaxed legal environment may position Panama as a favorable location for surrogate pregnancies—a specialty service currently experiencing high global demand.[4]

Panama City's Hospital Punta Pacifica is marketing itself as Panama's top medical tourism provider.[5] The hospital is a joint venture between U.S.-based Johns Hopkins Medicine International (JHMI) and a group of Panamanian medical and business interests.[6] The partnership was formed in 2001, and a new state-of-the-art facility opened in 2006. Hospital Punta Pacifica provides a wide range of services, from cardiology and orthopedics to an executive health program, which offers a range of comprehensive medical examinations specifically targeted toward medical tourists.

Industry sources indicate that the promotion of medical tourism at Hospital Punta Pacifica has been supported by two primary factors—Panama's liberal trade environment and the institution's adherence to quality care. The health-care industry faces few barriers,[7] facilitating foreign trade and investment. This has allowed Hospital Punta Pacifica to form an affiliation with JHMI, a "brand" with which patients are familiar, and permits staff to continue to consult Johns Hopkins doctors on matters such as best practices and patient safety, and participate in continuing education programs. To further develop consumer confidence established by the affiliation with JHMI, Hospital Punta Pacifica also aims for a high level of industry expertise in its institution. The majority of doctors employed by the hospital are either trained in the United States or have international certification. Hospital Punta Pacifica is pursuing accreditation by the Joint Commission International (JCI), an independent body providing a voluntary certification process endorsed by the World Health Organization as a measure of quality control. It will be the first Panamanian hospital and among the first in the Caribbean region to receive JCI accreditation.[8] The high standards indicated by JHMI involvement and JCI accreditation are desirable qualities for U.S. medical tourism companies, such as PlanetHospital, a medical tourism company, which now includes Hospital Punta Pacifica in its worldwide network of hospitals.

Sources: Devon M. Herrick, "Medical Tourism: Global Competition in Health Care," National Center for Policy Analysis, Policy Report No. 304, November 2007, *http://www.ncpa.org/pub/st/st304/st304.pdf*; Hospital Punta Pacifica, "Our History and Mission," *http://www.hospitalpuntapacifica.com* (accessed February 12, 2008); International Executive Service Corps, "New Hospital Joint Venture is IESC Legacy (April 18)," IESC, 2006; Johns Hopkins International, "World Healthcare, Education, Research," *http://www.jhintl.net* (accessed February 22, 2008); Joint Commission International Web site, *http://www.jointcommissioninternational.org* (accessed March 4, 2008); *Medical News Today,* "PlanetHospital Strengthens Leadership in Medical Tourism with Expansion into Panama and Costa Rica." August 2, 2006; United Nations. Economic and Social Commission for Asia and the Pacific (ESCAP), *Medical Travel in Asia and the Pacific: Challenges and Opportunities,"* Undated (accessed February 14, 2008), *http://www.unescap.org/esid/hds/lastestadd/MedicalTourismReport.pdf*; USITC, Hearing transcript in connection with investigation No. 332-496, *Caribbean Region: Review of Economic Growth and Development*. January 29, 2008; World Bank, *A Time to Choose: Caribbean Development in the 21st Century,* Report No. 31725-LAC, April 7, 2005.

[1] Medical travel is often referred to as medical tourism, particularly when medical travel is combined with other activities in tourist destinations, and the term is usually specific to travel from developed to developing economies. The term medical tourism is used in this section, because of its prevalent usage in referring to the Caribbean region's medical travel industry.
[2] Estimate by consulting firm McKinsey and Company.
[3] Industry officials, e-mail messages to Commission staff, February 12, 2008.
[4] Industry officials, e-mail messages to Commission staff, February 19, 2008.
[5] Industry official, telephone interview by Commission staff, February 11, 2008.
[6] JHMI is the international branch within Johns Hopkins Medicine that coordinates care for international patients, as well as provides consulting, development, education, and management services to the international medical community. JHMI is based in Baltimore, MD.
[7] In hearing testimony, the lack of portability of health insurance was cited as a major obstacle to development of the overall Caribbean healthcare industry. USITC hearing transcript, January 29, 2008, 18.
[8] Currently, three facilities in the region have received JCI accreditation—two hospitals and one clinical laboratory.

Tourism as a Share of GDP

In 2005, in the 14 CBERA countries for which data are available (table 2.15), tourism exports as a share of total GDP ranged from a low of 2 percent for Haiti to more than 40 percent in St. Lucia. In aggregate, tourism services exports accounted for 12 percent of total

GDP in CBERA countries. When the two largest regional economies (Panama and Trinidad and Tobago) are excluded, however, tourism services exports accounted for 21 percent of the total GDP.

CBERA countries' reliance on tourism-related industries makes these countries especially sensitive to external shocks, such as the terrorist attacks on the United States that occurred on September 11, 2001, or global economic shocks.[45] As a consequence of reduced travel by U.S. residents after the attack, tourism services exports in the CBERA countries fell by 4 percent in 2001[46] and did not surpass levels reached in 2000 until 2003. The reduction in tourism services exports reduced GDP growth in many of these countries. Of the 14 CBERA countries for which GDP data are readily available,[47] six countries (Barbados, Dominica, Grenada, Guyana, Haiti, and St. Lucia) experienced a decline in overall GDP in 2001. GDP continued to fall in Barbados and Dominica during 2002.

Tourism Exports

From 2000 through 2005, average annual growth of tourism services exports in about one-half of the CBERA countries was between 3 to 6 percent (table 2.16).[48] These rates are below the 7 percent average annual growth in global tourism services exports from 2000 through 2005.

In contrast to the overall trend, four countries—Belize, Panama, St. Kitts and Nevis, and Trinidad and Tobago—experienced rapid growth in tourism services exports while another four—Grenada, Guyana, Haiti, and Montserrat—experienced little or negative growth. In three of the four countries that experienced rapid growth (Belize, Panama, and Trinidad and Tobago), tourism services exports have not traditionally accounted for more than 15

[45] The IMF estimates that the recent depreciation of the U.S. dollar versus the euro and other global currencies could lead to reduced numbers of U.S. visitors to the Caribbean, but that any adverse economic effects for the Caribbean tourism industry could be mitigated by increased tourist arrivals from Europe. IMF, *World Economic and Financial Surveys: Regional Economic Outlook, Western Hemisphere*, April 2008, 16.

[46] IMF, Balance of Payments Statistics Database. Data not available for the British Virgin Islands.

[47] GDP data are not readily available for Aruba, the British Virgin Islands, Montserrat, and the Netherlands Antilles.

[48] UNWTO, *Yearbook of Tourism Statistics, Statistical Data in Excel Format*, September 28, 2006; and IMF, Balance of Payments Statistics Database, February 2008 edition. The nine CBERA countries falling within this range were Antigua and Barbuda, Aruba, The Bahamas, Barbados, Dominica, Jamaica, the Netherlands Antilles, St. Lucia, and St. Vincent and the Grenadines. Growth in the British Virgin Islands, for which IMF data are unavailable, was also likely within this range.

Table 2.15 Tourism services exports as a percentage of GDP for selected CBERA countries[a]

Country	2005
Antigua and Barbuda	38.5
Bahamas	34.6
Barbados	29.0
Belize	18.4
Dominica	23.1
Grenada	14.0
Guyana	4.3
Haiti	2.0
Jamaica	16.4
Panama	5.0
St. Kitts and Nevis	25.2
St. Lucia	40.5
St. Vincent and the Grenadines	24.4
Trinidad and Tobago	3.0

Sources: IMF, Balance of Payment Statistics Database, February 2008 edition and IMF, World Economic Outlook Database, October 2007.

[a] Data are not available for Aruba, the British Virgin Islands, Montserrat, and the Netherlands Antilles.

Table 2.16 Tourism exports for selected CBERA countries,[a] 2000–05

Country	2000	2001	2002	2003	2004	2005	Average annual growth rate (*percent*)
	(*Million dollars*)						
Antigua and Barbuda	290.5	272.1	273.8	299.8	337.7	335.0	2.9
Aruba	814.7	822.0	833.9	858.9	1,056.5	1,093.9	6.1
Bahamas	1,738.0	1,647.7	1,759.8	1,757.4	1,884.5	2,071.8	3.6
Barbados	723.0	697.2	657.9	757.8	775.5	896.8	4.4
Belize	110.7	111.1	121.5	149.7	168.1	204.2	13.0
Dominica	48.2	46.4	45.7	52.3	60.6	55.6	2.9
Grenada	92.5	83.5	91.5	103.7	83.5	71.4	-5.0
Guyana	75.1	60.5	49.3	25.8	27.1	35.1	-14.1
Haiti	128.0	105.0	108.0	95.6	86.8	79.5	-9.1
Jamaica	1,332.6	1,232.2	1,208.7	1,355.1	1,438.0	1,545.2	3.0
Montserrat	9.0	8.5	8.7	7.3	9.2	9.0	0.1
Netherlands Antilles	760.2	750.9	771.0	845.5	918.9	956.3	4.7
Panama	457.8	477.1	513.0	584.6	651.0	779.8	11.2
St. Kitts and Nevis	58.4	61.9	57.1	75.3	102.6	110.2	13.5
St. Lucia	280.5	233.0	210.0	282.1	325.7	356.0	4.9
St. Vincent and the Grenadines	82.3	89.0	91.0	91.2	95.6	105.1	5.0
Trinidad and Tobago	212.8	200.9	242.0	248.9	341.5	453.0	16.3

Source: IMF Balance of Payment Statistics Database, February 2008 edition.

[a] Data are not available for the British Virgin Islands.

percent of GDP; this low figure contrasts with the majority of CBERA countries where tourism is the largest industry. Moreover, in two of these countries, Panama and Trinidad and Tobago, the growth in tourism services exports was primarily in business travel, rather than leisure travel, which is the traditional tourism base in these countries. Grenada and Montserrat saw below average growth in tourism exports following natural disasters, while two, Haiti and Guyana, experienced civil disorder that discouraged tourist visits.

Financial Services in CBERA Countries

The development of a strong financial services sector has long been the objective of many Caribbean countries. With limited natural resources and sometimes unpredictable tourism trends, many countries in the region view the cultivation of a competitive financial services industry as an avenue toward economic diversification. In countries such as Barbados and The Bahamas, where banking has been a mainstay of economic activity for several years, the financial services industry is considered a lead economic driver. In some of the smaller Caribbean markets, such as St. Kitts and Nevis, governments are pursuing policies that would bolster the sector.[49]

Caribbean financial markets generally follow a trend common in many emerging economies. As financial markets develop and firms gain access to increased capital, costs of borrowing decline, which allows for greater business and investment opportunities in the local economy. Small- and medium-size enterprises, which typically lack access to affordable capital where financial markets are immature, tend to benefit as a result. Further, strong financial markets help protect countries from excessive economic fluctuations, an important factor for economies vulnerable to cyclical trends as are those in the Caribbean.[50]

A wide range of financial services—such as offshore banking, funds transfer (remittances), asset management, merchant banking, and trust management, among others—are available throughout the region. Antigua and Barbuda is promoting the development of an Internet-based gaming (gambling) industry. In a number of countries, such as Trinidad and Tobago, banks that were initially established solely to provide trade financing evolved into full-service retail and commercial operations. As local financial markets have become increasingly sophisticated and profitable, they have drawn interest from global firms eyeing the potential for new market growth in the region. A number of multinational firms, such as Citibank and HSBC, have operations in several Caribbean markets. Further, banks of local origin, such as Trinidad and Tobago-based RBTT and Barbados-based FirstCaribbean, have expanded their businesses into neighboring countries and have established themselves as major players in the region. Box 2.4 provides a case study of RBTT.

The Caribbean is often associated with offshore banking, an activity in which entities in a certain country provide deposit taking, lending, and other banking services to non-residents.[51] Offshore financial centers are characterized by an absence of corporate and personal income taxes, minimal controls on exchanges between nonresidents, and proximity

---

[49] Hearing transcript, testimony before the Commission, January 29, 2008, 37.

[50] World Bank, *Access to Financial Services in Brazil*, 2005, 2.

[51] IMF, "Offshore Financial Centers," IMF background paper, June 23, 2000, *http://www.imf.org/external/np/mae/oshore/2000/eng/back.htm#II* (accessed March 27, 2008).

Box 2.4 Financial Services in Trinidad and Tobago: Leveraging the Regional Market to Succeed

RBTT (formerly the Royal Bank of Trinidad and Tobago) is one of the leading banks in Trinidad and Tobago, registering $7.6 billion in assets in 2007. It is among the largest financial services firms in the Caribbean region with more than 100 branches and offices in 12 countries throughout the region.[1] The company provides a comprehensive range of commercial and retail financial services through its multiple subsidiaries, which include a merchant bank and a trust company. RBTT was established in Trinidad and Tobago in 1902 to provide financing for thriving trade between Canada and the West Indies, though it eventually expanded to provide increasingly sophisticated banking services locally. Formerly majority-owned by Trinidad and Tobago nationals, RBTT was purchased in 2007 by the Royal Bank of Canada for $2.2 billion, reflecting the firm's strategic importance in the region.[2]

RBTT owes much of its domestic and regional success to strong economic growth that oil- and natural-gas-rich Trinidad and Tobago has experienced since the 1970s. Increased profitability and domestic liquidity heightened demand for financial services and provided the country's banks with sufficient capital to expand their operations. In the 1990s, financial sector liberalization, telecommunications improvements, and an increasing focus on globalization spurred a consolidation trend within Trinidad and Tobago's banking sector. As the domestic market became saturated, the larger firms, including RBTT, sought market growth in neighboring countries. RBTT subsequently engaged in a series of mergers and acquisitions that significantly enlarged its regional footprint. RBTT has benefited from a general lack of interest in the Caribbean market by many of the multinational banks that have traditionally focused on larger, more profitable markets. As these firms increasingly seek new opportunities for growth, however, interest in the region is rising, as evidenced by the Royal Bank of Canada's recent acquisition of RBTT.

The Government of Trinidad and Tobago has established the goal of transforming itself into a Pan-Caribbean financial hub by 2020. To that end, the country is pursuing reforms that would further strengthen oversight of financial markets, promote greater competition within the industry, and devote resources to the improvement of technological infrastructure and workforce skills. If those policies are successful, it is likely that RBTT will continue to expand its reach throughout the region.

Sources: Central Bank of Trinidad and Tobago, *2006 Annual Economic Survey: Review of the National Economy*; EIU, *Country Profile: Trinidad and Tobago, 2007*; RBTT Financial Holdings Limited, *Annual Report 2007, http://www.rbtt.com/applicationloader.asp?app=articles&id=775*; Reuters, "RBC Buys Caribbean Bank RBTT for $2.2 Billion," October 2, 2007; Vision 2020, "Draft National Strategic Plan."

[1] In addition to its presence in Trinidad and Tobago, RBTT has operations in Antigua, Aruba, Barbados, Curacao, Grenada, Jamaica, the Netherlands Antilles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname. The bank also has a representative office in Costa Rica.

[2] Royal Bank of Canada intends to maintain the RBTT brand.

to a major market such as the United States.[52] Antigua and Barbuda, Barbados, The Bahamas, the British Virgin Islands, Panama, and St. Kitts and Nevis are some of the key participants in this segment of the financial services industry. The importance of this business sector to many Caribbean economies is reflected by net foreign assets relative to GDP. Net foreign assets are particularly dominant in The Bahamas, Panama, St. Kitts and Nevis, and Antigua and Barbuda, respectively accounting for 1,352 percent, 77 percent, 69 percent, and 65 percent relative to these countries' GDP in 2005. By comparison, for the United States, the ratio of net foreign assets to GDP was 10 percent in that same year.[53]

The Caribbean region also includes several countries that have been identified as tax havens by the Organization for Economic Cooperation and Development (OECD). Much like markets that are competitive in the offshore banking segment, tax havens provide investors with a tax-free or low-tax business environment. The OECD considers several additional factors in identifying tax havens, however, including laws that facilitate secrecy or protect

[52] Embassy of the Commonwealth of the Bahamas, written submission to the Commission, February 5, 2008, 11.

[53] World Bank, World Development Indicators, March 5, 2008.

firms from scrutiny, non-transparent administrative or legal provisions, and the lack of a provision requiring establishments to engage in substantial activities.[54]

The Financial Action Task Force, a committee of the OECD, identified a number of CBERA countries in its 1998 worldwide list of uncooperative tax havens. The effort was intended to pressure countries into strengthening financial sector regulations that would eliminate money-laundering and terrorism-financing activities in their jurisdictions. Officials from some of the countries believed their nations were unfairly included, and that their financial services industries suffered as a result.[55] All of the CBERA countries, however, were eventually removed from the list after they committed to effective information exchange and transparency.[56] Upon Panama's removal from the OECD list, a number of LAC financial institutions consolidated there as the country—which provides foreign entities with a favorable investment environment, interest rate stability, and a U.S. dollar-based economy[57]—sought to establish itself as a regional financial center. Total assets in Panama's banking sector reached $43.4 billion in 2006, compared with $37.9 billion in 2000, the year in which Panama first instituted tighter financial controls.[58] Representatives from St. Vincent and the Grenadines, Barbados, and CARICOM have expressed concern that anti-tax-haven legislation currently under consideration by the United States will again label them as uncooperative tax havens despite their being cleared by the Financial Action Task Force.[59]

With many of their citizens living and working abroad, remittances constitute a significant share of GDP in many Caribbean countries. According to one representative, the financial services sector in CBERA countries reportedly would benefit from the establishment of deposit-taking branches in the United States in order to facilitate more efficient and lower cost transfer of funds.[60] At present, most such transactions are carried out through money transfer centers such as Western Union and are subject to high fees,[61] which include both a payment to transfer the money as well as exchange rate commissions. Despite the fact that money transmittal costs to Latin America and the Caribbean decreased during 2001–2004 as a result of increased competition in this market segment, the average price of transmitting $200 to various CBERA countries from the United States in 2004 ranged from

---

[54] Organization for economic cooperation and development (OECD), *Harmful Tax Competition: An Emerging Global Issue*, 1998, 23, *http://www.oecd.org/dataoecd/33/0/1904176.pdf* (accessed March 27, 2008).

[55] Embassy of St. Vincent and the Grenadines, written submission to the Commission, February 5, 2008.

[56] OECD, "The OECD List of Unco-operative Tax Havens - A Statement by the Chair of the OECD's Committee on Fiscal Affairs, Gabriel Makhlouf," April 18, 2002, *http://www.oecd.org/document/28/0,3343,en_2649_33745_2082460_1_1_1_1,00.html* (accessed March 27, 2008).

[57] EIU, *Country Finance: Costa Rica, Nicaragua, Panama*, 2008, 75, 83.

[58] EIU, *Country Finance: Costa Rica, Nicaragua, Panama*, 2007, 68; and EIU, *Country Finance: Panama*, 2000, 7.

[59] Post hearing submissions by the Embassy of Barbados; Embassy of St. Vincent and the Grenadines; and Berliner, Corcoran & Rowe, LLP. The concerns refer to the Stop Tax Haven Abuse Act currently under consideration in Congress. U.S. Congress. Senate. *Stop Tax Haven Abuse Act*. S.681. 110th Cong., 1st sess. (February 17, 2007).

[60] Mr. Jose Manuel Insulza, Secretary General, Organization of American States, testimony before the Commission, January 29, 2008.

[61] Mr. Jose Manuel Insulza, Secretary General, Organization of American States, testimony before the Commission, January 29, 2008.

approximately 8 to 12 percent of the value of the remittance.[62] The establishment of local branches of Caribbean banks in the United States would not only eliminate such fees for customers, but would give a significant boost to the banks' deposit levels, which could then be used to finance economic development in their home countries.[63] Although Caribbean countries' investment positions in the U.S. market for depository institutions are likely very small,[64] there is some evidence that a few Caribbean banks have been able to participate in the U.S. banking sector. For example, the National Commercial Bank of Jamaica Limited accepts low-fee remittances from the United States in cooperation with Senvia Money Services and DolEx Dollar Express,[65] and in March 2008, the Bank of the Bahamas International established a wholly owned subsidiary in Florida.[66]

Ethanol Dehydration Industry

Fuel-grade ethanol was the second-leading import from the covered countries under the provisions of original CBERA in 2007. The distillation process for ethanol is able to reduce the water content to approximately 5 percent, but the product resulting from this process, hydrous ethanol, must be dehydrated to make it usable in motor fuel. U.S. imports of fuel-grade ethanol from CBERA beneficiary countries enjoy a substantial advantage over imports from other countries, such as Brazil, because of CBERA preferences. That advantage amounted to 29 percent the ethanol's value in 2007.[67] Ethanol can be distilled and dehydrated using CBERA-country feedstocks (such as sugar and molasses), but virtually all fuel-grade ethanol shipments from CBERA countries to the United States have been dehydrated from imported hydrous ethanol.[68] The ethanol dehydration industry in Jamaica dates to the early years of CBERA. In recent years, new capacity has been added in Jamaica

---

[62] Manuel Orozco, "Remittances to Latin America and the Caribbean: Issues and perspectives on Development," Report Commissioned by the Organization of American States, September 2004, 15, 17. For more information, see also Kkevin O'Neil, Migration Policy Institute, "Remittances from the United States in Context," web page, June 1, 2003, *http://www.migrationinformation.org/USfocus/print.cfm?ID=138* (accessed April 1, 2008).

[63] Mr. Jose Manuel Insulza, Secretary General, Organization of American States, testimony before the Commission, January 29, 2008; and Ms. Pamela Coke-Hamilton, Director of the Department of Trade, Tourism, and Competitiveness, Organization of American States, testimony before the Commission, January 29, 2008.

[64] In 2006, foreign direct investment by countries in the "Other Western Hemisphere" category—which includes several CBERA beneficiaries—accounted for $715 million, or less than 0.5 percent, of total foreign direct investment in the U.S. market for depository institutions. Discrete data on investment in this sector by individual CBERA countries are not available for 2006. USDOC, BEA, "Balance of Payments and Direct Investment Position Data: Foreign Direct Investment in the United States," Internet database, *http://www.bea.gov/international/ii_web/timeseries2.cfm?econtypeid=2&dirlevel1id=1&Entitytypeid=1&stepnum=1* (accessed April 2, 2008).

[65] "Senvia Offers US$5 Flat Fee for Remittances from US," *Jamaica Gleaner*, June 12, 2005, *https://secure.senvia.com/images/SMS/gleaner_061205.pdf* (accessed April 2, 2008).

[66] Llonella Gilbert, "Bank of the Bahamas International Opens Its Miami Branch," *Caribseek Caribbean News*, March 18, 2008, *http://news.caribseek.com/Global_Caribbean/article_63446.shtml* (accessed April 1, 2008).

[67] The NTR duty rate is 2.5 percent for HTS 2207.10.60 and 1.9 percent for HTS 2207.20.00, plus 54 cents per gallon on fuel-grade ethanol. Together these duties amounted to about 29 percent of the average price of $2.01 per gallon in 2007.

[68] Brent D. Yacobucci, "Ethanol Imports and the Caribbean Basin Initiative," CRS Report for Congress, Order Code RS21930
Updated March 10, 2006.

and Trinidad and Tobago (the only covered countries that produce fuel-grade ethanol) in response to large increases in demand in the United States.

The quantity of U.S. fuel-grade ethanol imported from the covered countries almost doubled from 2005 to 2006, from 46.3 million gallons to 91.5 million gallons, and increased by another 34 percent in 2007, to 122.4 million gallons. Unit values rose substantially in 2005 (28 percent) and 2006 (24 percent) before falling somewhat in 2007 (6 percent).

The increase in demand for fuel-grade ethanol in the United States stems from the phase-out of methyl tertiary butyl ether (MTBE) as an oxygenator in gasoline, and from requirements in the Energy Policy Act of 2005.[69] Further increases in demand have been spurred by the Energy Independence and Security Act of 2007.

Section 423(c) of the Tax Reform Act of 1986, as amended,[70] provides for duty-free U.S. imports of ethyl alcohol (ethanol) from U.S. insular possessions and CBERA beneficiary countries under a special provision pertaining to local feedstock requirements.[71] Under this provision, hydrous ethanol is imported by beneficiary countries, dehydrated, and exported as anhydrous ethanol to the United States under a complex tariff-rate quota (TRQ). An amount equal to 7 percent of U.S. consumption may be imported free of duty without the requirement of using local feedstocks.[72] An additional 35 million gallons may be imported free of duty subject to a local feedstock requirement of at least 30 percent, and an unlimited amount may be imported free of duty subject to a requirement of at least 50 percent local feedstocks. The TRQ operates on a first-come, first-served basis, except that El Salvador is provided a guaranteed amount under CAFTA-DR.[73] In 2008, the quota is 452.5 million gallons. Although U.S. imports under the provision have increased substantially, particularly during 2001-2007, the quota has yet to be filled.

---

[69] Ibid.

[70] 19 U.S.C. 2703 note.

[71] Feedstocks are the raw material used in the production of ethanol, such as sugarcane, molasses, and corn. The local feedstock requirement is not restricted by country but, rather, applies regionally. Ethanol produced in CBERA beneficiary countries from local feedstocks benefit from duty-free treatment under the regular CBERA provisions.

[72] The legislation specifies the amount to be the greater of 60 million gallons or 7 percent of U.S. consumption; however, the 60 million gallon threshold has been exceeded every year since 2003.

[73] Former CBERA beneficiary countries and U.S. insular possessions also participate in the TRQ. Costa Rica will also be guaranteed a minimum quota when it implements CAFTA-DR. See Appendix I, Annex 3.3 of the final text, available at *http://www.ustr.gov/assets/Trade_Agreements/Regional/CAFTA/CAFTA-DR_Final_Texts/asset_upload_file971_3958.pdf* (accessed February 25, 2008).

Overview of Other Major non-U.S. Policies and Institutions Affecting Trade and Economic Growth and Development in CBERA Countries

The World Bank, the Inter-American Development Bank (IDB), and the Caribbean Development Bank provide significant development assistance to countries in the Caribbean region. The Caribbean Community and the Organization of Eastern Caribbean States are regional organizations with the goal of integrating the Caribbean economies to promote economic development and to allow these small economies to better exploit factors of production (labor, natural resources, and capital) and achieve a more competitive position in the global economy. The European Union (EU) has signed free trade agreements with Caribbean countries to liberalize trade in goods and services on a bilateral basis as well as to provide EU support for the development of the Caribbean tourism sector.

World Bank

The World Bank provides financial and technical assistance to developing countries, and is made up of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Although both focus on global poverty reduction and the improvement of living standards, the IBRD focuses on middle income and creditworthy poor countries, while the IDA focuses on the poorest countries in the world. These banks provide low-interest loans, interest-free credit, and grants to developing countries for education, health, infrastructure, communications, and other development purposes.[74] In fiscal year 2007, the World Bank provided $4.6 billion in funding for Latin America and the Caribbean region. Of the 18 countries covered in this report, 14 are members of the World Bank,[75] and 12 are currently eligible for World Bank borrowing.[76] Table 2.17 summarizes IBRD and IDA cumulative lending for the countries covered in this report. (See app. F, table F.2 under "World Bank" for examples of funding areas.)

Inter-American Development Bank

Established in 1959, the Inter-American Development Bank (IDB) is the oldest and largest regional bank in the world and the main source of multilateral financing for economic, social, and institutional development in Latin America and the Caribbean.[77] By the end of 2007, the IDB had approved more than $156 billion in loans and guarantees for projects

[74] World Bank, "About Us," *www.worldbank.org* (accessed March 5, 2008).

[75] Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. World Bank, "About Us: Members," *www.worldbank.org* (accessed March 5, 2008).

[76] Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. World Bank, "Latin American and the Caribbean: Countries Eligible for World Bank Borrowing," *Annual Report 2007*, *www.worldbank.org* (accessed March 5, 2008).

[77] IDB, "What is the IDB?" *www.iadb.org* (accessed March 5, 2008).

Table 2.17 World Bank IBRD and IDA cumulative lending by country, 2007

(Million dollars)

	IBRD		IDA		Total	
	Number of projects	Amount	Number of projects	Amount	Number of projects	Amount
Bahamas	5	42.8			5	42.8
Barbados	12	118.4			12	118.4
Belize	9	86.2			9	86.2
Dominica	3	6.6	5	22.6	8	29.1
Grenada	6	22.0	2	32.0	8	54.1
Guyana	12	80.0	22	355.3	34	435.3
Haiti	1	2.6	47	825.5	48	828.1
Jamaica	70	1,690.1			70	1,690.1
Panama	48	1,378.6			48	1,378.6
St. Kitts and Nevis	5	23.5	na	1.5	5	25.0
St. Lucia	11	32.9	1	43.6	12	76.6
St. Vincent and the Grenadines	5	12.0	1	18.2	6	30.1
Trinidad and Tobago	22	333.6			22	333.6

Source: World Bank, "IBRD and IDA Cumulative Lending by Country, as of June 30, 2007," *Annual Report 2007*, *www.worldbank.org.*

Note: Antigua and Barbuda not listed in source table. Numbers may not sum due to rounding. "na" = not provided in source table.

throughout Latin America and Caribbean representing approximately $353 billion in investments. "Its loans and grants help finance development projects and support strategies to reduce poverty, expand growth, increase trade and investment, promote regional integration, and foster private sector development and modernization of the State."[78] The IDB's main purpose is to "foster sustainable economic and social development in Latin America and the Caribbean through its lending operations, leadership in regional initiatives, research and knowledge dissemination activities, institutes and programs."[79] Of the 18 countries covered in this report, eight are members of the IDB.[80] Table 2.18 summarizes 2006 and cumulative loans and guarantees provided by the IDB for the countries covered in this report.

[78] Ibid.

[79] IDB, "What Does the IDB Do?" *www.iadb.org* (accessed March 5, 2008).

[80] The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Panama, and Trinidad and Tobago. IDB, "Member Countries," *www.iadb.org* (accessed March 5, 2008).

Table 2.18 Loans and guarantees provided by the IDB, 2006 and cumulative

(*Million dollars*)

	2006	Cumulative 1961–2006
Bahamas	8.8	380.4
Barbados	0.7	420.3
Belize	25.0	112.3
Guyana	116.7	1,085.2
Haiti	100.4	1,280.9
Jamaica	5.0	1,774.8
Panama	304.7	2,434.5
Trinidad and Tobago	28.0	1,070.5

Source: Inter-American Development Bank, "Table III: Yearly (2006) and Cumulative (1961–2006) Lending," *Annual Report 2006*, *www.iadb.org* (accessed March 5, 2008).

Caribbean Development Bank

Operational since 1970, the Caribbean Development Bank's (CDB) purpose is to contribute to "the harmonious economic growth and development of the member countries in the Caribbean and promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the region,"[81] and its mission is "to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our BMCs and other development partners, towards the systematic reduction of poverty in their countries through social and economic development."[82] Of the 18 countries covered in this report, 15 are members of the CDB.[83] According to the CDB's 2006 annual report, the CDB's cumulative disbursements (including grants) increased by 6 percent from approximately $2.1 million in 2005 to $2.2 million in 2006.[84] Table 2.19 provides total outflows (loans and grants), total inflows (principal repaid and interest and other charges), and net transfers for 2006.

Caribbean Community

A major player in framing the future of economic development in CBERA countries is the multilateral institution of the Caribbean Community (CARICOM). CARICOM was formed in 1973, with the signing of the Treaty of Chaguaramas by leaders of the Caribbean nations. In addition to promoting general economic development among member states, one of the primary goals of CARICOM is to transform the region into a CARICOM Single Market and Economy (CSME).[85] The main objectives of the CSME are full exploitation of factors of production (labor, natural resources, and capital) and competitive production leading to greater variety and quantity of products and services to trade with other countries. Key

[81] Caribbean Development Bank, *Basic Information*, April 30, 2007, *www.caribank.org* (accessed March 5, 2008), 1.

[82] Caribbean Development Bank, *Basic Information*, April 30, 2007, *www.caribank.org* (accessed March 5, 2008), 4.

[83] Eligible countries and territories are: Antigua and Barbuda, The Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[84] Caribbean Development Bank, *2006 Annual Report*, 25.

[85] *http://www.caricom.org/jsp/community/community_index.jsp?menu=community* (accessed March 10, 2008).

Table 2.19 Caribbean Development Bank: Resource Transfer, 2006

(*1,000 dollars*)

	Total outflows	Total Inflows	Net Transfers
Antigua and Barbuda.	399	1,788	-1,389
Bahamas.	33	3,741	-3,708
Barbados.	9,388	14,498	-5,110
Belize.	4,652	10,236	-5,584
British Virgin Islands.	303	7,421	-7,118
Dominica..	4,256	5,306	-1,050
Grenada.	16,729	5,758	10,971
Guyana.	18,692	4,731	13,961
Jamaica.	27,838	25,860	1,978
Montserrat.	310	271	39
St. Kitts and Nevis.	7,664	6,702	962
St. Lucia.	17,557	13,556	4,001
St. Vincent and the Grenadines.	10,737	5,641	5,096
Trinidad and Tobago.	40	15,925	-15,885

Source: Caribbean Development Bank, *2006 Annual Report*, Table II:6: Resources Transfer in 2006, 28.

Note: Haiti not included in source table.

elements of the CSME include the free movement of goods and services, the right to establish a CARICOM-owned business in any member state, a common external tariff, free circulation of goods imported from extra-regional sources, free movement of capital, a common trade policy, free movement of labor, and harmonization of laws.[86] The establishment of the CSME, including a common currency and central bank, is projected to be complete by 2015.[87]

Organization of Eastern Caribbean States

A smaller regional institution, the Organization of Eastern Caribbean States (OECS), was formed in 1981 with the signing by seven Eastern Caribbean nations of the Treaty of Basseterre, an agreement to promote regional cooperation, unity, and solidarity.[88] The mission of the OECS is to contribute to the sustainable development of the OECS member states by assisting them in maximizing the benefits from their collective space, by facilitatingtheir integration with the global economy, by contributing to policy and program formulation and execution in respect of regional and international issues, and by facilitating bilateral and multilateral co-operation.[89] OECS members who are also WTO members have taken steps over the past several years to liberalize and facilitate trade and have shifted from agriculture to services, particularly tourism.[90]

[86] *http://www.caricom.org/jsp/single_market/single_market_index.jsp?menu=csme* (accessed March 10, 2008).

[87] Norman Girvam, "Towards a Single Development Vision and the Role of the Single Economy." *http://www.caricom.org/jsp/single_market/single_economy_girvan.pdf* (accessed March 10, 2008).

[88] OECS, "Origin & Evolution," *http://www.oecs.org/about_origin.html* (accessed March 10, 2008).

[89] OECS, "Mission & Objectives," *http://www.oecs.org/about_mission.html* (accessed March 10, 2008).

[90] WTO, "Trade Policy Review: Organization of Eastern Caribbean States (OECS)," *http://www.wto.org/english/tratop_e/tpr_e/tp290_e.htm* (accessed March 10, 2008).

EU Economic Partnership Agreements

On December 16, 2007, the EU signed a free trade agreement, called an Economic Partnership Agreement (EPA), with Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines, St. Kitts and Nevis, and Trinidad and Tobago.[91] The EPA liberalizes bilateral merchandise trade, including the elimination of certain tariff and nontariff measures; liberalizes and opens markets on a bilateral basis for trade in services; establishes new rules to facilitate the flow of investment across borders; and provides for new cooperation strategies for the development of the Caribbean tourism sector.[92]

Caribbean–Canada Trade Agreement

The Caribbean–Canada Trade Agreement (known as CARIBCAN) is an economic and trade development assistance program for the Commonwealth Caribbean countries and territories.[93] Operative since 1986, CARIBCAN offers unilateral duty-free access to the Canadian market for most commodities[94] originating in Commonwealth Caribbean countries.[95] Separate from CARIBCAN, Canada has afforded duty-free and quota-free entry to all products of Haiti since 2002 under a Canadian unilateral duty-free trade initiative with 48 developing countries (Haiti was the only country in the Western Hemisphere included in this program).[96]

Table 2.20 summarizes membership in the international organizations and agreements identified above.

---

[91] The EU also signed EPAs with the Dominican Republic and Suriname; those two countries are not discussed in this report.

[92] European Commission, Directorate General for Trade, "Update: Full Economic Partnership Agreement with the CARIFORUM countries," EPA Flash News, *http://www.acp-eu-trade.org/library/files/EC_EN_201207_EC_CARIFORUM.pdf* (accessed March 5, 2008).

[93] Eligible countries and territories are: Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and the Turks and Caicos Islands.

[94] Products are eligible for duty-free status if at least 60 percent of the ex-factory price of the product originated in a Caribbean Commonwealth country or Canada. UN, ECLAC, *Canada's Trade and Investment with Latin America and the Caribbean*, January 2003, LC/WAS/L.61, 5, *http://www.eclac.org/publicaciones/xml/0/11960/lclwasl61.pdf*.

[95] In 1998, CARIBCAN was amended to extend duty-free provisions a number of products previously excluded, including goods of the Harmonized System (HS) heading no. 4202 (travel goods, handbags and similar containers, other than leather luggage of tariff item no. 4202.11.00 or 4202.91.90, which are already included under CARIBCAN); HS 4602, certain basketwork and wickerwork (other than tariff item nos. 4602.10.92, 4602.90.10 and 4602.90.90, which are already included under CARIBCAN); HS 2710.00.91 (certain lubricating oils packaged for retail sale); HS 2905.11.00 (methanol); HS 3403.11.10 and 3403.19.10 (certain lubricating oils); and HS 4203.10.00 (certain articles of apparel of leather or composition leather). Canada Gazette, "Order Amending the Customs Tariff (CARIBCAN)," Feb. 5, 1998, *http://canadagazette.gc.ca/partII/1998/19980218/html/sor104-e.html*.

[96] ECLAC, *Canada's Trade and Investment with Latin America and the Caribbean*, 5.

Table 2.20 Membership of covered CBERA countries in selected international institutions and organizations

Country	World Bank	IDB	CDB	CARICOM	CSME	OECS	EU EPA
Antigua and Barbuda	x		x	x	x	x	x
Aruba							
Bahamas	x	x	x	x			x
Barbados	x	x	x	x	x		x
Belize	x	x	x	x	x		x
British Virgin Islands			x	x*		x*	
Dominica	x		x	x	x	x	x
Grenada	x		x	x	x	x	x
Guyana	x	x	x	x	x		x
Haiti	x	x	x	x			x
Jamaica	x	x	x	x	x		x
Montserrat			x	x		x	
Netherlands Antilles							
Panama	x	x					
St. Kitts and Nevis	x		x	x	x	x	x
St. Lucia	x		x	x	x	x	x
St. Vincent and the Grenadines	x		x	x	x	x	x
Trinidad and Tobago	x	x	x	x	x		x

Source: Commission compilation.

* Associate member

Selected Other Trade and Development Arrangements

Another Caribbean regional trade arrangement, initially established by the leaders of Cuba and Venezuela in April 2006, is called ALBA (the Bolivarian Alternative for the Americas). Presented as a socialist alternative to free-trade agreements with the United States, the alliance now has one full member from the CARICOM nations, Dominica,[97] and four CARICOM nations that have been granted observer status: Antigua and Barbuda, Haiti, St. Kitts and Nevis, and St. Vincent and the Grenadines.[98] ALBA is an elaboration of Petrocaribe, an economic alliance between Venezuela, Cuba, 13 of the 15 CARICOM nations, the Dominican Republic, and Honduras to provide lower-cost petroleum from Venezuela to the Caribbean region.[99]

[97] *Economist*, "Venezuela Takes on All Comers," February 2, 2008.
[98] *Associated Press*, "News Briefs from the Caribbean," January 31, 2008.
[99] Tyler Bridges, "Hugo Chávez: Latin America's Money Man," *Miami Herald*, January 20, 2008.

CHAPTER 3
Overview of Economic Literature on Potential Caribbean Development

Introduction

This chapter addresses economic development in the Caribbean, drawing on literature that analyzes such development throughout the world, and on literature focused on the Caribbean countries covered in this report. The introductory section of this chapter provides an overview of primary determinants of economic development. The relationship of trade to economic growth and poverty reduction is explored, followed by a presentation of research on the effects of trade preferences in general and on the Caribbean in particular. Most of these insights are drawn from academic literature, with additional material drawn from governmental sources and international organizations.

The second part of this chapter provides an overview of the current development situation in the Caribbean as well as regional development policies that have been identified in the literature as most effective. The Caribbean-specific literature review begins with the evolution of economic policies pursued by Caribbean countries and includes data on current development in the region and the extent to which development has been enjoyed by a broad segment of the population.[1] This section also describes the current competitiveness of Caribbean firms in the global marketplace. A presentation follows of major impediments to further economic development in the region and policies noted in the literature that can be used to address these impediments and improve the competitiveness of firms in the region. The literature review pays special attention to three areas: conditions and policies related to infrastructure, conditions specific to small developing countries and the small firms within them, and conditions and policies related to trade.

The latest available studies of economic development in the Caribbean region typically include data only through 2002 or 2003. For example, preference utilization rates for apparel, the levels of educational achievement, the number of microenterprises, and tariff revenues are reported in the literature through 2002 or 2003. To put more recent development policies in context, this chapter presents macroeconomic and other cross-country statistics for the Caribbean region for 2005 and 2006. For example, 2006 data for GDP, international competitiveness, foreign direct investment (FDI), and public debt, and 2005 data (the most recent available) for export concentration are reported for most countries. This chapter also relies on case studies, country profiles, and hearing testimony for current examples and policy discussions to augment the information from the literature.

The request letter directs the Commission to identify U.S. investment or services trade liberalization policies that could assist the Caribbean region. No literature was found that identified the specific effects of U.S. investment policies on the region or that identified

[1] Chap. 4 presents data on the current level of economic development for each of the 18 CBERA countries.

changes specifically in U.S. policy that would benefit the region.[2] The literature tends to focus on how the climate for investment in the Caribbean is influenced by the countries themselves, rather than an analysis of how changes in investment policy in source countries might encourage foreign direct investment (FDI) into the Caribbean Basin. An overview is presented on FDI in the Caribbean as well as on the linkages between infrastructure and FDI in the region. In the case of services trade, the literature provides little discussion of possible changes in U.S. (or other foreign) services-trade policy that might be beneficial to countries in the region. One exception, which is discussed below, is the role of U.S. regulation and policy in health and wellness services. The importance of U.S. investment and services policy toward the region, however, is highlighted by hearing testimony and written submissions offered by representatives of the OAS, CARICOM, and Berliner, Corcoran & Rowe LLP.[3] The parties, though offering relatively few policy details, suggest that CBTPA should be extended to cover services and investment. In hearing testimony, representatives of the OAS suggest that an expanded CBTPA permitting establishment of deposit-taking U.S. branches of Caribbean-based banks could expand investment and promote entrepreneurial development.[4] In another recommendation, the Secretary General of the OAS called for policy changes to encourage health tourism in the Caribbean.[5]

The Determinants of Economic Development

The academic and policy literature on economic development is vast.[6] It is beyond the scope of this study to provide an exhaustive discussion on the determinants of economic development. Instead, this discussion will focus on those development issues most relevant to the Caribbean, in particular those related to trade and economic development in the region. It is first important to distinguish between economic growth and economic development. Although the terms are often used interchangeably, they are distinct. Economic growth refers to increases in national or per-capita income and gross domestic product (GDP). Economic development encompasses economic growth, but also implies that the citizens of the country are major participants in the process of economic growth and also enjoy the associated benefits.[7] Thus, development indicators typically include not only measures of income, but also measures of poverty, income inequality, health, and literacy.[8] A number of different factors identified in the literature contribute to economic development: education (or investment in human capital), health and nutrition, investment in physical capital and saving,

---

[2] While no literature identifying changes to U.S. investment policy toward the Caribbean has been identified, the World Bank has published several reports detailing the investment climate in the Caribbean and identifying policy measures that could be taken by Caribbean countries themselves to encourage FDI and domestic investment. World Bank, "A Time to Choose: Caribbean Development in the 21st Century," 2005; World Bank, "Towards a New Agenda for Growth," 2005, 37–53; and World Bank, Foreign Investment Advisory Service, "Benchmarking FDI Climate in the Caribbean," 2004.

[3] See chap. 5 summaries of positions of interested parties.

[4] USITC hearing transcript, January 29, 2008, 19, 84, 102.

[5] His Excellency Jose Miguel Insulza, Secretary General of the Organization of American States, calls for "the inclusion of provisions that would enable the promotion of the health tourism and health care services industry through the facilitation of the portability of health insurance" (OAS, USITC written testimony, January 9, 2008, 8). This comports well with but does not expand upon recommendations found in the literature and discussed below.

[6] Two introductions to the field of development economics are Gillis et al., *Economics of Development*, 1996; and Ray, *Development Economics*, 1998.

[7] Gillis et al., *Economics of Development*, 1996.

[8] Chap. 4 provides data for these and other indicators for each of the Caribbean countries in this study.

fiscal policy, financial policy, foreign savings and foreign investment, and access to international markets for goods and services.

As discussed in chapters 2 and 4, the Caribbean region is characterized by small trade-dependent economies, with relatively low incomes and extensive poverty. Thus, the focus of the first portion of this chapter is on the link between trade, economic growth, and poverty reduction. While many facets of public policy influence development prospects, both in the Caribbean and elsewhere, most of these policies lie firmly within the domain of the affected governments themselves. Trade policies of the United States toward the Caribbean, however, offer a unique avenue for improving the conditions for development and growth in the region.

The Relationship Between Trade, Economic Growth, and Poverty Reduction

The links between trade, growth, and poverty are complex and can be ambiguous. A thorough examination of these interrelationships is beyond the scope of this chapter.[9] The three main arguments in the literature that freer trade is likely to help reduce poverty are the following: freer trade is expected to raise national income, potentially accelerate income growth, and generate direct benefits to poor households.[10]

The conclusion that freer trade, in general, raises the overall income of a country is widely accepted in the literature. Two principal reasons underlie this conclusion. First, trade gives a country access to many goods at prices relatively cheaper than those of domestic products, while simultaneously allowing domestic producers to find more profitable markets in which to sell other goods that are relatively competitive on the world market. Second, trade shifts production toward the goods in which the country has a comparative advantage, thereby reallocating productive factors from less efficient sectors to more efficient sectors, resulting in higher real national income. Since the majority of the world's poor still live in low-income developing countries, expanding national income is critical to reducing poverty.[11]

Recent economic research suggests that freer trade may also increase a country's growth rate by raising the productivity of its labor force and capital through a number of avenues. Freer trade exposes domestic producers to increased competition and can spur them to use their own factors of production more efficiently. Access to new technology via trade in information or imitation of new products can also boost productivity. Increased FDI may bring new technology into a country, raising productivity. As firms sell in a global market, they can benefit from economies of scale in production, increasing average productivity. Access to cheaper imported inputs allows the reallocation of factors to more productive uses within the economy.

---

[9] For a comprehensive survey of the links between trade liberalization and poverty, see Winters et al., "Trade Liberalization and Poverty: the Evidence So Far," 2004.

[10] This section relies on Dean, "Trade, Poverty, and the Environment," forthcoming; and Dean, "Why Trade Matters for the Poor," 2005.

[11] See Dollar and Kraay, "Growth is Good for the Poor," 2002; Ravaillion, "Growth, Inequality, and Poverty: Looking Beyond the Averages," 2001; and Berg and Krueger, "Trade, Growth, and Poverty," 2003.

Using country-level data, researchers have found a large amount of evidence that more open economies appear to grow faster than less open economies.[12] Recent work shows that positive effects of trade openness on growth are evident for different periods, different measures of trade openness, for both industrial and developing countries.[13] Evidence also suggests that links between trade openness and growth may be indirect. Trade liberalization also induces more investment, and thereby spurs future growth.[14] These studies are not without their limitations. Trade liberalization is very difficult to quantify, and other factors interrelated with trade policy often affect growth simultaneously, making it hard to discern the pure effects attributable to trade.[15] But as Berg and Krueger note, "one striking conclusion from the last 20 years of evidence is that there are no examples of recent takeoff countries that have not opened to an important extent as part of the reform process."[16]

Freer trade is well known to generate gainers and losers within a country, but there are reasons to believe that people living in poverty within developing countries are likely to be among those who benefit.[17] Trade restrictions pursued by developing countries have historically been biased against the sectors in which the poor work and also against the goods that the poor consume. Beginning in the 1960s, many countries—including those in the Caribbean region—followed import-substitution development strategies for long periods of time.[18] Countries using these strategies erected high trade barriers to promote the growth of capital-intensive, import-competing domestic manufacturing industries. Farmers in these countries suffered, as these barriers increased the cost of manufactured goods, depressed the relative prices of domestically produced agricultural products, and restricted access to much-needed inputs. These high tariffs also shifted capital away from low-skilled, labor-intensive industries, such as textiles, electronics assembly, clothing, and shoes, the very manufacturing sectors in which many of these developing countries had a comparative advantage, and in which many poor workers were employed. In addition, many of the goods produced in these neglected sectors are basic consumer goods, such as clothing or household products, and comprise a disproportionately large part of purchases of poor households, increasing the burden on the poor.

It is important to note that the largest share of benefits from trade liberalization generally accrue to the liberalizing countries themselves. Thus, welfare in developing countries will likely rise more from reductions in their own distortive trade policies than from removal of industrial country trade barriers. However, industrial country trade policies have also worked against the ability of developing countries to benefit from trade. This is because some of the highest tariffs and most restrictive quantitative barriers have been implemented against agricultural imports or imports of low-skilled, labor-intensive goods.[19]

---

[12] A survey of recent evidence on the links between trade and growth can be found in USITC, *The Impact of Trade Agreements*, 2003.

[13] Harrison, "Openness and Growth,"1996; Edwards, "Openness, Productivity, and Growth," 1998; Greenaway, "Trade Reform, Adjustment and Growth," 1998.

[14] Baldwin and Seghezza, "Testing for Trade-Induced Investment-Led Growth," 1996; Wacziarg, "Measuring the Dynamic Gains from Trade," 2001.

[15] Rodriguez and Rodrik, "Trade Policy and Economic Growth," 2001.

[16] Berg and Krueger, "Trade, Growth, and Poverty," 2003, 26.

[17] See Dean, "Trade, Poverty, and the Environment," forthcoming; and Dean, "Why Trade Matters for the Poor," 2005.

[18] Jamaica, Guyana, and Trinidad and Tobago began to liberalize their trade regimes in the 1980s, while the shift did not begin for other countries in the region until the 1990s. See USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report*, 2001, 107–9.

[19] See USITC, *The Economic Effects of Significant U.S. Import Restraints*, 2002.

Freer trade alone cannot solve global poverty; other policies are required to fully address the root causes of poverty. In addition, the benefits of freer trade can be magnified or impeded by a country's domestic situation or policy choices. Wars, financial crises, the absence of rule of law, and natural disasters can reduce or negate the benefits of freer trade. But isolation from global markets deprives the poor of the tremendous opportunities offered by international trade.[20]

Trade Preferences and Growth

While the literature cited above discusses the relationship between trade openness, growth, and poverty reduction, the trade preferences embodied in GSP, original CBERA, and CBTPA represent only one-half of the openness equation. Beneficiary countries face lower tariffs on their exports, but are under no obligation to open access to their own economies through tariff reductions or other actions. The empirical literature related to economic development generally finds that countries that liberalize their own trade policies experience more rapid growth in trade and GDP than those countries that do not liberalize. In contrast, for countries that receive preferential trade access, such as that offered under GSP, original CBERA, and CBTPA, the evidence that unilateral preferences encourage growth in aggregate trade and GDP in the beneficiary countries is less strong. Due to a lack of data, almost no studies have formally tested whether preferences matter for development, and studies that only measure preferences suggest their impact is likely small.[21] While coverage and utilization of these programs are high for many developing countries, others utilize a smaller proportion of benefits due to restrictive rules of origin, incomplete coverage, uncertainty of program duration, and the existence of other trade agreements. Preference margins are quite small, except on some agricultural products and apparel. Detailed results for the CBERA countries are discussed throughout the remainder of the chapter.

The World Bank has offered three additional explanations as to why unilateral preferences might have delivered less than expected. First, preferences can steer resources into sectors that are not necessarily the beneficiary's most efficient.[22] In small countries such as those found in the Caribbean, this can waste the limited entrepreneurial capacity available, and recipient countries might fail to develop sectors built on long-term comparative advantage, instead opting for favored sectors that will be subject to increased and perhaps overwhelming competition as preferences erode.[23] Second, once resources shift to the favored sectors, political will focuses on maintaining preferences and the status quo, often reducing the country's ability to respond to changes in the world economy. Finally, these countries' economies tend to be left out of the reciprocity-based trading system, and their own trade liberalization typically suffers. The multilateral trading system can serve as a check on domestic political interests, allowing a country to liberalize. Unilateral preferences, however, short-circuit this process, because exporters benefiting from preferences have no incentive to push for further liberalization. Evidence consistent with these views is found in Özden and

---

[20] See WTO, *Doha Ministerial Declaration*, 2001; Oxfam, *Rigged Rules and Double Standards*, 2002; Ray and Marvel, "The Pattern of Protection in the Industrialized World," 1984.

[21] See a number of the chapters in Hoekman, Martin, and Braga, *Trade Preference Erosion: Measurement and Policy Response*, forthcoming.

[22] World Bank, "A Time To Choose: Caribbean Development in the 21st Century," 2005, 77.

[23] Preference erosion is the phenomenon whereby the relative value of unilateral preferences is diminished as trade barriers with other partners are liberalized. As a country moves to completely free trade, the value of preferences it has granted falls to zero.

Reinhardt.[24] The authors find that countries dropped from the U.S. Generalized System of Preferences (GSP) program have higher average export performance than those that remain in the program. They find that exports relative to GDP, industrial exports relative to GDP, and the growth rate of exports from dropped countries are on average higher than those for beneficiary countries during the period 1976–2000.

Effects of the CBERA on the Caribbean

When considering the effects of CBERA, it can be asked whether preferential trade benefits have enhanced trade growth and poverty reduction. Such questions require consideration of counterfactuals and thus can be difficult or impossible to answer, but the simpler questions of whether trade growth has been faster in CBERA countries than in other countries and whether poverty reduction has been more substantial can be answered. The general evidence is that while trade preferences do affect trade patterns and export growth in particular sectors, they do not necessarily lead to greater aggregate trade.[25]

Dean addresses the question of how CBERA has affected growth and investment in the beneficiary countries.[26] Over the period 1984–98, the author found that average preferences for the countries steadily eroded, while at the same time utilization rates increased dramatically. Preference erosion adversely affected investment and growth in some countries in the region, but this negative effect was offset by the rising utilization of all preferences. In comparison, production-sharing programs had at least as large an effect on growth and investment as the CBERA preferences. Lastly, for all countries under CBERA, the economic gains from increasing their own openness to trade outweighed the losses from preference erosion.

With regard to the benefit of unilateral preferences, Özden and Reinhardt's conclusions for GSP differ somewhat from Dean's findings for CBERA. It would appear that CBERA preferences have been relatively more beneficial to the recipient countries than have GSP preferences to its beneficiaries. As Dean and Wainio point out, both original CBERA and GSP excluded from preferences many sectors in which developing countries are thought to have a comparative advantage, such as textiles and apparel.[27] Original CBERA, however, has broader product coverage than GSP, and less uncertainty, since it was not subject to expiration, graduation requirements, or competitive needs limits.[28] To the extent that CBERA encourages investment in sectors with long-term prospects, the overall effect of the program is likely also to be more positive than GSP.

---

[24] Özden and Reinhardt, "The Perversity of Preferences," 2005.

[25] In hearing testimony, representatives of the OAS emphasized the importance of the CBI to economic development in the region. See summary of OAS hearing testimony in chap. 5 of this report.

[26] Dean, "Is Trade Preference Erosion Bad for Development?" 2006.

[27] Dean and Wainio, "Quantifying the Value of U.S. Tariff Preferences for Developing Countries," 2006.

[28] Ibid.

Effects of other agreements on the Caribbean

There is relatively little research on the effects of other agreements on the Caribbean in particular. The agreement that has generated the greatest degree of concern for Caribbean countries is NAFTA. Because of the preferential access granted to Mexico under NAFTA, the value of benefits granted to CBERA countries has declined. Some sense of the importance of NAFTA to preference erosion over the period 1984–98 can be found in Dean.[29] By controlling for the existence of other agreements in her analysis of the effects of CBERA preference erosion, she finds a small negative effect of NAFTA on investment in Central American beneficiaries of CBERA (most of which are now covered under CAFTA-DR). In the case of Caribbean beneficiaries, the effect of NAFTA was not found to be significant.[30] Dean cites anecdotal evidence that certain apparel contracts by very large U.S. retailers were cancelled as a result of NAFTA, harming producers in Guatemala, the Dominican Republic, and Trinidad and Tobago, but these negative effects do not appear to be strong enough to yield statistically significant negative effects for the Caribbean.

Utilization of Preferential Trade Programs in the Caribbean

A substantial portion of U.S. imports from Caribbean countries enters under preference programs, with 26.1 percent of U.S. imports from the region receiving preferential treatment in 2007.[31] There is wide variation across countries: over 88 percent of imports from Haiti and 74 percent of imports from Belize entered under preferences in 2007, while less than 10 percent of exports from Antigua and Barbuda, Dominica, Grenada, Netherlands Antilles, the British Virgin Islands, and Aruba entered under preferences. Montserrat suffered a devastating volcanic eruption (see chapter 4) and made no use of preferences in 2007. Original CBERA and CBTPA accounted for 98.5 percent of U.S. preferential trade with the region, and other programs (such as GSP) for the remaining 1.5 percent. In comparison, over 75 percent of Caribbean exports to the EU received preferential treatment from 1995–99.[32] Because of the importance of apparel in the region, preference erosion may be a significant issue for these countries.[33] In hearing testimony, the ambassador of Trinidad and Tobago emphasized expanding product coverage in CBERA and creating a more predictable trading arrangement in order to offset the preference erosion resulting from progressive U.S. market liberalization. This position can also be found in the positions of the ambassador of St. Vincent and the Grenadines and of representatives from the OAS.[34]

Dean and Wainio provide an overview of the access to and use of U.S. nonreciprocal trade programs in 2003, for the Caribbean as well as for other countries in other regions.[35] Caribbean countries benefit from GSP treatment as well as from the original CBERA and

---

[29] Dean, "Is Trade Preference Erosion Bad for Development?" 2006.

[30] Dean estimated that NAFTA was associated with a 0.01 percent decline in investment in the Caribbean, but was not statistically significant. Such a small coefficient is of questionable economic significance in any case.

[31] Dataweb and staff calculation. Trade preferences include those under CBERA, Civil Aircraft, GSP, and Pharmaceuticals.

[32] Data are given for 1995–99 because these are the latest available. World Bank, "A Time To Choose," 2005, 78.

[33] Dean and Wainio, "Quantifying the Value of U.S. Tariff Preferences for Developing Countries," 2006, 22.

[34] See chap. 5 of this report for summaries of positions of these parties.

[35] Dean and Wainio, "Quantifying the Value of U.S. Tariff Preferences for Developing Countries," 2006.

CBTPA programs. Table 3.1 presents Dean and Wainio's measures of preference coverage, utilization, and average nominal tariff preference for original CBERA and CBTPA countries for 2003. Because original CBERA and CBTPA preferences do not cover 100 percent of trade, studies in the literature examine preference utilization relative to preference coverage. Preference coverage measures the ratio of imports eligible for a preference program to total dutiable imports. Preference utilization, therefore, measures the ratio of U.S. imports from that beneficiary country entering under preference to total U.S. imports from that beneficiary country eligible for preferential treatment.[36] The average nominal tariff preference measures the difference between the nominal ad valorem tariff equivalent and the nominal preferential tariff. When comparing the three programs (original CBERA, CBTPA, and GSP), the expanded coverage under CBTPA relative to original CBERA is striking. Countries qualified for CBTPA had coverage ratios of no less than 96 percent (Guyana), and 8 of the 14 countries considered had 100 percent coverage. In comparison, only 2 of the 10 original CBERA countries listed had 100 percent coverage ratios. It appears that CBTPA's expanded coverage gave beneficiary countries more opportunities to export to the United States at preferential rates, and generally resulted in a greater percentage of their exports to the United States entering under preference.

Textile and Apparel Preferences Under Original CBERA and CBTPA

One of the principal differences between the original CBERA and CBTPA programs is with respect to textiles and apparel. Preferences for wearing apparel under original CBERA were quite limited, while CBTPA greatly expanded apparel coverage.[37] Table 3.1 shows that in 2003, only 2 of the 10 original (non-CBTPA) CBERA beneficiaries (The Bahamas, St. Vincent and the Grenadines) had used CBERA preferences, and their preference margins were, on average, low (4.2 percent and 4.9 percent, respectively). Two other original CBERA countries, Aruba and the British Virgin Islands, could have used apparel preferences, but neither utilized the program. In contrast, the CBTPA countries had higher apparel utilization rates on average, and much higher nominal tariff preferences. Tariff preferences in apparel ranged from 14.4 percent to 18.5 percent for the eight CBTPA beneficiaries.[38]

The 2005 expiration of the Agreement on Textiles and Clothing (ATC) appears to have had varying effects on apparel exports from the CBERA countries of interest. The Commission has previously identified ATC expiration and subsequent rationalization of sourcing patterns as contributors to the decline in imports from certain CBERA countries.[39] Yet total U.S. imports of apparel from CBERA countries rose by three percent between 2005 and 2007 (table 2.11). Haiti's annual exports continued to grow after 2005, but at a lower rate than over 2000–2005, while Jamaica's rate of export decline actually slowed somewhat after ATC expiration. Guyana and Panama's rates of decline before and after ATC expiration were similar. Belize suffered the greatest decline subsequent to ATC expiration: its apparel

---

[36] The definition of utilization rate in chap. 2 differs from the definition of utilization rate as employed in this chapter and in the literature reviewed. Utilization rate in table 2.11 is defined as the ratio of imports entering under preference to total imports, whether eligible or not. As a result, the data reported in table 2.11 are not directly comparable to those in table 3.1.

[37] For a more complete discussion of the differences in product coverage of original CBERA and CBTPA, see chap. 1.

[38] Dean and Wainio, "Quantifying the Value of U.S. Tariff Preferences for Developing Countries," 2006, table 1.

[39] USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Eighteenth Report*, 2007, table 2.10.

Table 3.1 U.S. Non-Agricultural Imports: Preference Coverage,[a] Utilization,[b] and Average Nominal Tariff Preference,[c] 2003

	CBERA Coverage		CBERA Utilization			CBERA Av. Tariff Pref.			GSP Coverage		GSP Utilization	GSP Av. Tariff Pref.
CBERA	Overall	Non-Apparel	Overall	Non-Apparel	Apparel	Overall	Non-Apparel	Apparel	Overall	Non-Apparel	Overall	Overall
Antigua	98	98	4	4		4.5	4.5		27	27	16	3.9
Aruba	(.)	(.)	49	50	0	3.9	3.8	4.6				
The Bahamas	29	29	100	100	100	3.4	3.4	4.2				
British Virgin Islands	44	42	7	8	0	4.3	4.1	10.0	31	34	0	4.0
Dominica	99	100	98	98		3.3	3.3		99	100	0	3.3
Grenada	100	100	20	20		3.8	3.8		100	100	0	3.8
Montserrat	91	95	0	0		2.1	2.1		72	75	0	2.5
Netherlands Antilles	1	1	40	40		3.6	3.6					
St. Kitts and Nevis	98	100	96	96		2.9	2.9		93	95	2	3.1
St. Vincent and the Grenadines	100	100	100	100	100	4.3	4.1	4.9	100	100	(.)	4.5

	CBTPA Coverage		CBTPA Utilization			CBTPA Av. Tariff Pref.			GSP Coverage		GSP Utilization	GSP Av. Tariff Pref.
CBTPA	Overall	Non-Apparel	Overall	Non-Apparel	Apparel	Overall	Non-Apparel	Apparel	Overall	Non-Apparel	Overall	Overall
Barbados	100	100	20	20	3	4.8	3.5	15.7	34	35	17	2.9
Belize	100	100	76	4	86	8.8	3.2	14.2	12	98	13	4.2
Guyana	96	91	83	81	85	12.1	4.8	18.5	40	91	21	4.3
Haiti	100	100	66	34	67	12.6	3.7	17.3	5	97	18	4.4
Honduras	100	98	71	20	76	10.5	4.4	16.1	8	96	4	4.1
Jamaica	100	100	86	57	87	9.2	5.2	17.2	3	90	6	3.6
St. Lucia	100	100	61	89	0	9.4	4.3	18.3	11	16	41	3.5
Trinidad and Tobago	100	100	90	90	11	4.3	5.0	14.4	37	37	0	3.5

Source: Dean and Wainio, 2006, table 1.

Note: Apparel is defined as all lines within HS 61 and 62 (including the non-US value of production-sharing (HTS 9802.00.80)). For all countries in CBTPA, "overall" calculations assume all apparel is potentially eligible for apparel benefits. Thus "utilization" is actually the ratio of US imports entering under a preference to total US apparel imports.

[a] Ratio of eligible imports to total dutiable imports.
[b] Ratio of imports entering under preference to total eligible imports.
[c] Difference between nominal *ad valorem* tariff equivalent and nominal preferential tariff. Covers all HS 8-digit lines with eligible US imports in 2003.

(.) Indicates less than one percent.

exports fluctuated within a range over 2000–2005, rose 8.8 percent in 2006, and then fell by almost one-half in 2007. While ATC expiration may have had a negative effect, these data suggest that pressures to rationalize sourcing may have already been well underway.

Nonapparel Preferences Under Original CBERA and CBTPA

When considering nonapparel preferences, Dean and Wainio find a similar pattern in the utilization rates of original CBERA and CBTPA countries. Because CBTPA added a limited number of nonapparel products, this result is not unexpected.[40] Table 3.1 shows that in 2003 nonapparel tariff preferences ranged from 2.1 to 4.5 percent for original CBERA countries, while among CBTPA countries, nonapparel preferences ranged from 3.2 to 5.2 percent. While the CBTPA program offers modest advantages in nonapparel products over the original CBERA program, these advantages are of a much smaller magnitude than those offered in apparel. In comparison to the GSP program, most, though not all, countries have higher average nonapparel tariff preferences under original CBERA or CBTPA.

Examples of Caribbean success stories that fall within this category are few. One example that stands out is the citrus juice industry in Belize (box 3.1). By taking advantage of CBERA preferences equivalent to 25–40 percent, the country's producers expanded through participation in the U.S. market and extended their exports to other countries, such as the EU and Japan.

Promoting Caribbean Development: Challenges and Opportunities

The current development situation in the Caribbean region and development policies that have been proven or identified in the literature as most effective in the region are discussed in this section. Also described are major impediments to further economic development in the region, as well as policies discussed in the literature that address these impediments and improve the competitiveness of firms in the region. Three broad policy areas are covered: development challenges for small countries and the small firms within them; other key challenges for Caribbean development, including policies related to infrastructure, human capital, and FDI; and Caribbean trade and trade-specific policies.

This review further summarizes macroeconomic, infrastructure, and trade policies that have been applied in the region, and conclusions about the effectiveness of these policies. The discussions of the size of Caribbean countries and firms, export diversification, infrastructure, human capital, FDI, and trade policies are informative as to policies that could promote industries in Caribbean countries that bring widespread benefits, are globally competitive, or show promise for output, job, and export creation. Because of the wide variation in natural resource endowments and level of current development in Caribbean countries, however, industries with potential for growth and competitiveness differ considerably by country. Thus, the literature does not identify any single industry that is

[40] Certain footwear, canned tuna, petroleum and petroleum derivatives, and certain watches and parts were also ineligible under original CBERA but eligible under CBTPA.

Box 3.1 Citrus Juice Processing in Belize: Capitalizing on Trade Preferences

The growth of the Belizean citrus juice industry can be attributed in large part to CBERA preferences. Under CBERA and CBTPA, Belize received duty-free treatment for citrus juices, creating a substantial preference over the nonpreferential tariff rate.[1] This preferential treatment gave Belize a significant advantage over larger citrus juice exporters such as Brazil, which does not receive preferential rates. Under CBERA, Belizean citrus juice exports grew from less than $8 million in 1993 to $41 million in 2006, driven by higher world citrus juice prices, higher Belizean production, and increased marketing of citrus juices to countries other than the United States. In 1993, the United States was nearly the only purchaser of Belizean citrus juice, but by 2006 Belize had achieved growth in citrus juice exports not only by exporting more to the United States under CBERA, but also by expanding its export markets to include additional trading partners, particularly the EU, other Caribbean countries, and Japan.

The export-focused citrus industry is the most significant agro-industry in Belize, earning more than $50 million per year in total revenue in recent years. The Belizean citrus industry has succeeded in creating jobs and exports, and improving living standards for a significant portion of the population. It has successfully competed in the global citrus juice market against larger producers such as Brazil, owing in part to favorable growing conditions for citrus fruits and to trade preferences. The Belizean citrus industry consists of 1,055 registered citrus growers who cultivate approximately 60,000 acres of citrus, mainly oranges. Of these, approximately 70 growers with large plantations account for 84 percent of production. The citrus growing and processing sectors employ about 10,000 workers. In a country of close to 300,000 people, the citrus industry employs over 3 percent of the population. Most of the citrus is exported as frozen concentrated orange juice and not-from-concentrate orange juice. Small quantities of fresh citrus fruit are also exported to the United Kingdom and Germany.

As of April 2008, all of the orange juice processing in Belize was performed by Citrus Products of Belize (CPBL), a private corporation with two processing plants. In 2002, the Belize Citrus Growers Association, a nongovernmental, nonprofit organization representing the interests of citrus growers in Belize, acquired nearly 100 percent of the ownership of CPBL in order to consolidate the industry under the control of the citrus growers. More recently, 46 percent of the shares of CPBL were sold to a group of foreign investors from Barbados and Trinidad and Tobago. The Belize citrus industry has adopted the International Quality Management System for growing and processing citrus, which incorporates Hazard Analysis and Critical Control Point (HACCP)[2] standards. The United States and other countries require exporters' juice processing operations to meet HACCP standards.

Sources: Flashpoint Belize, March 18, 2007, *http://www.flashpointbelize.com/flashpoint+articles.aspx?EntryID=17*; Government of Belize Press Office, "Citrus Growers Association Shows off Services," April 9, 2001, *http://www.governmentofbelize.gov.bz/press_release_details.php?pr_id=1117*; Belize Citrus Growers Association Web site, *http://www.belizecitrus.org/index.html* (accessed April 1, 2008); GTIS, Global Trade Atlas; Harmonized Tariff Schedule of the United States; U.S. Census Bureau, U.S. Department of Commerce; Citrus Products of Belize Web site, *http://www.citrusproductsbelize.com/* (accessed April 1, 2008); U.S. Food and Drug Administration, "Guidance for Industry, The Juice HACCP Regulation, Questions and Answers." Center for Food Safety and Applied Nutrition, Sept. 4, 2003, *http://www.cfsan.fda.gov/~comm/juiceqa2.html*; U.S. Department of Health and Human Services, "FDA Publishes Final Rule to Increase Safety of Fruit and Vegetable Juices." Food and Drug Administration PO1-03, January 18, 2001, *http://www.fda.gov/bbs/topics/NEWS/2001/NEW00749.html*; Belize Citrus Growers Association, "Summary of Data Collected in the 1999 and 2001 Citrus Survey," *Belize Industry Stats, http://www.belizecitrus.org/stats.html*.

[1] The nontariff rate for frozen concentrated orange juice was 7.85 cents per liter, or 25 to 40 percent ad valorem, with similar rates on grapefruit juice concentrate.

[2] Since 2001, the U.S. Food and Drug Administration has required juice processors to implement a HACCP plan for fruit juices, following a 1996 case in which a child died after drinking apple juice contaminated with E. coli, a foodborne bacteria that can cause illness or death. In 1999 and 2000 two salmonella outbreaks occurred in citrus juice. The first one was caused by unpasteurized orange juice and led to 423 illnesses in 20 states. Juice processors may use microbial reduction methods such as pasteurization, UV irradiation technology, or processes that reduce pathogens on the surface of citrus fruit. FDA inspectors are required to inspect juice processing facilities to ensure proper procedures are followed.

promising for all countries covered by this report, but this review does present certain industries identified in the literature as appropriate for development in particular countries.

Evolution of Caribbean Policies and Their Effects on Competitiveness and the Macroeconomy

The World Bank states that economic policies in the Caribbean since the mid-1980s have been generally more market driven and more successful than the state-led policies in the preceding period.[41] Melo and Rodriguez-Clare note that some reforms, such as a reduction in the share of assets held by public banks, began even earlier in the region.[42] Previously employed state-led development policies included government-supported investment and a complex systems of tariffs and quotas to promote import substitution. The World Bank has characterized these policies as ineffective, because government intervention protected inefficient enterprises, reduced incentives for innovation, and led to a reduction in growth rates.[43] To improve growth, a large number of countries shifted to market-based development strategies that generally reduced import substitution programs, promoted exports, liberalized trade policy, and reduced regulations and bureaucracy.[44] The policies were intended to improve competitiveness in a more integrated and open world economy. As a result, since the 1990s, overall Caribbean growth has improved relative to growth in the rest of the world.[45] The case study of the TCL Group, formerly a state-run cement company in Trinidad and Tobago, and now the leading cement producer in the Caribbean, provides an example of the growth that some firms experienced after privatization (box 3.2).

The consensus in the development literature is that privatization of government-owned enterprises and other market-oriented liberalization policies foster economic growth. Empirical evidence supporting this position can be found in, for example, studies by Sala-I-Martin and Hall and Jones, and also the discussion of the effects of trade openness on growth earlier in this chapter.[46] No literature has been identified, however, that specifically estimates the extent to which such liberalization improved GDP growth or contributed to differences in growth in the economies of Caribbean countries. Anecdotally, however, it is observed that a number of Caribbean countries increased growth rates after implementing market-oriented liberalization. For example, GDP per capita in Guyana increased 50.4 percent between 1991–97 (an average of 7.0 percent annually) following economic reforms begun in 1989 (for details, see the Guyana country profile in chapter 4).

---

[41] World Bank, "A Time to Choose," 2005, 10, 13, and 28. It is useful to recall that, as late as 1973, only 6 of the 18 countries studied in this report were full-fledged nations with memberships in the United Nations (Barbados, Guyana, Haiti, Jamaica, Panama, and Trinidad and Tobago). Over the next ten years, another eight of these countries would take their place in the United Nations.

[42] Melo and Rodriguez-Clare, "Productive Development Policies," 2006, 10.

[43] World Bank, "A Time to Choose," 2005, 28–30.

[44] Ibid., 42.

[45] Caribbean growth still lags growth in many regions of the world, but the difference in growth rates between the Caribbean and other regions has generally narrowed since the 1980s. IDB, *Toward Sustainable and Equitable Development*, 2004, 8.

[46] Sala-I-Martin, "I Just Ran Two Million Regressions," 1997, and Hall and Jones, "The Productivity of Nations," 1996.

Box 3.2 Cement Industry in Trinidad and Tobago: Privatized Company Becomes Increasingly Competitive and Efficient

The TCL Group (based in Trinidad and Tobago) is the leading producer and marketer of cement and ready-mix products in the Caribbean region and has succeeded in attracting foreign investment to Trinidad, creating jobs and increasing exports. The TCL Group is comprised of eight companies, including Trinidad Cement Ltd. (TCL), The Arawak Cement Company Limited (ACCL) of Barbados, and Caribbean Cement Company Limited (CCCL) of Jamaica. TCL has been producing cement in Trinidad since 1954 and sells its products under the Ordinary Portland Cement label, as well as Class G High Sulphate Resistant (HSR) Oilwell Cement. In 2007, its workforce throughout the region totaled 1,300 and its workforce in Trinidad totaled 660. Limestone is TCL's primary raw material used in cement production, accounting for 95 percent of product cost. TCL owns limestone reserves in Trinidad, which are projected to last more than 100 years.

TCL was wholly owned by the Government of Trinidad and Tobago until 1990, when the government divested 20 percent of its ownership share to form a strategic alliance with Cemex S.A. (Mexico), a leading worldwide cement producer. The government sought an alliance with Cemex to benefit from foreign capital, Cemex's regional strength in cement markets, and the ability to leverage Cemex's experience in marketing its own cement products throughout the region, as Cemex was already a large regional supplier with its cement plant in Puerto Rico. The government of Trinidad and Tobago completed its divestiture of TCL in 1994 with Cemex remaining the largest owner, with 20 percent of the common stock. The TCL Group reported that its operating profit in 2006 increased by $111.2 million, an increase of 60 percent, despite higher energy prices and higher wage rates, as demand for cement products continued to increase strongly throughout the region.

TCL upgraded its cement facilities in Trinidad in 2005 with the $21.8 billion installation of a cement mill at Claxton Bay, bringing the company's production capacity in Trinidad to 1.3 million short tons annually, nearly two times the volume of domestic demand. The company exports almost exclusively to the Caribbean region. Expansion of cement mill capacity in 2005 allowed TCL to increase the total sales volume of cement in 2006 to 883,000 short tons, surpassing its performance for 2005 by 26 percent. TCL's domestic cement sales volume in 2006 increased by 10 percent over 2005 levels due to heightened commercial and residential construction. The company's export sales increased 93 percent in 2006 due to increased cement sales related to construction activities for the 2007 Cricket World Cup held in several Caribbean countries.

Sources: TCL Group. *2006 Annual Report,* March 25, 2007, *http://www.tclgroup.com/files/cms/TCL_annual_report_2006.pdf*; U.S. Geological Survey, "The Mineral Industries of Trinidad and Tobago," 2005; Trinidad Cement Ltd. Web site. "Company Profile," *http://www.tcl.co.tt/about/default.asp* (accessed Feb. 19, 2008).

Data from the World Bank World Development Indicators (WDI) show that the average GDP per capita (in constant dollars) in the Caribbean grew by 33.8 percent between 1990 and 2006, close to the U.S. increase of 35.0 percent. This growth was also fairly steady, with average GDP per capita declining only in 2000 and 2001, but this steady increase in regional average GDP obscures substantial differences across countries.[47] For example, while St. Vincent and the Grenadines exactly matched average growth in the region, GDP per capita doubled in Trinidad and Tobago, while it was essentially flat in The Bahamas. GDP per capita fell by 30.7 percent in Haiti in the 1990–2006 period, due primarily to noneconomic factors such as political instability.[48] As noted in chapter 2, countries also vary in the extent to which economic progress has reached a broad portion of the population.[49]

Although market-based development policies have contributed to increasing, if not always more equal, incomes since the 1990s, they have been less successful in improving Caribbean competitiveness. The World Economic Forum's *Global Competitiveness Report 2007–2008* ranks most Caribbean countries in the bottom half of world economies, based on institutions,

[47] See country profiles for GDP values for other countries in the report.

[48] See the Haiti country profile for a discussion of the effects of political instability in Haiti.

[49] Chap. 2 notes that income inequality is high in the Caribbean relative to other regions of the world, and that Caribbean countries vary widely in the extent to which their income gains have been distributed broadly to households. Chap. 4 also includes country-specific data on poverty in the region.

infrastructure, macroeconomic stability, skilled workforce, market efficiency, technology, and financial sophistication. Most Caribbean countries do not rate highly in terms of these factors that determine country productivity, and thus firms in these countries have below-average competitiveness in global markets. In part, this low competitiveness is due to the small size of these economies, but this measure is also based on the flexibility of labor markets, quality of infrastructure services, and effectiveness of government policies. Of 131 countries in the overall rankings, Barbados ranks highest in the region at number 50, Jamaica is 78th, Trinidad and Tobago is 84th, and Guyana is the lowest-ranked of the selected Caribbean countries at number 126. The remaining Caribbean countries are unranked. In comparison, Mexico is 52nd, about on par with Barbados, and China is number 34. Where available, country-specific analyses of competitiveness tend to agree with the Global Competitiveness Index rankings. For example, the Jamaican National Survey of Workplace Practices identified high interest rates and limited access to capital and skilled workers as important factors inhibiting the competitiveness of Jamaican firms.[50]

A World Bank report from 2005 notes that unsustainable macroeconomic policies pursued by many Caribbean countries represent a major impediment to development, because debt levels, fiscal constraints, and inefficient tax systems in many of these countries can now substantially reduce the effectiveness and sustainability of development policies in these countries.[51] The World Bank notes that public debt increased in most countries between 1995 and 2002, despite the change to market-led development policy, because this policy shift was not accompanied by a reduction in government expenditures or an increase in revenues. Expenditures rose substantially in this period; for example, government capital spending rose from an average of 4.7 percent of GDP in 1995 to 5.9 percent in 2002. A recent report by the IMF notes there has been some progress in reducing budget deficits and debt since 2002.[52] The report states that fiscal consolidation, together with debt restructuring in some countries, such as Grenada, lowered the regional debt-to-GDP ratio by about 12 percent during 2002–07. Overall debt remains above 80 percent of regional GDP, however, and most Caribbean countries continue to run budget deficits.

The World Bank noted that, by 2002, large public-sector debts had generated high costs in most Caribbean countries.[53] Caribbean governments raised taxes and limited noninterest spending. Government borrowing tended to raise interest rates or preempt funds that would otherwise be available for private-sector investment. Unsustainable fiscal policies raised economic uncertainty and made Caribbean countries less attractive to foreign investment. Thus, high public-sector debt deterred growth through reductions in both domestic and foreign investment. More recent data, discussed in the FDI section in this chapter, show that investment performance in the region has improved since 2002. However, as noted in chapter 5, the ambassadors of Jamaica and the Federation of St. Kitts and Nevis both testified that servicing their public debts continues to generate substantial costs.[54]

---

[50] IDB, *Toward Sustainable and Equitable Development*, 2004, 174.

[51] World Bank, "A Time to Choose," 2005, 28–43. In addition to debt, other major impediments discussed in this report include the small size of countries and companies in the region, limited diversification of production and exports, infrastructure limitations, relatively unskilled workers, difficulty attracting investment, limited government capacity to negotiate and implement trade policies, and limited development of tax systems.

[52] IMF, *Regional Economic Outlook: Western Hemisphere*, 2008, 17.

[53] World Bank, "A Time to Choose," 2005, 43.

[54] See the country profiles for data on the cost of debt servicing as a percentage of GDP for the countries covered in this report.

Development Challenges for Small Countries and Small Enterprises

As discussed earlier, the Caribbean is characterized by relatively small developing economies that tend to produce and export a relatively narrow range of goods and services, and most production is carried out by small, and often micro, enterprises. Most small enterprises and households in the region have limited access to financing, which makes them less productive and more vulnerable to shocks. Small enterprises also generally have limited knowledge of export opportunities and difficulty complying with sanitary and phytosanitary (SPS) regulations and other international standards. Caribbean countries have "high dependence on external tariffs, high input costs, dependence upon very few export markets, low competitiveness, economic rigidity with high adjustment costs, difficulties in attracting foreign investment, [and] lack of adequate market access opportunities to place their few export products."[55] These "small country" characteristics are important considerations in any development policy for the region. The most successful development policies have been designed specifically to operate within this environment or to address specific elements of the environment itself.

Many of the policies that address development in small countries and small firms are medium-term policies. For example, provision of financing to small firms and diversification of industry generally require fewer resources and shorter time horizons than do improvements to infrastructure. The returns on policies directed toward small firms and households may be more immediate than returns to infrastructure improvement, although, in some cases, such as with tax incentives, they may be less durable. Effects from these policies will persist in the long run only if these policies generate permanent technological or productive changes to the economy.

Export Diversification

Overview

The export concentration prevalent in the Caribbean region results from the size, stage of development, and resource endowments of these countries, which limit their production capabilities. But concentration also results in part from Caribbean government policies or foreign trade preferences that have diverted resources to a restricted range of goods.

There is a growing amount of literature that discusses the costs and benefits of diversification of exports for small developing economies. This literature generally concludes that countries benefit from diversification chiefly through reduced exposure to external price declines.[56] This is particularly important for Caribbean countries that export traditional products such as sugar and bananas, because prices of agricultural products in world markets are more volatile than prices for manufactured goods or services.[57] Caribbean exporters of traditional products may also be more affected by hurricanes or other natural disasters, and these

---

[55] Jose Miguel Insula, Secretary General of the OAS, USITC hearing transcript, January 29, 2008, 14.

[56] For discussions of costs and benefits, see Berezin, "The Challenge of Diversification in the Caribbean," 2002; Josling, "Trade Policy in Small Island Economies," 1998; Ocampo, "Small Economies in the Face of Globalisation," 2002; and Rojas-Suarez and Elias, *Policy Perspectives for Trinidad and Tobago: From Growth to Prosperity*, 2006.

[57] The CIA World Factbook lists sugar as an important export commodity from Barbados, Belize, and Guyana; bananas remain an important export commodity from Belize, Dominica, Grenada, Panama, St. Lucia, and St. Vincent and the Grenadines.

exporters have also been affected by changes in developed-country trade policies, such as preference reductions in sugar and bananas. Another benefit of diversification is that it can reduce the adverse affects of price *increases* in natural-resource-based economies such as Trinidad and Tobago. That is, without sufficient diversification, price increases in dominant export sectors can raise overall domestic demand sufficiently to increase the general price level, thereby making other sectors less internationally competitive.[58]

Consistent with the conclusions of this literature, the shift of Caribbean exports from traditional sectors toward services has reduced income volatility in the Caribbean. Regional export earnings from services have been stable since the 1980s, which has improved the stability of GDP in those countries with the greatest shifts toward services. Berezin et al. show that services exports in St. Lucia and St. Vincent and the Grenadines were between 60 and 80 percent of GDP in the 1990s, which was quite high relative to other developing countries, and these countries were among the five non-OECD countries with the most stable GDPs between 1981 and 2000.[59]

The chief cost of diversification in small developing economies is that diversification channels resources away from existing sectors and can further reduce the scale of production. In many countries in the Caribbean, however, where there is considerable unemployment and underemployment, diversification would be expected to produce economic gains.[60] In general, however, diversification will be most successful if based on a sound assessment of existing active sectors, natural resources, and comparative advantage, which may differ considerably by country.

Countries in the Caribbean have used a number of programs to provide incentives for export diversification, though incentives have been more effective in the short run than the long run in generating increases in production and exports.[61] These programs include fiscal incentives, investment allowances, and worker training programs. Berezin et al. note that a number of Caribbean countries have provided incentives through the establishment of free trade zones (FTZs) which often provide tax holidays and concessions on utilities in addition to duty-free importation of raw materials.[62] The following case studies discuss several Caribbean companies that have benefited from these incentives: GraceKennedy Ltd. in Jamaica (box 3.3), which benefited from duty-free entry of raw materials for food production; Kajola-Kristado Ltd. in St. Kitts and Nevis (box 4.6), which benefited from duty-free entry of components for cable television parts; and RCD Components in St. Lucia (box 4.7), which benefited from tax holidays for electronics assembly. These studies also show that U.S. outsourcing of component assembly has contributed to the development of advanced technology manufacturing in the Caribbean.

---

[58] The decline in competitiveness following an export price increase in a natural resources sector is sometimes called the "Dutch disease." This term was first used to describe the decline in Dutch manufacturing following the discovery and export of natural gas in the 1960s.

[59] Stability of GDP was measured by the variability of per-capita GDP growth rates. The Bahamas was also one of the top five most stable non-OECD countries, but services export data are not available for the Bahamas in this period. Berezin et al., "The Challenge of Diversification in the Caribbean," 2002, 9–15.

[60] While diversification may provide permanent gains, transition costs can be quite high in many of these countries for governments and the affected workers. For example, as noted in chap. 5, the ambassador of the Federation of St. Kitts and Nevis stated that government support and training to help sugar workers transition to new sectors after 2005 considerably increased government debt. The submission by the CBI Sugar Group notes that the closure of the sugar industry in St. Kitts and Nevis eliminated the health and community services provided by the industry (CBI Sugar Group, written submission to the USITC, February 5, 2008, 2).

[61] Berezin et al., "The Challenge of Diversification in the Caribbean," 2002, 26.

[62] Ibid., 32.

Box 3.3 Food and Financial Services Industries in Jamaica: Leveraging Caribbean Communities Overseas

GraceKennedy Ltd. (GK) was founded in Jamaica in 1922 as a shipping company and in 2006, recorded sales revenue of $546.8 million[1] and employed 2,100 people. Today, GK consists of 45 subsidiaries and associated companies operating in 12 Caribbean countries,[2] the United States, Canada, and the United Kingdom, and is listed on four Caribbean stock exchanges.[3] According to the company's mission statement, GK is focused on "satisfying the unmet needs of Caribbean people wherever we live in the world," and has organized its international expansion strategy to leverage its brands in global markets with significant ethnic Caribbean communities. GK is organized into two main divisions, GK Foods and GK Investments, but is no longer active in the shipping industry.

GK Foods provides processed foods and distribution services under the Grace brand and other brands throughout the Caribbean, and exports to the United States, Canada, and the United Kingdom. The division employs almost 300 people in the United Kingdom, mostly in the WT Holdings Group Division, acquired in 2007 and expected to add more than 20 percent to GK's total sales. GK Foods also has production facilities in the United States, Canada, and Belize. GK Investments offers banking, insurance, remittance, funds management, and other financial services, and has recently acquired financial services firms in Trinidad and Tobago and Barbados. GK offers its remittance, foreign exchange, and bill payment services through Grace Kennedy Money Services Caribbean, a Jamaican joint venture in which U.S.-based Western Union holds a 25 percent equity stake.[4]

Company representatives cite several factors as particularly important to their success. These include the fact that Jamaica is a well-functioning democracy, that the company has duty-free access to raw materials imported into Jamaica, and the existence of large and prosperous Jamaican communities overseas, which serve as the core market for GK's financial services and food products outside of Jamaica.[5] This strategy of looking to ethnic Caribbeans living outside the region as a primary overseas market may appeal to other companies in the region as well.

GK contributes directly to Jamaica's economy through its payroll and tax payments and purchases of crops from local farmers. In addition, GK contributes to the economy through several charitable foundations that provide scholarships, endow two chairs at the University of the West Indies, operate a homework program to help local students, and support sports activities in schools and at the professional level.[6]

Source: GraceKennedy Ltd., *2006 Annual Report,* March 29, 2007, *http://www.gracekennedy.com/GRACE/pdf/financials/2006AR.pdf*.

[1] GK's 2006 annual report reported 2006 revenue of 36.1 billion Jamaican dollars, converted at World Development Indicators 2006 average exchange rate.
[2] Anguilla, Barbados, Belize, Cayman Islands, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and Turks and Caicos.
[3] E-mail communication from company representative, February 27, 2008.
[4] Ibid.
[5] Ibid.
[6] Ibid.

In the long term, most analysts expect that the importance of concessions for generating investment will decline in the region. First, Berezin et al. note that concessions often increase government expenditure or reduce tax revenue, and may not be sustainable given the current fiscal situations of many Caribbean countries.[63] Second, exports from Caribbean FTZs have declined considerably from their highs in the 1990s. For example, Perez and Martinez note that Jamaican exports (mainly of apparel) from FTZs rose to 2 percent of GDP in 1995 but had nearly disappeared by 2001.[64]

[63] Ibid., 26.
[64] Perez and Martinez, "The Quality of International Insertion and Competitiveness," 2003, 22 and 25. The World Bank attributes this decline to Jamaican wage increases, exchange rate appreciation, and rising crime in addition to NAFTA-induced competition from Mexico (World Bank, "A Time to Choose," 2005, 77). In hearing testimony, Irving LaRocque attributes the decline to competition from NAFTA (USITC hearing transcript, January 29, 2008, 31). As noted in chap. 5, the ambassador of Jamaica stated that Jamaica's high labor standards and wages have hurt its international competitiveness.

Policies identified in the literature

Given the current limited extent of export diversification in the Caribbean, a number of authors have stressed that the key to future long-run export diversification depends on investment in infrastructure. As noted in the FDI section, investor surveys have indicated that the quality of infrastructure is the greatest factor affecting investment in the region. Investment in key infrastructure also generates long-run returns, in contrast to the short-run gains from incentives. Although incentives successfully attracted investments in nontraditional activities, Berezin et al. note that, in many cases, new firms left as soon as incentives were reduced or eliminated.[65] They state that reductions in legal and administrative barriers and improvement in infrastructure will be necessary to attract investment in the long term.[66] Because service sectors have generally created higher-skill and higher-wage employment than the manufacturing sector, countries with lower investment in services would likely benefit from upgrading and increasing infrastructure for services.[67]

Different policies could mediate challenges faced by countries whose exporters concentrate in natural-resource-based products.[68] Rojas-Suarez and Elias suggest that these countries could save funds generated by exports in boom times and invest the savings in human capital and infrastructure. This policy has been successfully employed by developed countries with narrow export bases, such as Norway. This is particularly applicable to Trinidad and Tobago, which has strong resource sectors but globally less-competitive non-resource-based sectors. Trinidad and Tobago has begun to diversify into sectors that make use of their energy products. For example, the case study of Trinidad and Tobago's plastics industry (box 4.8) notes that Trinidad and Tobago has entered into an agreement with a U.S. company to diversify the energy sector through production of polyethylene plastic. Rojas-Suarez and Elias also suggest that Trinidad and Tobago should increase services as part of export diversification policy, because services account for only 12 percent of Trinidadian exports, a relatively small share compared to other Caribbean islands.[69]

The United States and other developed countries have also granted numerous trade preferences to Caribbean countries in order to generate trade diversity. In general, these programs have also been much more successful in the short run than in the long run in generating diverse exports, as noted above in the textile and apparel section.

Assistance for Small Enterprises and Households

Overview

Within these small countries, small firms are prevalent, and these firms generally have limited access to credit, which makes small enterprises less productive and more vulnerable to shocks.[70] There are about a million small enterprises in the region: for example, Jamaica

---

[65] Berezin et al., "The Challenge of Diversification in the Caribbean," 2002, 26.

[66] Ibid., 32.

[67] For specific services, see the discussions of telecommunications and health and wellness services sectors, as well as the discussion of tourism and financial services sectors in the regional overview.

[68] Rojas-Suarez and Elias, *Policy Perspectives for Trinidad and Tobago*, 2006, 17–19, 145.

[69] Ibid., 145. In particular, exports of tourism services are a much lower share of GDP in Trinidad and Tobago than in most other Caribbean countries. See table 2.13.

[70] For data, see Bouillon and Tejerina, "Do We Know What Works?" 2006, 33; and Westley, "Microfinance in the Caribbean," 2005, 5.

has 409,000, Panama has 289,000, and Guyana has 58,000. Microenterprises and small business employ about 70 percent of the working poor in the region. Ocampo states that small firms tend to have less access to financial markets because they are viewed as riskier borrowers. This raises costs of finance and limits access to funds, making the firms more vulnerable to shocks than larger enterprises.[71] As noted in chapter 5, CARICOM representatives stated that the main constraint to growth of small and medium-sized enterprises is "inadequate financing access to traditional banking sources largely due to unacceptable collateral."

Households in the region, like small enterprises, also have limited access to funds, which also makes them less productive and more vulnerable.[72] Formal savings are low in the few countries with available data: about one-half of households have savings in the formal sector in Jamaica; less than one-quarter have formal savings in Panama; and only about one-tenth have formal savings in Haiti. Bouillon and Tejerina note that additional credit for households would reduce poverty through several channels: increased assets, increased productivity, and reduced volatility of consumption. Expansion of credit could also indirectly benefit households through increased economic activity and employment.

Policies identified in the literature

A common approach to benefit small enterprises and poor households is the provision of microcredit.[73] Westley notes that in Latin America, well-run microfinance programs have benefited workers and firms, though there are wide differences in results among programs.[74] He contrasts this with the Caribbean, where microfinance institutions have had less success, due to very small scale and problems with loan recovery and sustainability.[75] Westley argues that Caribbean microfinance lenders could be more successful if they emulated current best practice in assessing loan applicants' willingness to repay loans, addressing delinquent loans, and providing incentive pay for loan officers. The United Kingdom's Department for International Development (DFID) notes that Sogesol, a Haitian microfinance subsidiary of Haiti's largest bank, has successfully helped small enterprises and generated profits.[76] Sogesol has received technical assistance with its structure and practices from the IDB and other partners. Thus, provision of microfinance has worked in several countries in the region, though proper structure appears necessary for good results, and developed country support has been beneficial in providing this structure. The case study of Guyana's Demerara Distillers (box 2.2) provides an example in which microfinance, combined with purchasing guarantees by Demerara Distillers, successfully doubled fruit production by small-scale, low-income farmers in Guyana.

In addition to limited access to finance, small firms often have limited understanding of export opportunities and trade benefits available to them. Watson, for example, notes that very few Caribbean service providers "have examined in detail the opportunities that exist

---

[71] Ocampo, "Small Economies in the Face of Globalisation," 2002, 3.

[72] Bouillon and Tejerina, "Do We Know What Works?" 2006, 33–34.

[73] Bouillon and Tejerina review Latin American programs, and Westley reviews Caribbean programs (Bouillon and Tejerina, "Do We Know What Works?" 37–38; Westley, "Microfinance in the Caribbean," 2005, 1).

[74] Westley, "Microfinance in the Caribbean," 1–8.

[75] Morduch, in his 1999 survey of microfinance lending programs, noted that difficulties with small scale and sustainability have been common in many microfinance programs throughout the world (Morduch, "The Microfinance Promise," 1999, 1609).

[76] DFID, "Banking the Underserved," 2005, 13–18.

outside of the domestic market."[77] The lack of knowledge of export opportunities was also mentioned in hearing testimony for this study. Irwin LaRocque, Assistant Secretary General of CARICOM, described programs supported by the Department of Commerce and the U.S. Department of Agriculture under the CBI. He noted the importance of, and expressed hope for reestablishment of, programs that disseminated information about Caribbean exporters and U.S. importers to facilitate trade and investment.[78]

Challenges Posed by International Standards

Overview

The literature indicates that increased stringency of SPS in developed countries measures provides both an opportunity and a difficulty for small island countries. On the one hand, one benefit of being a small island is that distance and isolation provide a natural barrier against plant and animal disease.[79] As a result, small islands are relatively more disease free than larger landmasses. This could be increasingly beneficial when importers impose stringent SPS measures. Josling suggests that island countries should consider diversifying into high-quality agricultural goods, such as premium and organic products. Hearing testimony for this study supported this conclusion, with a caveat. Irwin LaRocque, Assistant Secretary General of CARICOM, stated that islands do have greater control at the border, which is an advantage, but once introduced, pests and disease may become endemic.[80]

On the other hand, small producers in these countries are finding it increasingly difficult to comply with more stringent standards that differ across developed countries.[81] For example, the World Bank notes that Jamaica has successfully increased exports of nontraditional food products, but as SPS standards have evolved and become more stringent, Jamaican suppliers have encountered significant market-access challenges because they lack resources to address food safety and plant health management issues. The conclusions from the empirical literature on standards show that the difficulty faced by Jamaican exporters is a common experience in developing countries. Chen et al. show that standards and regulations increase trade costs and negatively affect the export performance of firms in developing countries. They find that testing procedures reduce exports by 9 percent, and the effect is even larger for domestically owned firms and agricultural firms that produce highly perishable goods.[82]

Complying with international standards also has substantial effects on the exports of Caribbean service providers. Watson examines difficulties with U.S. standards and regulations for service firms in the Caribbean.[83] He cites surveys that indicate a number of barriers to entry, such as local presence requirements for accounting firms and local licensing of architectural services providers, and higher U.S. tax rates on insurance premiums received by non-U.S. insurance companies. He also reports the results of a survey produced by the Barbados Coalition of Service Industries. Service providers in Barbados had two concerns:

---

[77] Watson, "Study on Market Access Issues," 2003, 12.
[78] USITC hearing transcript, January 29, 2008, 138–42.
[79] Josling, "Trade Policy in Small Island Economies," 1998, 8.
[80] USITC hearing transcript, January 29, 2008, 155–56.
[81] Irwin LaRocque, Assistant Secretary General of CARICOM, noted that standards may differ even by U.S. port (USITC hearing transcript, January 29, 2008, 153–54).
[82] Based on an analysis of the 2002 World Bank Technical Barriers to Trade Survey of 619 firms in 17 countries (Chen et al. "Do Standards Matter for Export Success?" 2006, 5–6).
[83] Watson, "Study on Market Access Issues," 2003, 4–6, 29.

many had little knowledge of export opportunities and requirements; and professional and construction service providers found bonds and security required to support bids on some contracts to be prohibitively expensive given high interest rates in Caribbean countries.

Policies identified in the literature

Several sources, including the World Bank, academic literature, and hearing testimony, propose policies to address the difficulties that small enterprises face in complying with international standards, particularly SPS.[84] The World Bank's 2005 report suggests Caribbean governments and producers can increase the scale of their efforts to comply with regulations with a non-company-specific approach involving joint investment in food hygiene training and export-dedicated production with strict quality, food safety, and plant health standards. The report states, "it is not certain that these activities are sufficiently profitable to induce private investment" and suggests a role for technical assistance and training provided by developed countries. In the academic literature, Schiff examines the effects of reform in small countries and notes that small states are likely to benefit from technical assistance with food safety regulations and technical standards.[85] He notes that these "behind the border" reforms are likely to increase trade and growth by increasing productivity and attracting foreign investment.[86] Foreign trade partners could also help small exporters by allowing mutual recognition of standards, so that goods certified by designated Caribbean organizations would have free access to developed markets (e.g., the growing market for organic fruits and vegetables).

As noted in chapter 5, many organizations addressed the potential benefit of trade facilitation to help Caribbean producers meet U.S. standards, particularly SPS regulations. The Jamaica Confederation of Trade Unions submission suggested that exports to the U.S. could be facilitated with training and workshops from U.S. government agencies on technical standards and requirements for Caribbean foods to qualify for entry. Representatives for CARICOM, the National Coalition on Caribbean Affairs and TASC/BCCB also suggested that trade facilitation for health, food safety, and SPS regulations could facilitate Caribbean exports.[87]

Other Key Challenges for Caribbean Development

This section provides additional details on country characteristics that affect Caribbean development, summarizes policies that could generate further growth, and focuses on policies to further Caribbean development, whether by the United States and international community or the Caribbean countries themselves. The country characteristics and policy analyses presented in this section can be divided into three broad categories: (1) infrastructure in the Caribbean region, (2) health and education policy, and (3) FDI, which is now largely driven by institutions, infrastructure, and the level of human capital. This section draws extensively on one of the most comprehensive reports on Caribbean

---

[84] World Bank, "A Time to Choose," 2005, 87 and 91.
[85] USITC hearing transcript, January 29, 2008, 196.
[86] Schiff, "Regional Integration and Development in Small States," 2002, 20–21.
[87] Interested Parties also discussed the importance of trade facilitation to address port security standards. See the discussion in the "ports and shipping infrastructure" section of this chapter.

infrastructure, the 2005 World Bank report entitled "A Time to Choose: Caribbean Development in the 21st Century."

Infrastructure in the Caribbean

Infrastructure is often cited as the most important factor for further development in the region.[88] As noted throughout the literature review, infrastructure is a primary driver of trade and FDI, including trade in higher wage sectors. Infrastructure is also one of the key determinants of export diversification. The most developed components of infrastructure in the region are the port system and telecommunications. Modernization in these sectors has increased efficiency throughout the region. In contrast, more basic infrastructure services, such as electricity and water, are not nearly as well developed. This deficiency has considerably affected trade and growth in some Caribbean countries.[89] Infrastructure development should generally be considered a long-term policy for two reasons: considerable time is required to develop and employ the capital required for infrastructure development, and improvements to infrastructure can produce sustained improvements in income and productivity.[90]

Basic infrastructure

Overview

Basic infrastructure is especially important to developing countries. It drives economic growth, and it also affects the poor directly, through access to water, electricity, and sewage services. The World Bank notes, however, that the citizens of Caribbean countries often face high costs and limited access to even basic infrastructure services. Caribbean countries are better providers of electricity than water services. Over 80 percent of the population in English-speaking Caribbean countries has electricity.[91] Some poorer countries have lower rates, however, and Haiti has the lowest, with an electrification rate of only 35 percent. World Bank studies have found that the productivity of utility workers is higher, and prices are often lower, in countries with private provision of electricity.[92] The World Bank reports that Caribbean residents have much lower access to quality water and sewage services than to electricity.[93] In most Caribbean countries, inadequate investment has led to at least some water rationing. Many water utilities in the region lose more than one-half of their water as a result of factors including leakage and theft. Labor productivity in water utilities is usually

---

[88] The importance of infrastructure to development is noted in studies by Wilson et al., Iwanow and Kirkpatrick, Francois and Manchin, and several surveys by the World Bank. Each of these is discussed in detail below

[89] The importance and current level of development of infrastructure in the Caribbean is discussed extensively in hearing testimony. See comments by Izben Williams, Irwin LaRocque, and John Saylor in USITC hearing transcript, January 29, 2008, 48, 122, and 172.

[90] "Long-run" refers to the time frame in which most benefits would accrue to Caribbean countries, perhaps after a decade or more, and is not intended to imply that these policies should have lower priority than the short- and medium-run policies.

[91] See World Bank, "A Time to Choose," 2005, 172–75, for a comparison of electricity provision in Caribbean countries.

[92] In the region, Jamaica, Barbados, and St. Lucia have private provision of electricity; Dominica, Grenada, and Trinidad and Tobago have partly private provision, and St. Vincent and the Grenadines, Guyana, and Antigua and Barbuda have public provision.

[93] World Bank, "A Time to Choose," 2005, 176–77. See the tables of "social development indicators" in the country profiles for country-specific data on access to sanitation facilities and improved water sources.

about one-half that obtained through the use of best practice in Latin America. As with electricity, access to water varies widely in Caribbean countries, with the English-speaking Caribbean countries generally providing the greatest access and Haiti again providing the least access.

Costs of providing infrastructure in the Caribbean are high, but vary across the region; relative costs generally rise as countries get smaller. The empirical literature shows that high costs of infrastructure and other services is a common problem in small countries, because economies of scale are important in the provision of infrastructure. For example, Winters and Martins examine the costs of providing infrastructure in "very small" countries with populations around 200,000 (e.g., Barbados, Netherlands Antilles, and St. Lucia) and "micro" economies, with populations in the tens of thousands (e.g., Anguilla and St. Kitts and Nevis).[94] Relative to the average-sized country in the study, which has 10 million people, electricity costs are 47.0 percent higher per kilowatt in very small countries and 93.1 percent higher in microeconomies. Costs for telephone services, air travel, and sea freight are also higher for smaller countries. The higher costs of infrastructure services are reflected in the costs of goods and services, which are 36–50 percent higher in microeconomies than in average-sized countries.

Despite the high costs, studies repeatedly demonstrate that investments in infrastructure improvement would increase exports or welfare more than improvements resulting from trade facilitation.[95] Wilson et al. quantified the effects on trade of improvements in infrastructure, port efficiency, trade regulations, and import-export fees in countries with "below-average" performance in these areas.[96] The authors estimate the effect on the value of trade of bringing low performing countries halfway to the world average in these areas, and they find that improvements to services-sector infrastructure would increase trade the most, followed by improvements in ports, regulations, and fees. Iwanow and Kirkpatrick also compare the effect on exports from improvements in trade facilitation, regulation, and infrastructure.[97] They also find that infrastructure improvements would generate the greatest increase in trade, and they conclude that "trade facilitation alone is unlikely to result in a significant improvement in export performance." The importance of infrastructure and institutional quality on exports is also supported by Francois and Manchin, who note that these factors are significant determinants of both the value of exports and the likelihood that any trade occurs between country pairs.[98]

Policies identified in the literature

With high debt, many Caribbean governments often cannot borrow for infrastructure investment. The 2005 World Bank report concludes that future infrastructure projects will need to be self-financing, either through user charges, private provision, or by investment in sectors that provide rapid growth and increased tax revenues. The report notes that "sectors and utilities that perform best tend to be those that can charge a cost-recovery tariff and are privately financed, such as island-based mobile phone companies and electricity

---

[94] Winters and Martins, "Beautiful but Costly," 2005.

[95] It is important to note that these studies examine the effects of percentage changes or quality improvements in these variables, and do not compare the marginal benefit of equal expenditure on infrastructure and trade facilitation.

[96] Wilson et al., "Assessing the Potential Benefit of Trade Facilitation," 2005, 860–63.

[97] Iwanow and Kirkpatrick, "Trade Facilitation, Regulatory Quality and Export Performance," 2007.

[98] Francois and Manchin, "Institutions, Infrastructure and Trade," 2007.

companies."[99] The islands provide a number of success stories of privately financed investment, such as telecommunication and rural electrification projects in Jamaica, and telecommunications projects in the Dominican Republic. Although provision of water services offers the greatest scope for improvement, the World Bank notes it may offer the least scope for private development, given the high costs, low returns, and historically high water losses (including theft). Although private management and ownership of water utilities has not succeeded in the region, private contracts have improved specific services such as meter installation and reading in Trinidad and Tobago.[100]

Increased regional integration can produce benefits through increased scale of infrastructure service provision. Regional cooperation and integration have already had several successes. The World Bank notes that there is some private provision of services on a regional basis: Caribbean Cable & Wireless provides management services, and Digicel provides mobile phone service.[101] The case study for Jamaica's Digicel (box 2.1) notes that Digicel has focused its investment on markets with recently liberalized telecommunication services and has active or pending operations in 13 of 18 covered CBERA countries. Regional regulation has also had positive results: the Eastern Caribbean Telecommunications Authority (ECTEL) has successfully promoted telecommunications liberalization in countries in the Organization of Eastern Caribbean States (OECS).[102] Regional cooperation and integration of services, both public and private, could be extended to additional countries and services.[103]

Ports and shipping infrastructure

Overview

The growth of Caribbean shipping is a good example of the growth potential of sectors in the region with adequate infrastructure.[104] Several Caribbean ports have developed profitable and efficient legal transshipment businesses. McCalla, Slack, and Comtois discuss the reorganization of Caribbean containerized shipping routes between 1994 and 2002.[105] The most important development in port traffic in the region is the rise of legal transshipment and the development of hub ports. The fastest-growing major hub ports are in The Bahamas, Jamaica, and Panama, each of which now exceeds a million 20-foot equivalent units (TEUs) in traffic a year.[106] Concurrent with the change to a hub-and-spoke system, containerized shipping volumes have expanded significantly.

For shipping, both hub and spoke traffic have increased, and the rise of the large ports has generally benefited most smaller shippers. Local and regional carriers continue to play a

---

[99] World Bank, "A Time to Choose," 2005, 181.
[100] Ibid., 187.
[101] Ibid., 189.
[102] See the discussion of telecommunication services below for additional details on ECTEL.
[103] World Bank, "A Time to Choose," 2005, 188–90.
[104] Ports are also critical to the cruise segment of the tourism industry. The direct economic value of the cruise segment to Caribbean countries, however, appears to be relatively limited. In 2000, tourist arrivals by cruise line in the OECS represented about two-thirds of all arrivals. The cruise segment generated tourism receipts of $52 million ($34 per arrival) as compared to stay over arrival receipts of $861 million ($1,010 per arrival). The principal economic function of ports in the region appears to be shipping (World Bank, "Towards a New Agenda for Growth," 2005, 111–12).
[105] McCalla, Slack, and Comtois, "The Caribbean Basin," 2005, 246 and 252.
[106] These hub ports are Freeport in The Bahamas, Kingston in Jamaica, and Colon and Puerto Manzanello in Panama. The only other ports in the region with more than one million TEUs in traffic in 2002 were Houston in the United States, La Guaira in Venezuela, and San Juan in Puerto Rico.

major role by competing more on service than price. McCalla, Slack, and Comtois state that, because major carriers operate on fixed time and price schedules, the key to the success of smaller niche carriers is flexibility in payments and timing of shipments. These niche carriers also transport mixed containerized and noncontainerized goods or services to very small ports.[107]

Since 2002, Caribbean ports have faced additional requirements for port security under the International Ship and Port Facility Security Code and under U.S. port security regulations enacted in the Maritime Transportation Security Act (MTSA). Although this issue is not addressed in the economic literature, it was raised several times in hearing testimony. As noted in chapter 5, the Caribbean Central American Action (CCAA) representatives stated that, while the larger Caribbean ports have generally complied with recent international and U.S. maritime security requirements, many smaller economies lack resources to comply with the regulations. Representatives for Halcrow, a provider of design and management services for infrastructure development, noted that failure to comply with maritime security requirements could negatively affect Caribbean development.

In contrast to containerized shipping, air transport has had much lower efficiency gains and growth in the Caribbean region. The World Bank notes that governments continue to support small, relatively inefficient national and regional air carriers.[108] There has also been less liberalization of air transport. For example, few countries in the region have an effective "open skies" agreement with the United States.[109] There have been some successes in air transport, however. The case study for Panama's Copa Airlines (box 4.5) notes that Copa Airlines used a strategic alliance with Continental Airlines to improve profitability by increasing economies of scale in purchases and by improving management of revenue and sales.

Policies identified in the literature

Port modernization has important benefits, including direct benefits to shippers and indirect benefits to all regional producers. Although many Caribbean ports have adequate capacity, customs clearance times in smaller countries, such as Grenada, can be high. Both the World Bank and hearing testimony identified further investment in customs systems as important to the region, and noted that customs clearance procedures and port efficiency could be addressed with trade facilitation.[110] In addition, the World Bank stated that the larger ports such as Kingston, Jamaica and Port of Spain, Trinidad and Tobago, require significant additional investment to meet growing demand for transshipment. Regarding maritime security regulations, both CCAA and Halcrow emphasized the potential benefits of trade facilitation for port and security improvement. Halcrow also emphasized the role for regional cooperation between Caribbean countries to standardize port and customs security procedures. Port security requirements, within the policy control of the United States

---

[107] McCalla, Slack, and Comtois present data for medium-sized Caribbean ports, such as Fort-de-France in Martinique and Rio Haina in the Dominican Republic, that have increased both shipping volumes and connections to other ports in the 1994–2002 period. The authors also note that smaller ports have also fared well, but no data are available for the smaller ports in the countries covered by this report.

[108] World Bank, "A Time to Choose," 2005, 183.

[109] Only the Netherlands Antilles, Aruba, Panama, and Jamaica currently have signed "open skies" agreements with the United States. U.S. State Department web site. *www.state.gov/e/eeb/rls/othr/2008/22281.htm* (accessed May 2, 2008).

[110] World Bank, "A Time to Choose," 2005, 72–73 and 179–80; and comments by John Saylor in USITC hearing transcript, January 29, 2008, 172–80.

government, provide another opportunity for providing technical assistance that can benefit Caribbean countries. Efforts are already underway by the U.S. government (State Department, Homeland Security, and USAID) to communicate best practices to Caribbean governments.[111]

The 2005 World Bank report finds that the greatest efficiency gain to international transport in the region would come through liberalization of air services and the reduction of government support. The report notes that airline liberalization in other countries has significantly reduced fares and increased volume, benefiting both business and tourism.[112] Airline liberalization and rationalization of airline routes have been cited as promising for lowering costs for leisure and business travel, and increasing the efficiency of business in the region, similar to the gains realized from rationalization of waterborne shipping routes. This is particularly important in developing exports of perishable goods and other goods requiring fast transport.

Telecommunications and information and communications technology infrastructure

Overview

As with other infrastructure services in the Caribbean, telecommunications in the Caribbean tend to be relatively costly compared to other regions. Recent efforts toward reducing costs and dismantling subregional monopolies, however, have been successful. The World Bank provides an overview of telecommunications in OECS countries.[113] Costs are high relative to the rest of the Caribbean, but favorable compared to other microstates around the world.[114] Table 3.2 gives a number of indicators for telecommunications and information and communications technology (ICT). While substantial price variability exists among OECS countries, the average is relatively low for residential and business charges, although unit charges for long distance and local calls are higher, more in line with other microstates.

As discussed above, Winters and Martins explore the magnitude of business costs in small economies.[115] They find that connection fees are about one-third lower in microstates than in an average-sized country, but that international calling charges are generally much higher. For example, calls to London were 97.1 percent higher in microstates, and calls to New York City were 177.6 percent higher. In the World Bank data in table 3.2, the OECS countries and other Caribbean countries fare relatively better than other microstates, at least in terms of calling costs to New York City.

In data and Internet services, the OECS countries and other Caribbean countries compare favorably to the rest of the Americas, with 13 Internet users per 100 people in the OECS and in the Caribbean, and 10 in the rest of the Americas. This is considerably lower, however, than in other microstates (21) or in the United States (55). A second approach to measuring Internet penetration is the measure of Internet hosts relative to GDP in a country. The World Bank reports that Dominica and Antigua and Barbuda score relatively high, while Grenada, St. Lucia, and St. Vincent and the Grenadines score relatively low. Smaller countries around

---

[111] GAO, "Information on Port Security in the Caribbean Basin," 2007, 26–27.
[112] World Bank, "A Time to Choose," 2005, 182–83.
[113] World Bank, "Towards a New Agenda for Growth," 2005, 96–99.
[114] Microstates here are defined as having a population of less than 400,000 persons. See World Bank, "Towards a New Agenda for Growth," 2005, 97.
[115] Winters and Martins, "When Comparative Advantage Is Not Enough," 2004.

Table 3.2 Selected Telecom and ICT Indicators, 2002, U.S. Dollars

	Residential Charges		Business Charges		Cost of a 3-min call		Internet users per 100 people
	Connection	Subscription	Connection	Subscription	to NYC	Local	
OECS	59	8	70	18	1.36	0.09	13
Caribbean	45	7	49	19	0.91	0.04	13
Americas	88	8	115	16	0.65	0.05	10
Other microstates	61	11	64	18	1.60	0.07	21
Upper middle income	62	8	82	12	1.01	0.09	14
USA	23	42	72	44			55

Source: World Bank, "Organization of Eastern Caribbean States: Towards a New Agenda for Growth", Report No. 31863-LAC, April 7, 2005. Table 6.5, p. 97.

the world post some of the highest measures, suggesting that Internet access may provide a way to overcome scale disadvantages and improve the business environment.[116]

The World Bank also reports that OECS member countries have benefited greatly from the establishment of the Eastern Caribbean Telecommunications Authority (ECTEL).[117] ECTEL has introduced competition into the fixed line and mobile markets, lowering prices and increasing investment and employment. Before liberalization, in 2001, 12 telecom firms in the 5 member countries employed 841 individuals, while investment totaled about $33.6 million (in 2000–2001). Between 2002 and 2004, the number of telecom firms doubled to 24, employment more than doubled to 1,771, and investment rose to $62.1 million. Average prices for calls to the United States have fallen by more than 70 percent since the start of liberalization.

ICT as an export sector

The term ICT encompasses both the infrastructure of telecommunications as well as the output sector dependent on that infrastructure, in a way analogous to the relationship between ports (infrastructure) and shipping (output sector). ICT as an output sector has often been seen as a potential source of economic growth for the Caribbean, but experience to date has been mixed.[118] The World Bank outlines ICT as an export sector in the OECS countries but finds that Caribbean countries have often relied excessively upon ICT as a source of growth and employment. Business processes began to be outsourced to the Caribbean in the 1980s, allowing the development of a data-processing industry that primarily served the U.S. market. A notable temporary success was American Airlines' data processing operations in Barbados. A wholly owned subsidiary of American Airlines, Caribbean Data Services

[116] Country-specific telecommunication infrastructure data are included in country studies found in chap. 4.

[117] The member states of ECTEL are Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. See ECTEL, 2003.

[118] World Bank, "Towards a New Agenda for Growth," 2005, 126–31.

(CDS), was established in 1983 to provide services to American Airlines.[119] Operations were so successful that CDS began selling its services to other large U.S. companies such as AT&T and Blue Cross/Blue Shield. CDS went on to establish subsidiaries of its own in the Dominican Republic and Jamaica, with total employment rising to more than 3,500 by the end of the 1990s. The rise of the Internet, however, intensified competition in these services from much-lower-wage companies in India, China, and the Philippines. Unable to make the transition to higher-value-added services, operations eventually closed.[120]

A very different experience in the call center industry is shown in box 3.4, which discusses the call center industry in the non-OECS country of Barbados. Barbados has seen an increase in call center employment from 500 in 2003 to 1,500 in 2007, with plans for further expansion. Growth of the industry is attributed to workforce development programs sponsored by the government, to foreign investment incentives, and to declining telecommunications rates.

Initial efforts at call centers in the 1980s and 1990s (exemplified by CDS above) emphasized telemarketing and low-end customer service. Because of the low wages and commission-based compensation structure, most workers saw these jobs only as temporary employment and an opportunity to gain some level of IT experience. High employee turnover was, as a result, increasing training costs, undermining customer relationships and offsetting any savings from lower wages in the Caribbean. Relatively high telecommunications rates at the time also contributed to the failure of this industry.[121] Recent experience in Barbados shows that addressing training issues, infrastructure, and telecommunication costs can indeed make call centers viable in the region.

Policies identified in the literature

The World Bank analysis suggests that ICT could be successful in the Caribbean, but that the focus should be put on the high end of customer service for larger U.S. companies, and avoiding the lower end of the market, such as telemarketing.[122] Three particular advantages to shifting the focus are given. First, contracts for higher-end customer service tend to be longer term (two years or more). Longer contracts are common because of the greater commitment necessary in training to provide these kinds of services. This training and technology could generate positive spillovers for the hospitality industry and the broader economy. Second, call center employees often become employed by the outsourcing company, reducing turnover and improving motivation. Third, the proximity of the Caribbean countries to the United States can act as a comparative advantage as compared to the Philippines, India, or China, since, according to the World Bank, large companies tend to have more direct contact with their customer service operations offshore and thus visit more often.[123]

---

[119] Hamilton, "A Bit Player Buys Into the Computer Age," 1989.
[120] World Bank, "Towards a New Agenda for Growth," 2005, 127, box 7.2.
[121] Ibid., 128.
[122] Ibid., 128–29.
[123] Ibid., 128.

Box 3.4 Call Center Industry in Barbados: Improving the Domestic Business Environment Attracts Investment and Creates Jobs

As in several other Caribbean countries, foreign investment in the Barbadian call center industry has grown significantly in recent years and has become an important source of employment. In 2007, call centers employed approximately 1,500 workers in Barbados, up from about 500 in 2003. Such employment growth is expected to continue. At least one call center firm—KM2 Solutions—plans to expand its Barbadian workforce from 130 to 400 persons in 2008. In addition, a representative of the Barbados Investment Development Corporation indicates that the industry could potentially employ as many as 3,000 workers. Although Barbados accounts for only a small share of the estimated 55,000 call center jobs in the Caribbean, even a relatively modest number of call center jobs is likely to have a significant impact on Barbados, because of the small size of its economy and labor force.

The government of Barbados has facilitated the growth of its call center industry by establishing a workforce development program and offering incentives to foreign investors. For example, Barbados places no limits on capital repatriation or foreign ownership, and information services firms (including call center establishments) pay taxes of only 1.0 to 2.5 percent on profits and are eligible for training grants from the government. The Barbadian market offers many of the political, geographic, and cultural advantages that have encouraged foreign investment throughout the Caribbean call center industry. These include a stable political environment, an English-speaking workforce, a population known for its hospitality toward foreigners, and the minimal time difference between Barbados and the United States.[1] Sound infrastructure and declining telecommunication costs also have encouraged foreign investment in the Barbadian call center industry. Declining telecommunications rates in Barbados reportedly are a result of the government's efforts to liberalize its telecommunications market by licensing three additional[2] telecom service providers in February 2005.

Sources: Caribbean Broadcasting Corporation, "Another Call Center to Provide Jobs for Barbadians," September 20, 2007, *http://www.cbc.bb*; Karim Khan, "International Profile—Making the Most of Barbados," *Business Facilities* Web site, *http://www.businessfacilities.com/bf_04_02_global1.asp* (accessed February 11, 2008); Michael Melia, "Call Centers Booming in Caribbean," *USA Today,* 2007, *http://www.usatoday.com/money/economy/2007-09-07-3451406171_x.htm*; Nation News, "New Call Centre Promises Jobs," November 8, 2007, *http://www.nationnews.com/290243370705321.php*; Offshore Connections (UK) Ltd. "Barbados" Web page, *http://www.offshoreconnections.co.uk/barbados.htm* (accessed February 11, 2008); Doreen Weeks, U.S. Department of Commerce, Commercial Service Caribbean Region, Barbados, "Full Liberalization of the Telecommunications Sector in Barbados," March 2005, *http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/IMI_1751/$file/X_5169117.pdf*.

[1] Barbados and the East Coast of the United States are both located in the Coordinated Universal Time-4 time zone, however, Barbados does not follow daylight savings time.

[2] Prior to February 2005, Cable and Wireless BET Ltd. had been the sole provider of telecommunications services in Barbados.

Health and Education

Health and wellness services

Overview

The World Bank reports that health and wellness services as export industries have seen substantial growth in the OECS and it anticipates further gains.[124] OECS countries benefit from proximity to the North American and European markets, good supply of health workers, relatively low-cost labor, good telecommunications and transport services, a well-developed hospitality sector, and an established health and medical sector. Further expansion of the sector, however, depends on an adequate supply of skilled staff, especially as the worldwide demand for nurses and physicians may strain the availability of health care within the OECS. Box 2.3 outlines how Panama has promoted its medical tourism industry.

[124] Ibid., 131–33.

Policies identified in the literature

The World Bank identified several policies that could strengthen both medical services and medical tourism. These include the following: (1) developing medical infrastructure that does not generate inequality between health facilities for residents, (2) strengthening licensing and accreditation of medical services to improve the attractiveness of health services to health tourists and to encourage coverage of services by insurance companies, and (3) increasing portability of health insurance within the Caribbean and from other countries to enhance the marketability of health services in the Caribbean.[125] Panama's experience (box 2.3) highlights the importance of the second point above. Hospital Punta Pacifica's partnership with U.S.-based JHMI and its pursuit of JCI accreditation both aim to improve its appeal to medical tourists. Hearing testimony also stressed the importance of health-care-insurance portability to developing the Caribbean medical sector and also noted that strengthening the sector would improve the retention of health care personnel in the region.[126] Strengthening the legal framework for medical liability and consumer protection could also help this process.

The World Bank identified several measures that could enhance the position of health and wellness services in world markets. Support to local entrepreneurs should be provided to facilitate the establishment of public-private-sector partnerships. Helping these entrepreneurs develop effective business plans and conduct detailed market analysis could be particularly useful. Linkages with care management companies in other countries could facilitate market expansion and help contain costs for those management companies. Improved marketing of medical tourism to targeted markets, such as the United Kingdom, North America, and Asia, could provide greater visibility to Caribbean care providers.[127] Lastly, the development of statistical indicators for the sector is necessary to monitor development.[128]

Education

Overview

Effective provision of educational services is very important to the development of the Caribbean. Improved skills directly improve productivity, and a skilled workforce is often cited as a "critical factor" in determining the location of foreign investment.[129] The 2005 World Bank report shows that Caribbean countries spend considerable resources on education, but for a number of institutional reasons, these countries often do not get a good return on their investment in terms of a highly educated and trained workforce.[130] Governments in the region are committed to education, and their average education spending as a share of GDP, 6.5 percent, exceeds that of Latin America and the OECD. Relative to other countries with similar income, Caribbean nations effectively provide primary education, but have been much less successful providing secondary and, in particular,

---

[125] Ibid.

[126] See comments by His Excellency Jose Miguel Insulza and Pamela Coke-Hamilton in USITC hearing transcript, January 29, 2008, 18, 82, and 97.

[127] Box 2.3 in chap. 2 of this report describes Panama's medical tourism industry.

[128] The inadequacy of available data presents similar problems for instituting and monitoring many types of policies in the Caribbean, such as tax policy and policies related to the eight UN Millennium Development Goals (USITC hearing transcript, January 29, 2008, 205 and 265).

[129] World Bank, "A Time to Choose," 2005, 144.

[130] See summaries of public expenditure reviews in World Bank, "A Time to Choose," 2005, 154–57.

postsecondary education. Also, the World Bank states that the available information suggests that the quality of education in most Caribbean countries is below world standards.[131]

This lack of success is partly attributable to country characteristics, such as small scale and high migration of skilled labor. As noted previously, the small size of many countries poses problems for the efficient provision of private and government services. Government expenditure on education and health is important to the development of human capital because of the relatively high poverty rates, and those most likely to gain from increased education may be least able to pay for it.[132]

Caribbean governments have lower incentives to provide post-secondary education, however, because of the large outflow of educated workers from the region. This migration reduces Caribbean countries' returns to education spending, because Caribbean governments face a considerable risk of devoting resources to education, only to have their citizens emigrate once they complete their schooling.[133] For example, Berezin et al. use 1990 U.S. and foreign census data to show that 67 percent of people born in Jamaica with postsecondary education lived in the United States.[134] As noted in chapter 5, the Ambassador of Jamaica stated that skilled professionals such as nurses and teachers are also migrating to the United States, which has had a negative effect on development. On the other hand, this migration has presented opportunities for some Caribbean businesses to export products and services to ethnic groups in the United States and other developed countries, as discussed in box 3.3 on food exports from Jamaica, and generated an increased flow of remittances to the Caribbean region.

Policies identified in the literature

To address the region's lack of skilled labor, the World Bank notes it is particularly important to increase access to postsecondary education. Access can be improved by increasing the scale of education provision. To increase scale, the World Bank suggests providing financial incentives for partnerships between public and private institutions in the region, such as the partnership between Grenada's Community College and St. George's University. The development of distance learning programs, regional training and occupational standards, and mutual recognition of technical and vocational certificates through the Caribbean Association of National Training Agencies could also increase the scale of education services. Finally, Berezin notes that given the amount of skilled migration out of the Caribbean, education reforms and expansion alone are insufficient without further development and investment that would provide attractive employment for educated persons.

Foreign Direct Investment

Overview

FDI in the Caribbean is high relative to most developing countries, though there have been significant changes over time in the region. The UNCTAD FDI Performance Index shows

---

[131] Ibid., 154.
[132] McBain, "Income Inequality in the Caribbean," 2001, 210.
[133] Berezin et al., "The Challenge of Diversification in the Caribbean," 2002, 30.
[134] These shares are calculated by combining the U.S. Census's estimate of educated immigrants from Jamaica with estimates by the Jamaican census of similarly educated people remaining in Jamaica.

that, in the early 1990s, Caribbean countries were about three times more successful in attracting FDI inflows than other similarly sized developing countries. The Caribbean's relative attractiveness fell to 1.5 times that of similarly sized countries by 2002, but then returned to three times that of similarly sized countries by 2006.[135] This pattern is demonstrated by the five countries covered by this report for which UNCTAD reports data.[136] Of these, the FDI performance of all but The Bahamas fell between 1990 and 2002. After 2002, the trend reversed, and all but Trinidad and Tobago improved FDI performance relative to other similarly sized developing economies. Country profiles in chapter 4 of this report also report increasing FDI since 2002; of the 16 countries with FDI data, 13 increased FDI inflows between 2002 and 2006.

The World Bank attributes the decline in FDI between 1990–2002 to investor dissatisfaction related to poor infrastructure and insufficient skilled labor.[137] This conclusion is supported by a 2004 World Bank survey of investors in the Caribbean.[138] Caribbean investors reported that the most important aspect of investment climate was the quality of infrastructure, including roads, ports, and utility services. Telecom services were rated as good or excellent in nearly all countries, but investors were dissatisfied with other infrastructure services. The second issue raised by the World Bank investor survey was the importance of skilled workers. The availability of skilled workers, including engineers, professionals, and managers, was rated more important than unskilled labor. The investors reported that Caribbean countries were not meeting investors' skilled labor needs. In addition to infrastructure and skilled labor, investors cited crime, lack of security, unclear laws and regulations, and poor service provision as important impediments to investment. A more recent survey, by the Association of American Chambers of Commerce in Latin America, identified trade facilitation, including ports and customs procedures, as the highest priority of more than 500 major foreign investors in the region in 2007.[139]

The most recent data from UNCTAD show that by 2006, FDI performance had returned to the high levels of the early 1990s. Because this change is relatively recent, there do not appear to be any surveys or other Caribbean-specific literature detailing the cause of the recent increase in FDI performance. UNCTAD's *World Investment Report 2007* discusses FDI in the combined Latin America and Caribbean region for 2003 to 2006. Overall, UNCTAD notes that FDI in manufacturing increased in the region, and manufacturing overtook services as the most important sector driving FDI in Latin America and the Caribbean in 2003–06. UNCTAD also notes that the primary sector (raw materials and the energy sector) remained attractive because of high commodity prices, and FDI in petrochemicals increased in Trinidad and Tobago.

Although the Caribbean region attracts considerable investment, the World Bank notes that these countries have generally been unable to use this investment to promote high-wage production.[140] FDI has the potential to generate such growth by facilitating the diffusion of

---

[135] UNCTAD, "Inward FDI Performance Index," 1990–2006.

[136] These countries include The Bahamas, Haiti, Jamaica, Panama, and Trinidad and Tobago.

[137] World Bank, "A Time to Choose," 2005, 44–49.

[138] World Bank "Benchmarking FDI Climate in the Caribbean," 2004, 9 and 14.

[139] This survey was cited in hearing testimony by John Saylor of Halcrow, Inc. (USITC hearing transcript, January 29, 2008, 179). Saylor also cited World Bank statistics that "inefficiencies of customs and ports in Latin America and the Caribbean add from 5 percent to 25 percent to the cost of trade," which he designated a "highly significant barrier to trade" relative to the average import tariff of about 10 percent faced by countries in the region.

[140] World Bank, "A Time to Choose," 2005, 44–49.

technology, management practices, and business culture.[141] The limited infrastructure and skill base in the Caribbean, however, has reduced the diffusion of technology or business culture to the region. Thus, production remains concentrated in low-value, low-technology activities. This situation is in contrast to much more successful growth of high-technology manufacturing in other developing countries in the period.[142]

Policies identified in the literature

Given that the investment climate in the Caribbean region is not meeting the expectations of international investors, the World Bank states that investment resources are best targeted to areas that have the largest gaps between investor importance and country performance. Depending on the country, these gaps could be in infrastructure, the legal framework, or the taxation and customs systems.[143] Strengthening the labor market is another key policy, because foreign investors both demand and train workers with professional skills.[144] Improving worker training, particularly in services sectors, could increase investment in many of these countries.[145] The services sector is an important target for training because service providers in the region require and employ a much higher share of skilled workers than do goods producers.

In hearing testimony, several speakers addressed ways in which Caribbean governments are simplifying and promoting investment in the region. A CARICOM representative noted that the proposed harmonization of investment policies under the Caribbean Single Market Economy would "make the Caribbean community a single investment location rather than one with different jurisdictions."[146] The Ambassador of St. Kitts and Nevis stated that his government had established an investment-promotion agency in 2007, with the support of U.S. aid.[147] This agency is intended to streamline investment, improve the business climate, and generate additional investment in St. Kitts and Nevis, particularly in the tourism sector.

Trade and Trade Policy for Caribbean Development

This portion of the literature review describes trade in the Caribbean region and summarizes policies designed to foster growth through increasing trade in the region. To put these policies in context, this section first presents recent changes in trade patterns in the region. It summarizes the literature on the extent to which these changes may have been affected by changes in trade policies by Caribbean countries and by their developed trading partners, and presents additional policies that the literature suggests could increase Caribbean trade and growth. Generally, the effects of trade policies are more immediate than the effects of

---

[141] Borenzstein et al., "How Does Foreign Direct Investment Affect Economic Growth?" 1998.

[142] For Caribbean countries, the share of high-tech exports in total manufacturing exports declined from 6 to 1 percent between 1985 and 2000. In contrast, East and Southeast Asian countries attracted FDI in high-tech, high-wage manufacturing sectors. For example, the share of Taiwanese exports in high-technology manufactures rose from 16 to 46 percent in the same period (World Bank, "A Time to Choose," 2005, 45–48).

[143] World Bank, "A Time to Choose," 2005, 50–52, 62.

[144] Most employment created by foreign investors in the Caribbean is in professional (31 percent) and skilled technical (39 percent) occupations (World Bank, "A Time to Choose," 2005, 52).

[145] Provided companies in the region retained the workers after training. The education section discusses problems many Caribbean countries have retaining skilled and educated workers.

[146] USITC hearing transcript, January 29, 2008, 32.

[147] Ibid., 49.

policies discussed in earlier sections, such as changes to infrastructure, production structure, or the financial system. Given sufficient negotiating and implementing capacity, trade policies can often be made and adjusted quickly. Liberalizing a country's own trade policy can shift resources toward areas of greater comparative advantage, leading to permanent efficiency gains. In contrast, the effects of preferential access in other markets may be more transitory if this access does not lead to permanent improvements in productivity or productive capacity, or if preferential access is granted for only a limited period.[148]

Recent Trade Patterns and Trade Liberalization

Caribbean trade patterns since the 1990s have shown an increase in services trade, particularly tourism, and a decline in exports of traditional and manufactured products.[149] Driven by declines in traditional products such as bananas and sugar, agriculture has become less important in nearly all these countries. Most countries have had limited success diversifying their exports, and only Haiti and Trinidad and Tobago increased trade in manufactures as a share of GDP since the 1990s. The increase in services has not offset the decline in manufacturing, and most countries moved from a trade surplus to a deficit between 1990 and 2000—these trade deficits persist today. The World Bank characterizes this, overall, as a decline in export competitiveness since 1995. Although exports have declined as a share of GDP since 1990, most Caribbean countries continue to trade about as much as other countries with similar GDP. The average trade-to-GDP ratio was 117.7 percent in 2002.[150] Although the literature does not discuss the period after 2002, table 2.5 in chapter 2 shows that in the 2002–06 period, the trade-to-GDP ratio increased for most of the countries covered in this report.

The World Bank also notes that geographic trade patterns have changed since 1990. As a share of the total, trade with the United States has been steady, while trade with the EU has fallen, and trade within the Caribbean has risen. According to the CARICOM Secretariat, the intra-Caribbean trade is primarily driven by exports of petroleum-related products and manufactured goods from Trinidad and Tobago.[151] The IDB reports that intragroup trade, as a percentage of total exports, remains lower among CARICOM countries than among countries in trade areas such as Mercosur, NAFTA, the Central-American Common Market, ASEAN, and the EU. Intragroup trade in CARICOM is higher than in the Andean Group, however.[152]

Concurrent with the rise in trade within the Caribbean, there has been considerable progress toward free trade in goods in the region, and some progress on liberalizing trade in

---

[148] Hearing testimony by Katrin Kuhlmann, president of the Business Coalition for Capacity Building, documents some of these short-run attributes of U.S. preference policies, such as limitations of benefits with short duration. She also states that some of this short-run nature of trade policy is due to features of Caribbean countries themselves; some countries may be currently unable to achieve longer-run effects of free trade agreements because of insufficient capacity to quickly implement reciprocal trading agreements (USITC hearing transcript, January 29, 2008, 191).

[149] World Bank, "A Time to Choose," 2005, 64–67. For specific countries, see trade data in the country profiles in chap. 2.

[150] An exception is Haiti, which is significantly less open than other countries in this report. Guyana was the most active trader in the region in 2002, with a trade-to-GDP ratio of about 200 percent.

[151] CARICOM Secretariat, *Caribbean Trade & Investment Report*, 2006, xxiv.

[152] The share of intergroup trade in total member trade is less than 20 percent in the Andean group, about 20 percent in CARICOM, about 30 percent for Mercosur and ASEAN, and over 60 percent for NAFTA and the EU (IDB, "Toward Sustainable and Equitable Development," 2004, 15).

services.[153] CARICOM has removed customs duties and tariff quotas on trade between members, with some exceptions. Members have also progressed toward harmonizing their external tariff rates, which are now 20 percent or less on manufactured goods, though rates on agriculture remain high, at 40 percent for most products.

There is some concern that the combination of relatively free internal trade with a high external tariff has led to trade diversion, with increased exports from the larger CARICOM countries. From a welfare perspective, CARICOM's liberalization policy may have led to higher-cost sourcing from within the region and reduced tariff revenue, without the benefits of lower prices that would occur if markets had greater exposure to imports from non-CARICOM countries. Even if trade diversion occurs, however, deeper CARICOM integration could still produce benefits from improved scale of production and better allocation of resources.

In an effort to promote deeper integration, member states have begun to implement the CSME. In a report prepared for a CARICOM conference, Girvan states that the first phase, including free movement of labor and service providers, is expected to be implemented by the end of 2008.[154] The second phase consists of consolidation and completion of the single economy, including harmonization of taxation systems, implementation of regional competition policies, and implementation of a CARICOM monetary union. This phase is slated to be completed between 2009 and 2015. The CSME should eliminate many of the remaining nontariff measures that affect intra-Caribbean trade, such as restrictive import licensing and differing product standards, which the IDB and Schiff reported were still significant in the food, beverage, and vehicle sectors. The CSME is also expected to lead to greater facilitation of services trade in the region.[155]

The reduction in duties has had a significant negative effect on revenues and activity in a number of Caribbean countries. The World Bank notes that Caribbean countries have not increased government revenue or reduced government spending to offset the loss of tariff revenue.[156] Consequently, fiscal deficits have worsened in Caribbean countries (with the exception of Trinidad and Tobago) following recent tariff liberalizations. Tariff revenues in 2002 accounted for an average of about 15 percent of government revenue, and about 3 percent of GDP, in the region.[157] This share varied substantially by country: for example, The Bahamas obtained nearly one-half of its tax revenue from import duties.[158]

Progress in moving to other tax systems, such as a value-added tax (VAT), has been uneven in the region. This difficulty has been documented both by development agencies and

---

[153] For details of CARICOM liberalization see Girvan, "Towards a Single Development Vision," 2007, 28–57; IDB, *CARICOM Report No. 1*, 2002; Schiff, "Regional Integration and Development in Small States," 2002, 9; and World Bank, "A Time to Choose," 2005, 70 and 75–76.

[154] Girvan, "Towards a Single Development Vision" 2007, 55–57.

[155] As noted in chap. 5, a written submission by the government of St. Vincent and the Grenadines states that the OECS is trying to transform itself into an economic union. As with the CSME, proposals for the OECS union have included the free movement of labor and regional marketing of products and services to improve economies of scale.

[156] World Bank, "A Time to Choose," 2005, 68 and 74.

[157] Tariff revenues declined as a share of GDP for a large majority of countries in the Caribbean between 1990–2002. The median decline was about 1.2 percent of GDP (World Bank, "A Time to Choose," 2005, 75).

[158] World Bank, "A Time to Choose," 2005, 236.

Caribbean government officials.[159] Successful transitions have generally required sustained political will, detailed planning, and cooperation between government and business. A VAT requires the government to develop appropriate administrative procedures and train tax officials, and it requires businesses to develop appropriate accounting systems. Some countries have transitioned successfully. The World Bank reports that Trinidad and Tobago successfully shifted to a VAT between 1988–90, and the IDB reports that the Barbados tax reform in the late 1990s was successful in generating more revenues and introducing greater fairness and efficiency.[160] Other countries have had less success. Grenada had extensive problems with tax evasion and tax collection, and Belize's tax base eroded after granting numerous VAT exemptions. Smaller countries in the OECS are now seeking to implement similar tax reform. The difficulty of transition is highlighted by the fact that even successful countries, such as Barbados, continue to seek international assistance from the IDB and other sources to improve their tax systems.

Trade Policies Identified in the Literature for Caribbean Countries

The literature stresses that the trade policy changes with the greatest benefits for the region involve changes in the Caribbean's own trade policies.[161] Schiff notes that a reduction of CARICOM's external tariffs would reduce current trade diversion that favors big producers in the region.[162] The World Bank states that in the long term, the biggest gains are likely to come from reduction of these external tariffs, which would reduce prices of imported inputs, leading to greater efficiency. These countries would also benefit from reducing exceptions to free trade in the region and further liberalizing the movements of workers and harmonizing provision of services under the CSME. This would also enhance efficiency and may help to overcome problems with small scale in individual economies.

The World Bank presents suggestions for countries in which further trade liberalization would considerably reduce government revenue. Given the difficulties some countries have already had transitioning to alternative revenue sources, fiscal constraints could be eased by implementing longer phase-out periods for sensitive sectors. Countries could also initially harmonize policies, such as mutual recognition of standards, that improve economic activity without reducing government revenue. Developed country assistance to strengthen tax systems would be very beneficial, especially for the poorer countries in the region. In addition, many countries have inadequate capacity to negotiate and implement trade agreements. This could be addressed within the region by strengthening the Caribbean Regional Negotiating Machinery, the CARICOM body that develops and coordinates negotiating strategy for external trade agreements.

---

[159] In hearing testimony, Irwin LaRocque of CARICOM noted that only four or five countries in the region have successfully transitioned to a VAT (USITC hearing transcript, January 29, 2008, 104–6).

[160] IDB, "Barbados: Modernization of Customs, Excise, and Value Added Tax Areas," 2005.

[161] The policy recommendations in this section are taken from Schiff, "Regional Integration and Development in Small States," 2002, 8–10; and World Bank, "A Time to Choose," 2005, 75–76 and 89–93.

[162] He also notes that some of the gains accruing to large exporters within the region could be transferred to smaller countries through a transfer mechanism based on the extent of trade flows, as is done in the West African Economic and Monetary Union.

Trade Policies for the United States Identified in the Literature

The main recommendation of most authors to developed countries is to provide trade policy and preferences in a manner that allows the greatest flexibility to developing countries and involves the lowest level of distortions.[163] No authors advocated a future development policy based solely on preferences.[164] There are a number of other policies that are complementary to trade preferences. The large empirical and case-study literature suggests that infrastructure development is now more important than trade preferences in most Caribbean countries. Geography and resource endowments (e.g., Jamaica's bauxite and its relatively large population) are important to growth, but only to the extent to which they can be employed, given current market capacity.[165] Similarly, gains from trade liberalization depend on labor flexibility and the supply capacity of the liberalizing country.[166] Because of this dependence, other assistance is often complementary to preferential access in successfully increasing production and trade, as illustrated below.

This conclusion is also consistent with the experience of exporters in the Caribbean region. The World Bank describes a number of agricultural and food products that experienced increased production and exports when preferential access was combined with investment or other capacity-expanding policies.[167]

For example,

- Belize increased production of fisheries. Shrimp and fisheries production in Belize succeeded by attracting FDI that improved farming systems and feed formulations. Fisheries have also attracted important funding, such as small-scale loans for updating equipment and larger investments in more modern vessels and fish-processing equipment.

- Guyana has increased rice exports to the EU and other Caribbean countries. The Ministry of Agriculture in Guyana has stated that the continued export success of rice depends on research and the development of processed foods.

- A number of countries have increased production and exports of beverages (soft drinks, beer, and rum) to the United States and the EU. Successful beverage exporters have employed advanced production techniques and successful marketing strategies. For example, SM Jaleel is a firm in Trinidad and Tobago that has successfully expanded production and exports of soft drinks to the United States and throughout the region. It has employed a number of the recommendations made in this report for growth, including investing in state-of-the-art production technology, providing extensive staff training, and pursuing a niche marketing strategy.

---

[163] These authors include the World Bank and Dean, cited in this section, and Devlin et al. and Bair and Gereffi in the textile and apparel section below.

[164] Some authors, however, present policies for increasing *utilization* of existing preferences. For examples, see the suggestions by the GAO and hearing testimony about increasing preference duration in this section, and the discussion of apparel rules of origin by Devlin et al. in the textile and apparel section.

[165] McBain, "Income Inequality in the Caribbean," 2001, 215.

[166] Correa et al., "Identifying Supply-Side Constraints to Export Performance in Ecuador," 2007, 2.

[167] World Bank, "A Time to Choose," 2005, 84–88 and 169.

These experiences suggest that support for investment and capacity building in Caribbean countries are beneficial complements to U.S. preference programs. As discussed in previous sections, developed country assistance could support Caribbean initiatives to improve infrastructure, strengthen labor markets, attract FDI, and improve production technologies. These medium- and long-term initiatives could expand the benefits of short-term initiatives related to U.S. preference programs for the Caribbean region.

For preferences themselves, the literature suggests that the most beneficial changes to U.S. preference programs would be to improve coverage and duration of benefits. Expanding coverage to the widest possible number of products would encourage a wider use of the CBERA program and would allow each Caribbean country to take best advantage of U.S. preferences given its own economic circumstances and competitive sectors.[168] A recent GAO report notes that increasing the renewal periods of preference programs "would help beneficiaries attract the investment necessary to derive significant development benefits."[169] The World Bank notes that the uncertain duration of unilateral preferences reduces utilization of preferences.[170] Hearing testimony also notes that longer benefit periods could generate increased investment.[171]

Textiles and apparel

Caribbean countries have experienced substantial changes in the trading environment for textiles and apparel since the 1990s. Starting in 1994, this trade was diverted to Mexico after the implementation of NAFTA in 1994.[172] The loss of competitiveness relative to Mexico led to political pressure to grant Caribbean apparel assemblers close to "NAFTA parity," which was provided in the CBTPA in 2000.[173] Country-specific declines in overall competitiveness also led to some declines in apparel exports; for example, exports from Jamaica declined due to wage increases, exchange rate appreciation, and rising crime, in addition to the increased NAFTA-induced competition from Mexico.[174] Only Haiti has increased exports under CBTPA consistently since 2000, due to increased utilization of trade preferences.[175] The Haiti HOPE Act may also have increased Haitian exports after mid-2007.[176] In 2007, Haiti accounted for nearly 90 percent of apparel exports from the countries covered in this report. Jamaica and Belize accounted for nearly all of the rest.

---

[168] Dean noted the importance of granting preferences in sectors in which Caribbean countries have comparative advantage, and, as discussed previously, the World Bank noted the deleterious effects of preferences that steer resources away from internationally competitive sectors (Dean, "Is Trade Preference Erosion Bad for Development," 2006, 77; and World Bank, "A Time to Choose," 2005, 77).

[169] GAO, "U.S. Trade Preference Programs Provide Important Benefits," 4. See also the discussion of benefit duration in the textiles and apparel section.

[170] World Bank, "A Time to Choose," 2005, 77.

[171] The advantages of longer benefit periods are discussed by Katrin Kuhlmann of the Business Coalition for Capacity Building in USITC hearing transcript, January 29, 2008, 191.

[172] See the discussion in the section on "Effects of Other Trade Agreements".

[173] Bair and Gereffi, "Upgrading, Uneven Development, and Jobs in the North American Apparel Industry," 2003, 154.

[174] World Bank, "A Time to Choose," 2005, 79.

[175] Table 2.10 shows that Haiti's CBERA utilization rate has increased steadily since 2000, and that the Haitian utilization rate, 88.0 percent, is now considerably higher than the utilization rates of the other covered CBERA countries.

[176] See USITC, *Textiles and Apparel: Effects of Special Rules for Haiti on Trade Markets and Industries*, forthcoming. The case study of Haiti's Apaid Group (box 4.2) notes that the Apaid Group has increased production and exports of apparel under HOPE.

Recently, large declines in Caribbean exports (particularly from Jamaica) have been observed in products where quotas were eliminated under the Agreement on Textiles and Clothing (ATC) at the beginning of 2005, as Caribbean exports were replaced by products from China and other previously quota-constrained countries. Spinanger examined textile trade from the 1960s through the 1990s, and he noted that the end of the ATC accelerated sourcing trends that had become evident up to a decade earlier. For example, China became the world's top exporter of both textiles and apparel as early as 1996.[177] Also, Spinanger noted that in many cases, the expiration of apparel quotas increased the efficiency of production, in that quota rents "kept valuable productive resources flowing into the textile and clothing industries long after they should have been flowing into more efficient production areas."[178]

Devlin et al. examine whether Latin American apparel producers can survive increased Chinese competition.[179] They note that the Chinese advantage in production costs exceeds Caribbean advantages in preferences and transport costs. Production costs in Caribbean countries are 34 to 98 percent higher than Chinese costs, and the difference is due primarily to higher Caribbean wages. This cost disadvantage is much greater than Caribbean savings from tariff preference margins.[180] The authors find that transport costs, while much lower from the Caribbean, reduce at most one-third of China's cost advantage because of the low share of transport in total apparel costs. The chief advantage that Caribbean producers have over Chinese producers is shipping time. Data from the American Apparel and Footwear Association show that the elapsed time from order to delivery for a dress shirt is ten weeks for China and four weeks for CBI countries, although this is still above the three weeks for Mexico.

Both Devlin et al. and the World Bank conclude that the Caribbean can best compete in apparel goods that require rapid turnaround, in which Caribbean countries can exploit their locational advantage. For example, it would be more advantageous to specialize in differentiated products such as dress shirts that are more time-sensitive than standardized apparel like underwear. The World Bank notes that the shift to time-sensitive production highlights the need for Caribbean countries to improve trade logistics and customs clearance procedures, stating that "countries which improve logistics and customs procedures will have an edge over others."[181]

Even given improved customs procedures, Caribbean countries may not be the most efficient suppliers to the United States (e.g., as noted, Mexican order times average a week less than Caribbean times). Caribbean countries would thus likely benefit from improvements to benefit duration and to input sourcing options, because some Caribbean benefits are less favorable than provisions available to Mexican and Central American producers.[182] Devlin et al. compared benefits under CBTPA and U.S. free trade agreements (NAFTA and CAFTA-DR). The free trade agreements provided additional benefits for several reasons. First, as noted in the previous section, formal agreements provide security and permanence,

---

[177] Spinanger, "Textiles Beyond the MFA Phase-Out," 1999, 461.

[178] Ibid., 472.

[179] Devlin et al., *The Emergence of China*, 2005, 185–89.

[180] Table 3.1 shows that average preference margins on apparel exported from the countries covered in this report ranged from 14.2 to 18.5 percent in 2003.

[181] World Bank, "A Time to Choose," 2005, 81 and 92.

[182] These policies would benefit Caribbean countries to the extent that improved preference duration and sourcing options increased investment in sectors in which these countries have comparative advantage; however, long-run Caribbean development could be impeded if these policies further entrenched inefficient sectors, as noted by Spinanger.

which can generate more international investment than unilateral preferences with uncertain duration. Second, CAFTA-DR relaxes rules of origin in two ways. CAFTA-DR allows duty-free imports into the United States of regional apparel exports with (a) a wider variety of regional yarn and fabrics, and (b) yarn and fabrics produced in countries other than the United States and CAFTA-DR (such as woven fabric from Canada and Mexico).[183] The wider use of regional and third-country fabric should improve development of a regional cluster in this industry and increase possibilities for vertical integration of the industry beyond the stage of export-oriented assembly.[184]

Devlin et al. also note that increased use of third-country fabric inputs would benefit all preferential trade partners. These preferences would allow the region to import fabric from Colombia, Peru, and even Asia at better prices and quality. These inputs would make the region more competitive with Asian suppliers no longer restricted by quotas and would enable the region to better utilize its geographic proximity to the United States. This could increase apparel exports from current exporters such as Haiti, Jamaica, and Belize, and it may encourage new apparel exports from former exporters such as St. Lucia.[185]

The testimony at the hearing and submissions for this report provided suggestions for beneficial changes to U.S. preferences under CBERA. Many of the interested parties discussed cumulation of fabric inputs in CBERA rules of origin. For example, as noted in chapter 5, CARICOM representatives stated that "relaxation of the rules to allow the use of fabric from all CBERA beneficiary countries, as against the use of fabric from the United States only, would facilitate production and exports by CARICOM countries." Similar suggestions to liberalize rules of origins were contained in submissions by the Caribbean Regional Negotiating Machinery and Jefferson Waterman International and testimony by Andrea Ewart, a consultant on Customs and Trade Law. As noted in chapter 5, the Caribbean Regional Negotiating Machinery also suggested that Caribbean countries would benefit from locking in permanent CBTPA preferences and extending preferences to all CBERA beneficiaries, and Ms. Ewart also suggested expanding the list of CBERA-qualifying products.

---

[183] For details, see USITC, *U.S.-Central America-Dominican Republic Free Trade Agreement*, 2004, xix and 30–37.

[184] Bair and Gereffi, "Upgrading, Uneven Development, and Jobs in the North American Apparel Industry," 2003, 154.

[185] These changes will have no effect on the countries that lack comparative advantage in apparel production, however. For example, as noted in chap. 5, the submission by the government of St. Vincent and the Grenadines states that "there has been little to no significant benefit to the country's economy under" CBERA and CBTPA, because items with preferential treatment, mainly in the energy and apparel sectors, are not "within the production capabilities" of St. Vincent and the Grenadines.

Sources

Bair, Jennifer, and Gary Gereffi. "Upgrading, Uneven Development, and Jobs in the North American Apparel Industry." *Global Networks* 3, no. 2 (2003): 143–69.

Baldwin, Robert, and Elena Seghezza. "Testing for Trade-Induced Investment-Led Growth." NBER Working Paper 5416. Cambridge, MA: NBER, 1996.

Berg, Alan, and Anne O. Krueger. "Trade, Growth, and Poverty: a Selective Survey." IMF Working Papers WP/03/30. Washington, DC: IMF, 2003.

Berezin, Peter, Ali Salehizadeh, and Elcior Santana. "The Challenge of Diversification in the Caribbean." IMF Working Paper WP/02/196. Washington, DC: IMF, 2002.

Bouillon, César Patricio, and Luis Tejerina. "Do We Know What Works? A Systematic Review of Impact Evaluations of Social Programs in Latin America and the Caribbean." Sustainable Development Department Working Paper. Washington, DC: Inter-American Development Bank, 2006.

Borenzstein, Eduardo, Jose De Gregorio, and Jong-Wha Lee. "How Does Foreign Direct Investment Affect Economic Growth?" *Journal of International Economics* 45 (1998): 115–35.

CARICOM Secretariat. *Caribbean Trade & Investment Report, 2005.* Guyana: Caribbean Community Secretariat, 2006.

Carrère, Céline, and Jaime de Melo. "Are Different Rules of Origin Equally Costly? Estimates from NAFTA." CEPR Working Paper no. 4437, June 2004. *http://ssrn.com/abstract=564942* (accessed April 17, 2008).

Chen, Maggie Xiaoyang, John Wilson, and Tsunehiro Otsuki. "Do Standards Matter for Export Success?" Policy Research Working Paper Series No. 3809. Washington, DC: World Bank, 2006.

Correa, Paulo, Mariam Dayoub, and Manuela Francisco. "Identifying Supply-Side Constraints to Export Performance in Ecuador: An Exercise with Investment Climate Survey Data." World Bank Policy Research Working Paper Series no. 4179. Washington, DC: World Bank, 2007.

Dean, Judith M. "Is Trade Preference Erosion Bad for Development?" USITC Working Paper EC-2006-11-A. Washington, DC: USITC, November 2006. *http://hotdocs.usitc.gov/docs/pubs/research_working_papers/EC200611A.pdf* (accessed April 17, 2008).

———. "Trade, Poverty, and the Environment: Must There Be a Tradeoff?" In *Economic Justice in a Flat World*, edited by Steven L. Rundle. Bletchley, UK: Authentic Media, forthcoming.

———. "Why Trade Matters for the Poor." In *Attacking Poverty in the Developing World*, edited by Judith M. Dean, Julie Schaffner, and Stephen L. S. Smith. Bletchley, UK: Authentic Media, 2005.

Dean, Judith M., and John Wainio. "Quantifying the Value of U.S. Tariff Preferences for Developing Countries." World Bank Policy Research Working Paper No. 3977. Washington, DC: World Bank, August 2006. *http://ssrn.com/abstract=923284* (accessed April 17, 2008).

Devlin, Robert, Antoni Estevadeordal, and Andres Rodríguez-Clare. (eds.) *The Emergence of China: Opportunities and Challenges for Latin America and the Caribbean*. Washington, DC: Inter-American Development Bank, 2005.

DFID. *Regional Assistance Plan for the Caribbean*. London: Department for International Development, 2004. *http://www.dfid.gov.uk/Pubs/files/rapcaribbean.pdf* (accessed December 13, 2007).

———. "Banking the Underserved: New Opportunities for Commercial Banks." Policy Division Working Paper. London: Department for International Development, 2005.

Dollar, David, and Aart Kraay. "Growth is Good for the Poor." *Journal of Economic Growth* 7, no. 3 (2002): 195–225.

ECLAC. "Productive Development in Open Economies." Thirtieth Session of the Economic Commission for Latin America and the Caribbean, United Nations, San Juan, Puerto Rico, 2004.

ECTEL. "Developing a Better, Competitive Telecommunications Environment." Castries, St. Lucia: ECTEL, 2003. *http://www.ectel.int/ectelnew-2/ Liberalisation_files/Media.pdf* (accessed April 9, 2008).

Edwards, Sebastian. "Openness, Productivity, and Growth: What Do We Really Know?" *Economic Journal* 108, no. 447 (1998): 383–98.

Francois, Joseph, Bernard Hoekman, and Miriam Manchin. "Preference Erosion and Multilateral Trade Liberalization." *The World Bank Economic Review* 20, no. 2 (2006): 197–215.

Francois, Joseph, and Miriam Manchin. "Institutions, Infrastructure and Trade." CEPR Discussion Paper No. 6068. London: Centre for Economic Policy Research, 2007.

GAO. "U.S. Trade Preference Programs Provide Important Benefits, but a More Integrated Approach Would Better Ensure Programs Meet Shared Goals." Report 08-443. Washington, DC: GAO, 2008.

———. "Information on Port Security in the Caribbean Basin." Report 07-804R. Washington, DC: GAO, 2007.

Gillis, Malcolm, Dwight H. Perkins, Michael Roemer, and Donald R. Snodgrass. *Economics of Development*, 4th ed. New York: W. W. Norton Company, 1996.

Girvan, Norman. "Towards a Single Development Vision and the Role of the Single Economy." Report Approved by the Twenty-Eighth Meeting of the Conference of Heads of Government of the Caribbean Community. Barbados, 2007.

Greenaway, David, Wyn Morgan, and Peter Wright. "Trade Reform, Adjustment and Growth: What Does the Evidence Tell Us?" *Economic Journal* 108, no. 450 (1998): 1547–61.

Hall, Robert E., and Charles I. Jones. "The Productivity of Nations." NBER Working Paper 5812. Cambridge, MA: NBER, 1996.

Hamilton, John Maxwell. "A Bit Player Buys Into the Computer Age." *The New York Times*, December 3, 1989. *http://query.nytimes.com/gst/fullpage.html?res=950DE1D91E3FF930A35751C1A96F948260&sec=&spon=* (accessed May 3, 2008).

Harrison, Ann. "Openness and Growth: A Time-Series, Cross-Country Analysis for Developing Countries." *Journal of Development Economics* 48, no. 2 (1996): 419–47.

Hertel, Thomas, David Hummels, Maros Ivanic, and Roman Keeney. "How Confident Can We Be of CGE-Based Assessments of Free Trade Agreements?" *Economic Modelling* 24 (2007): 611–35.

Hoekman, Bernard. "The Doha Round and Preference Erosion: A Symposium." *The World Bank Economic Review* 20, no. 2 (2006): 165–68.

Hoekman, Bernard, Will Martin, and Carlos Braga. (eds.) *Trade Preference Erosion: Measurement and Policy Response*. New York: Palgrave and MacMillan, forthcoming.

IDB. Integration and Regional Programs Department. *CARICOM Report No. 1*. Buenos Aires: Inter-American Development Bank, 2002.

———. *Toward Sustainable and Equitable Development: Sector Strategies for Latin America and the Caribbean*. Washington, DC: Inter-American Development Bank, 2004.

———. *Revitalizing the Jamaican Economy: Policies for Sustained Growth*. Washington, DC: Inter-American Development Bank, 2004.

———. "Barbados: Modernization of Customs, Excise, and Value Added Tax Areas." Loan Proposal for Project No BA-L1003. Washington, DC: Inter-American Development Bank, 2005. *http://www.iadb.org/projects/project.cfm?language=English&PROJECT=ba-l1003* (accessed February 1, 2008).

IMF. *Regional Economic Outlook: Western Hemisphere*. Washington, DC: IMF, 2008.

Iwanow, Tomasz, and Colin Kirkpatrick. "Trade Facilitation, Regulatory Quality and Export Performance." *Journal of International Development* 19, no. 6 (2007): 735–53.

Josling, Tim. "Trade Policy in Small Island Economies: Agricultural Trade Dilemmas for the OECS." Paper presented at the IICA/NCFAP Workshop on Small Economies in the Global Economy, Grenada, 1998.

McBain, Helen. "Income Inequality in the Caribbean: Case Study of Jamaica." *Integration and Trade Journal* 15 (2001): 201–22.

McCalla, Robert, Brian Slack, and Claude Comtois. "The Caribbean Basin: Adjusting to Global Trends in Containerization." *Maritime Policy Management* 32, no. 3 (2005): 245–61.

Melo, Alberto."Industrial Policy in Latin America and the Caribbean at the Turn of the Century." Research Department Working Paper 459. Washington, DC: Inter-American Development Bank, 2001.

Melo, Alberto, and Andres Rodriguez-Clare. "Productive Development Policies and Supporting Institutions in Latin America and the Caribbean." Inter-American Development Bank Competitiveness Studies Series Working Paper C-106. Washington, DC: Inter-American Development Bank, 2006.

Morduch, Jonathan. "The Microfinance Promise." *Journal of Economic Literature* 37, no. 4 (1999): 1569–614.

OAS. His Excellency Jose Miguel Insulza, Secretary General. Written testimony submitted to the U.S. International Trade Commission in connection with inv. no. 332-496, *Caribbean Region: Review of Economic Growth and Development*, January 9, 2008.

Ocampo, Jose Antonio. "Small Economies in the Face of Globalisation." Paper presented at the Third William G. Demas Memorial Lecture at the Caribbean Development Bank, Cayman Islands, 2002.

Oxfam. *Rigged Rules and Double Standards*. United Kingdom: Oxfam, 2002.

Özden, Çaglar, and Eric Reinhardt. "The Perversity of Preferences: GSP and Developing Country Trade Policies, 1976–2000." *Journal of Development Economics* 78, no. 1 (2005): 1–21.

Özden, Çaglar, and Gunjan Sharma. "Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector." World Bank Policy Research Working Paper No. 3244. Washington, DC: World Bank, February 2004. *http://ssrn.com/abstract=610285* (accessed March 12, 2008).

Perez, Esteban, and Jorge Martinez. "The Quality of International Insertion and Competitiveness in the Greater Caribbean Applying ECLAC Instruments in Assessing Competitiveness." Report prepared by the subregional headquarters of ECLAC for the Secretariat of the Association of Caribbean States, 2003.

Ravaillion, Martin. "Growth, Inequality, and Poverty: Looking Beyond the Averages." *World Development* 29 (2001): 1803–15.

Ray, Debraj. *Development Economics*. Princeton: Princeton University Press, 1998.

Ray, Edward, and Howard Marvel. "The Pattern of Protection in the Industrialized World." *Review of Economics and Statistics* 66, no. 3 (1984): 452–58.

Rodriguez, Francisco, and Dani Rodrik. "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence." In *NBER Macroeconomics Annual 2000, Volume 15*, edited by Ben Bernanke and Kenneth Rogoff, 261–325. Cambridge and London: MIT Press, 2001.

Rojas-Suarez, Liliana, and Carlos Elias (eds.) *Policy Perspectives for Trinidad and Tobago: From Growth to Prosperity*. Special Publications on Development No. 1. Washington, DC: Inter-American Development Bank, 2006.

Rolfe, Robert J., and Douglas P. Woodward. "African Apparel Exports, AGOA, and the Trade Preference Illusion." *Global Economy Journal* 5, no. 3, article 6 (2005). Berkeley: Berkeley Electronic Press. *http://www.bepress.com/gej* (accessed April 17, 2008).

Sala-I-Martin, Xavier. "I Just Ran Two Million Regressions." *American Economic Review* 87, no. 2 (1997): 178–83.

Schiff, Maurice. "Regional Integration and Development in Small States." World Bank Policy Research Working Paper No. 2792. Washington, DC: World Bank, 2002.

Spinanger, Dean. "Textiles Beyond the MFA Phase-Out." *World Economy* 22, no. 4 (1999): 455–76.

UNCTAD. "Concentration and Diversification Indices of Exports." Table 4.1 of the *Handbook of Statistics On-line.* Geneva: UNCTAD, 2007. *http://www.unctad.org/Templates/Page.asp?intItemID=1890&lang=1* (accessed March 5, 2008).

———. "Inward FDI Performance Index." Table A.1.6 of *World Investment Report*. Geneva: UNCTAD, various years. *http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&lang=1* (accessed April 10, 2008).

———. *World Investment Report: Transnational Corpororations, Extractive Industries and Development*. Geneva: UNCTAD, 2007. *http://www.unctad.org/en/docs/wir2007p1_en.pdf* (accessed April 10, 2008).

USITC. *The Economic Effects of Significant U.S. Import Restraints, Third Update 2002*. USITC Publication 3519. Washington, DC: USITC, 2002.

———. *The Impact of the Caribbean Basin Economic Recovery Act Fifteenth Report 1999–2000*. USITC Publication 3447. Washington, DC: USITC, 2001.

———. *The Impact of the Caribbean Basin Economic Recovery Act Eighteenth Report 2005–2006*. USITC Publication 3954. Washington, DC: USITC, 2007.

———. *The Impact of Trade Agreements: Effect of the Tokyo Round, U.S.-Israel FTA, U.S.-Canada FTA, NAFTA, and the Uruguay Round on the US Economy*. USITC Publication 3621. Washington, DC: USITC, 2003.

———. *Textiles and Apparel: Effects of Special Rules for Haiti on Trade Markets and Industries*. Washington, DC: USITC, forthcoming.

———. *U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*. USITC Publication 3717. Washington, DC: USITC, 2004.

Wacziarg, Romain. "Measuring the Dynamic Gains from Trade." *World Bank Economic Review* 15, no. 3 (2001): 393–429.

Watson, Noel. "Study on Market Access Issues Re the Export of CARICOM Services to Canada and the USA." Report prepared for the Caribbean Regional Negotiating Machinery, 2003.

Westley, Glenn. "Can Financial Market Policies Reduce Income Inequality?" Sustainable Development Department Technical Papers Series No. MSM-112. Washington, DC: The Inter-American Development Bank, 2001.

———. "Microfinance in the Caribbean: How to Go Further." Report No. MSM-129. Washington, DC: The Inter-American Development Bank, 2005.

Wilson, John, Catherine Mann, and Tsunehiro Otsuki. "Assessing the Potential Benefit of Trade Facilitation: A Global Perspective." In *Quantitative Methods for Assessing the Effects of Non-tariff Measures and Trade Facilitation*, edited by Philippa Dee and Michael Ferrantino, 121–60. Singapore: APEC Secretariat and World Scientific, 2005.

Winters, L. Alan, and Pedro Martins. "Beautiful but Costly: Business Costs in Small Remote Economies." Commonwealth Secretariat Economic Paper No. 67. United Kingdom, 2005.

———. "When Comparative Advantage Is Not Enough: Business Costs in Small Remote Economies." *World Trade Review* 3, no. 3 (2004): 347–83.

Winters, L. Alan, Neil McCulloch, and Andrew KcKay. "Trade Liberalization and Poverty: The Evidence Thus Far." *Journal of Economic Literature* 42, no. 1 (2004): 72–115.

World Bank. Foreign Investment Advisory Service. "Benchmarking FDI Climate in the Caribbean." Washington, DC: World Bank, 2004.

———. "Organization of Eastern Caribbean States: Towards a New Agenda for Growth." Report No. 31863-LAC. Washington, DC: World Bank, 2005.

———. "A Time to Choose: Caribbean Development in the 21st Century." Report No. 31725-LAC. Washington, DC: World Bank, 2005. *http://go.worldbank.org/Q6CLMHE8G1* (accessed February 12, 2008).

———. World Development Indicators. Washington, DC: World Bank. *http://www.worldbank.org/data* (accessed February 27, 2008).

World Economic Forum. *Global Competitiveness Report 2007–2008*. London: Palgrave Macmillan, 2008. *http://www.gcr.weforum.org* (accessed March 3, 2008).

WTO. *Ministerial Declaration*. WTO Document WT/MIN(01)/DEC/1. Geneva: WTO, 2001.

Yu, Wushen, and Trine Vig Jensen. "Tariff Preferences, WTO Negotiations and the LDCs: The Case of the 'Everything But Arms' Initiative." *The World Economy* 28, no. 3 (2005): 375–405.

CHAPTER 4
Current Level of Caribbean Economic Development: Country Profiles

This chapter provides overviews of the current level of economic development in the Caribbean region at the country level. It presents country profiles for 18 CBERA countries: Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, the 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.

Each country profile contains three sections with associated tables and figures: (1) economic and social development, (2) domestic economy, and (3) international integration. The "economic and social development" section provides an overview of the country's recent macroeconomic performance and relevant factors, as well as the overall level of social development, including, as appropriate, key issues and government policies. Economic development data are included, such as GDP, per capita GDP, and GDP growth rates, as well as social development data, such as population, poverty level, literacy rate, and infant mortality rate. The "domestic economy" section provides an overview of the domestic economy, including the relative importance of the major sectors. It also provides information on the major industries within each sector, and, as applicable, government policies with respect to the domestic economy. Tables and figures include various domestic economy indicators, such as GDP and labor composition by sector; labor, capital, and land; and infrastructure (such as phones, roads, ports, and airports). The "international integration" section provides an overview of the country's integration into the international economy with review of the country's main exports and imports of goods and services, as well as the role of foreign direct investment (FDI). Tables and figures present trade in goods and services, CBERA utilization, export diversification, international FDI, and official development assistance. Where the text cites percentages of trade relative to GDP, trade equals imports plus exports. U.S. trade data have been drawn from both WITS and the USITC's DataWeb (U.S. Department of Commerce trade data). WITS data was used to permit international comparisons, and DataWeb data was used to provide import program-specific data.

To the extent possible, data cover 2002–06 or the most recent year (MRY) available between 2000–07 in order to address frequent data gaps. The standard data sources were the World Development Indicators (WDI), the CIA World Factbook, and DataWeb, United Nations Conference on Trade and Development (UNCTAD), and the WTO. Definitions for the standard sources for tables and figures are available in appendix D. Where data were not available from standard sources,[1] alternate sources were used based on data availability and consistency. As such, values associated with certain economic indicators may not be

[1] For example, the British Virgin Islands and Montserrat are not included in the WDI database. The prevalence of outdated and sporadically available data was raised at the Commission hearing. Ewart (trade lawyer and consultant), testimony before the United States International Trade Commission regarding Inv. No. 332-496, January 29, 2008, 265–266, 312.

comparable across countries. Data on poverty and social development are also drawn from various sources, and poverty data presented in the text may not be comparable with data in the tables. As a 2005 ECLAC report notes, obtaining recent and comparable poverty data on the Caribbean region is difficult, as the region faces "major hurdles in its efforts to measure poverty and inequality."[2] In general, MRY data reflect available data between 2000–2007; where used, data from alternate sources may be pre-2000 and may not be comparable. Definitions for nonstandard source data are not included in appendix D.

Standard sources for the text include U.S. government sources (e.g., CIA World Factbook and U.S. State Department Background Notes), international financial institutions (e.g., IMF Article IV consultation and WTO Trade Policy Review reports), regional organization and development bank reports (e.g., World Bank, Inter-American Development Bank, Caribbean Development Bank, and CARICOM reports), and research companies (e.g., Economist Intelligence Unit [EIU] country profiles). Information from these sources were supplemented as necessary.

[2] ECLAC, *The Millennium Development Goals: A Latin American and Caribbean Perspective*, June 2005. www.eclac.org.

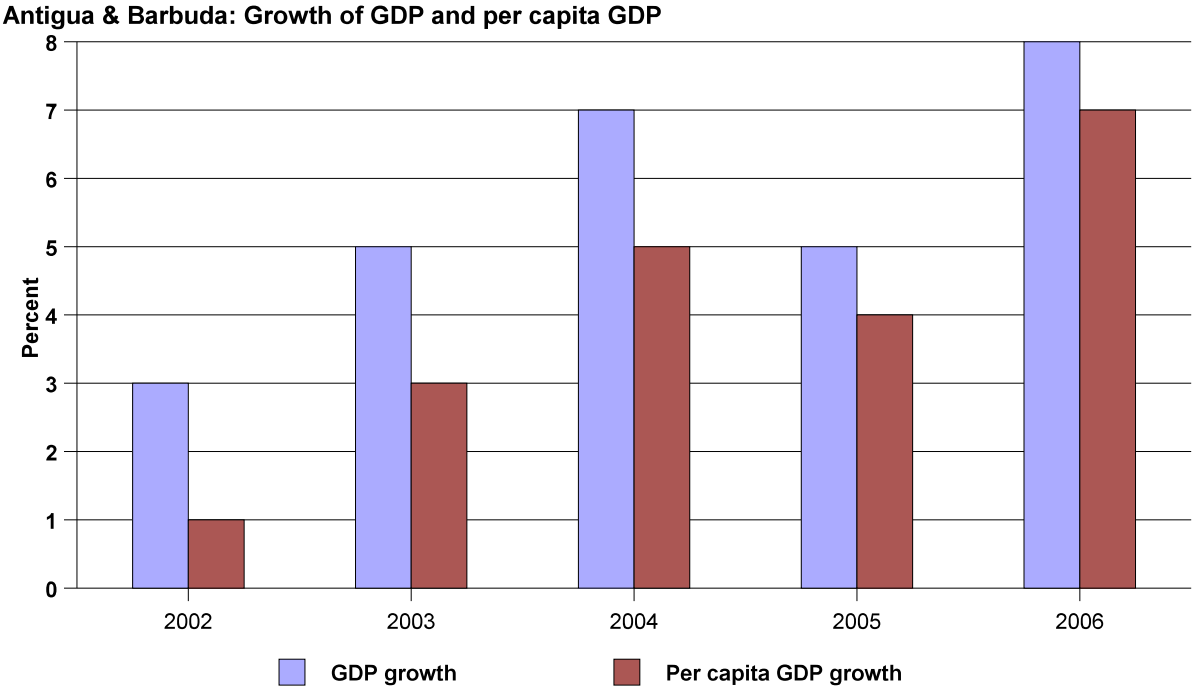
ANTIGUA & BARBUDA

Economic and Social Development[1]

Antigua & Barbuda: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	837	898	988	1,072	1,191	298,351
GDP p.c., purchasing power parity ($)	10,628	11,222	12,139	12,948	14,251	8,059
Remittances (% of GDP)	1.0	1.0	1.0	1.0	1.0	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

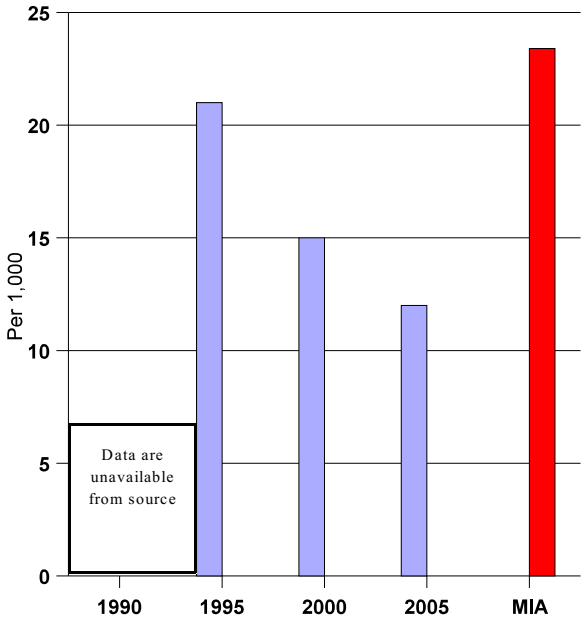
[1] For additional information provided by the Embassy of Antigua and Barbuda, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Antigua & Barbuda: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	84	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2002	75	70
Literacy rate, total (%, 2003)	86	90
Population with access to improved sanitation facilities (%, 2004)	95	62
Population with access to improved water source (%, 2004)	91	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Antigua & Barbuda: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Antigua and Barbuda is classified by the World Bank as a high-income economy. It is a small, open, services-based economy based largely on tourism and offshore financial services on its two islands. Driven by a construction and investment boom during the run-up to the March–April 2007 Cricket World Cup, for which Antigua and Barbuda was one of the host countries, GDP growth surged to 8 percent in 2006. Economic activity was boosted by a number of associated public works projects, including construction of a new stadium, hotels, and housing; road works projects; airport rehabilitation; and other infrastructure improvements. Growth is expected to return to more moderate pre-World Cup levels during 2008, and the government's economic priority is to achieve a "soft landing" as the economy readjusts to lower government spending, lower prices, and reduced employment demand. In recent years, the government of Antigua and Barbuda has sought to diversify the country's economy by encouraging growth in areas including transportation, communications, financial services, and Internet gambling.

Social indicators for Antigua and Barbuda are comparable to or exceed those of other countries in the region. Antigua and Barbuda's per capita income of $14,251 in 2006 ranks as the highest among the OECS countries. Antigua and Barbuda ranked 57th out of 177 countries on the United Nations 2007–08 human development index,[2] placing Antigua and Barbuda in the "high human development" category of countries. Antigua and Barbuda's poverty rate is low in comparison with the Caribbean region. A 2005 World Bank report estimated the poverty rate at 12 percent (most recent survey available) and unemployment at less than 10 percent. 2006 and 2007 budget priorities for the government of Antigua and Barbuda included increased expenditure on health care facilities (with assistance from a grant from China), public schools and school meals programs, and poverty reduction and social programs targeted for elder care and for youth crime prevention and crime deterrence.

A high debt-service burden and large share of domestic payments for wages and salaries in government expenditures are the most significant challenges for the economy of Antigua and Barbuda. The public sector

[2] See app. D for a definition of the human development index.

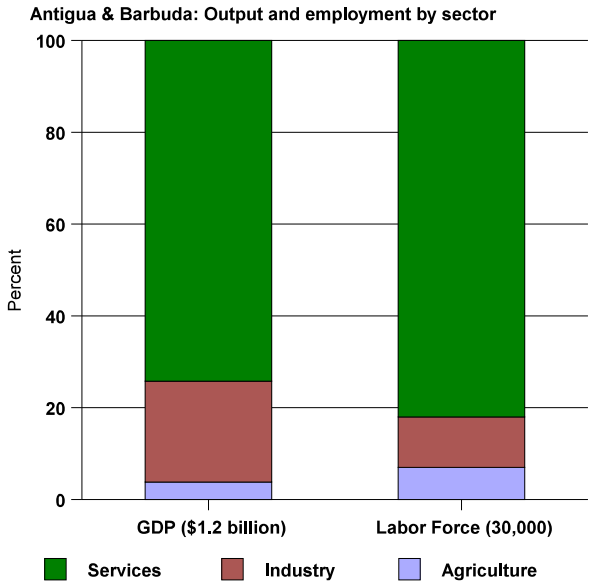
has been an employer of last resort, with the result that about 40 percent of the labor force of Antigua and Barbuda is employed in the public sector and 60 percent of government revenues go to paying wages, leaving little funding available for other expenditures.

Domestic Economy

Antigua & Barbuda: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	2.1	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP, 2002)	30	25
Agricultural land (% of land area, 2007)	32	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	1,130	587
Number of ports and terminals, 2007	1	na
Paved roads (% of total, 2007)	33	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CDB Annual Economic Review 2006; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2002 estimate. Labor force data based on 1991 data; labor force composition data based on 1983 data.

The primary component of Antigua and Barbuda's economy is services, accounting for approximately 75 percent of GDP. The services sector is dominated by tourism (transportation and travel services) and financial services (banking and reinsurance). Financial services accounted for 9 percent of GDP in 2005. The construction sector also has grown in recent years as a result of a number of public- and private-sector projects. In addition to national output, the services sector is also the largest source of employment in the domestic economy.

Tourism is one of the key revenue-earning sectors for Antigua and Barbuda and is one of the most important areas driving FDI in the country. Tourism accounts for an estimated 28 percent of employment, 48 percent of export earnings, and 51 percent of total investments in Antigua and Barbuda. Recent improvements in this sector include the 2003 completion of a cruise ship complex at St. John's Harbor and the 2006 establishment of the Antigua and Barbuda Hospitality Training Institute to supply trained personnel to service this sector. Antigua also is host to a world-class alcohol and drug addiction treatment center.

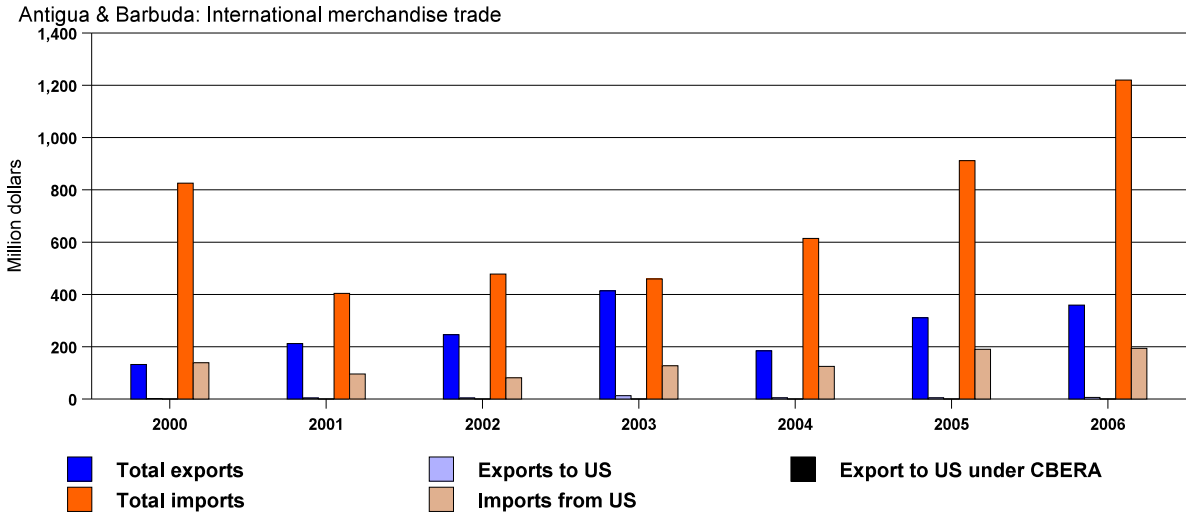
Other key services sectors include international financial services (banking, trust, insurance and reinsurance, international business corporations, foundations, and limited liability corporations), and Internet-based gaming/gambling. Historically, the largest market for remote gaming services provided from Antigua and Barbuda has been the United States. The United States imposed trade restrictions on the provision of this service, and the government of Antigua and Barbuda initiated proceedings at the WTO against the United States on this matter in 2003; a settlement on a mutually acceptable basis has not yet been agreed upon by the two parties.[3] Other services sectors being encouraged by Antigua and Barbuda include professional services, legal services, accounting services, architectural and engineering services, contractual services, and telecommunications services.

Antigua and Barbuda's manufacturing sector contributes just over 20 percent to the country's GDP. Most manufacturing businesses are small enterprises and produce mainly for sale in the domestic market. Leading manufactured products include apparel, processed agricultural goods, bakery products, handicraft items, soft drinks, beer, malt, rum, and furniture. A small assembly sector produces machinery and transport equipment, office machines, and telecommunications equipment both for export and for the domestic market. Other locally produced goods for export include paint, windows, doors, and pepper sauce. The small size of the manufacturing sector is further exacerbated by a labor shortage stemming from the lure of higher wages in the tourism and construction sectors.

The government of Antigua and Barbuda considers its fishing sector to be an important one, even though it contributes only about 2 percent to the country's GDP. This sector provides an important supplemental income to the rural poor and acts as a social safety net. Many families on the island of Barbuda have one or more members employed in this sector. The government of Antigua and Barbuda has sought to ensure that small-scale fishing sectors in small economies not be hindered by new global trade rules. In addition to fish, traditional agricultural products include cotton and fruits and vegetables, including bananas, coconuts, cucumbers, mangoes, and sugarcane.

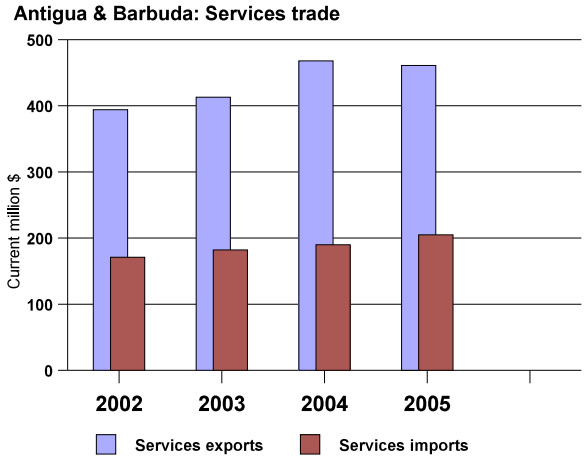
[3] For additional information on this WTO case, see *www.wto.org/english/tratop_e/dispu_e/cases_e/ds285_e.htm*.

International Integration[4]

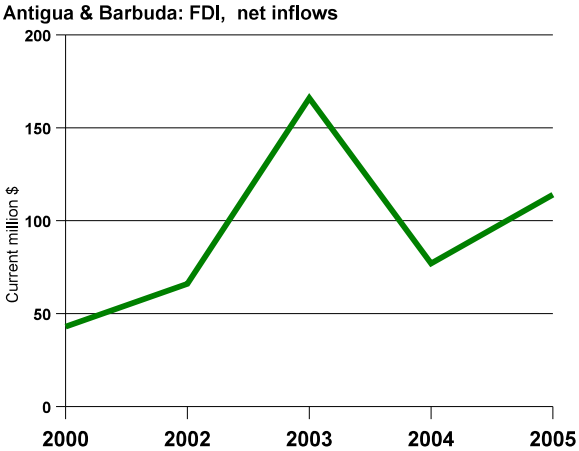


Sources: WITS; DataWeb, See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[4] See chap. 2 for country membership in international and regional institutions.

Antigua & Barbuda: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2005)	7.7
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	1.6
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2004)	62
Imports of goods and services (% relative to GDP, 2004)	69
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.689
Number of products exported (world value = 260, calculated at 3-digit SITC level)	36
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	7.8
Agricultural goods	15.0
Non-agricultural goods	8.9
Official development assistance ($ million, 2005)	7.2
Total debt service (% of exports of goods, services, and income)	na
Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; na = "not available."	

Merchandise exports to the United States represented approximately 8 percent of Antigua and Barbuda's total exports. Antigua and Barbuda is eligible for preferential access to the U.S. market under the original CBERA and GSP programs, but not CBTPA. In 2007, U.S. imports from Antigua and Barbuda were $8.9 million, of which $0.1 million was under CBERA. Antigua and Barbuda's main exports to the United States included aluminum waste, electrical machines, and wine. Antigua and Barbuda had a CBERA utilization rate of 1.6 percent. The main products exported to the United States under CBERA included wine, self-adhesive plates, and semiprecious worked stones. In 2007, Antigua and Barbuda's imports from the United States were valued at $231 million. The main product imported from the United States was petroleum.

Antigua and Barbuda's total goods and services trade is equivalent to about 170 percent relative to GDP. Antigua and Barbuda maintained a merchandise trade deficit between 2000 and 2006. Merchandise exports make up a very small component of the economy of Antigua and Barbuda.[5] Its main exports are manufactured goods, and its main export markets are Spain, Germany, and Italy. The main imports are petroleum products, machinery and transportation equipment, office machines, and telecommunications equipment, and its main import suppliers are the United States, China, and Germany.[6]

FDI into Antigua and Barbuda averaged $100 million during 2002–06. Antigua and Barbuda encourages FDI through fiscal and other investment incentives. Debt relief of more than $500 million through bilateral negotiations with external creditors (particularly public debt to Italy) has helped Antigua and Barbuda

[5] According to the WTO, the lack of trade statistics for Antigua and Barbuda constrains a full analysis of the country's trade flows. Trade data are generally less available for Antigua and Barbuda than for other OECS WTO members. WTO, *Trade Policy Review, Report by the Secretariat: Antigua and Barbuda*, WT/TPR/S/190/ATG, Oct. 1, 2007.

[6] Trade data from WTO, *Trade Policy Review, Report by the Secretariat: Antigua and Barbuda*, WT/TPR/S/190/ATG, Oct. 1, 2007.

improve its overall financial position in recent years. As a member of the OECS and part of the Eastern Caribbean Currency Union, Antigua and Barbuda pegs its currency to the U.S. dollar.

Current government priorities include the establishment of a one-stop investment promotion agency to encourage new investment. According to recent reports, the government of Antigua and Barbuda is considering plans to promote ecotourism, health tourism, and use of the islands as a base for stage-one pharmaceutical research.

Sources

Caribbean Development Bank. "Antigua and Barbuda." *CDB Annual Economic Review 2006*. *http://www.caribank.org/AnReport.nsf/AER06-Ant/$File/AER2006_Antigua.pdf?OpenElement* (accessed February 2008).

CIA. "The World Factbook: Trinidad and Tobago." December 13, 2007, *www.cia.gov*.

Government of Antigua and Barbuda. *Budget Presentation 2007*. *http://www.ab.gov.ag/gov_v2/government/speeches/2006/budgetSpeech2007.pdf* (accessed February 2008.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State telegram. *Bridgetown 01359*. October 25, 2007, prepared by U.S. Embassy Bridgetown.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *A Time to Choose: Caribbean Development in the 21st Century*. Report No. 31725-LAC, April 26, 2005.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. *Antigua and Barbuda Country Brief.* September 2007. *www.worldbank.org.*

WTO. *Trade Policy Review, Report by Antigua and Barbuda*. WT/TPR/G/190/ATG, October 1, 2007.

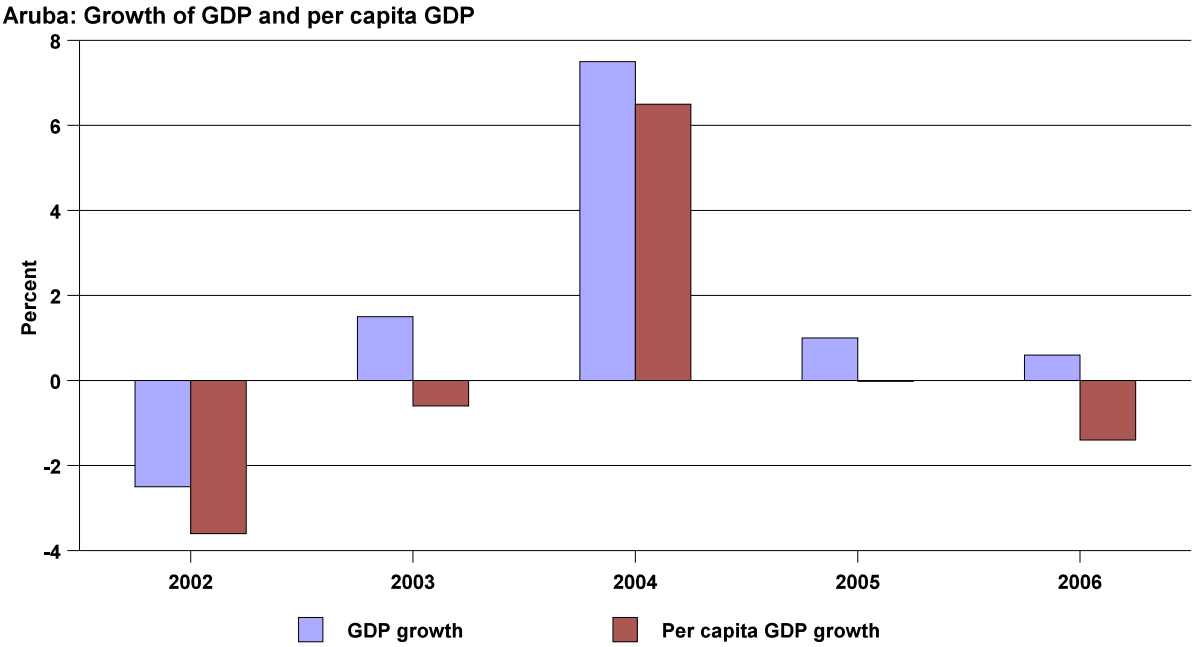
———. *Trade Policy Review, Report by the Secretariat*, WT/TPR/S/190/ATG, January 10, 2007.

———. *Trade Profiles 2007*. WTO Publications, 2007.

ARUBA

Economic and Social Development[1]

Aruba: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	1,940	na	na	2,258	na	298,351
GDP p.c., purchasing power parity ($)	28,000	na	21,800	na	na	8,059
Remittances (% of GDP)	0.5	na	na	na	na	1.5
Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions. Note. na = "not available"; p.c. = per capita.						



Source: World Development Indicators; IMF, Aruba: 2007 Article IV Consultation (staff calculations). See appendix D for sources and definitions.

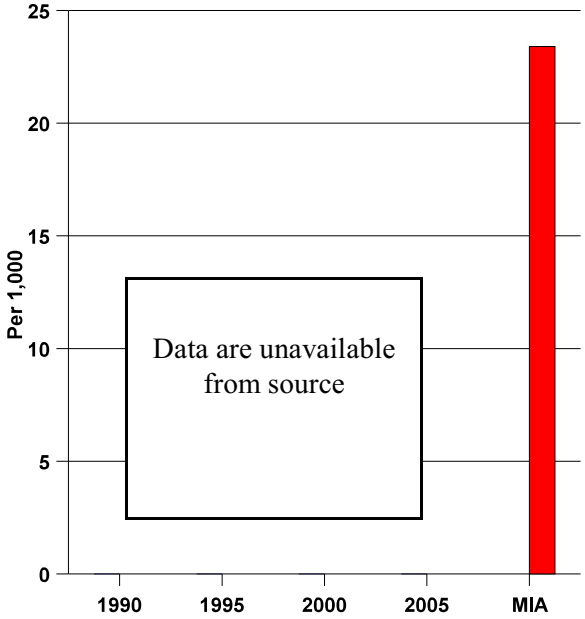
[1] See chap. 2 for cross-country comparisons.

Aruba: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	101	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2007	75	70
Literacy rate, total (%, 2000)	97	90
Population with access to improved sanitation facilities (%)	na	62
Population with access to improved water source (%, 2004)	100	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note. MRY=most recent year for which data are available; na = "not available."

Aruba: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Classified by the World Bank as a high-income economy, Aruba is a small, open economy and a separate, autonomous member of the Kingdom of the Netherlands. Although Aruba has a population of just 100,000, its services-oriented economy contributes to a relatively high GDP per capita, one of the highest in the Americas. GDP per capita in 2004 was almost three times the 2006 middle-income average. Similar to other small Caribbean islands, Aruba lacks natural resources and relies mainly on services exports (primarily tourism, international financial services, and shipping services) and petroleum refining. Although Aruba is one of the most developed islands in the Caribbean, its economy is vulnerable due to its dependence on tourism and due also to a steady increase in public debt from 39 percent relative to GDP in 2000 to 46 percent relative to GDP in 2006. Improved macroeconomic policies since 2005 have helped to slow the rise in public debt.

After years of economic recession following a contraction in the financial services and petroleum refining industries, dampening of tourism after the September 11, 2001 attacks, and several hurricanes in the region, recent, though sporadic, economic growth has been driven by expansion of the tourism industry and increased petroleum prices. Recent increases in GDP have been associated with a recovery in the tourism sector. An IMF assessment attributes this development to market-friendly policies, a stable macroeconomic environment, expansion of the tourism sector, and openness to foreign investment.

Compared with the rest of the region, Aruba has a high standard of living. Aruba's social development is relatively well advanced. It has near universal literacy rates, and its health indicators are good in comparison with other Caribbean countries. Nevertheless, the IMF 2005 Article IV consultation report notes that, while Aruba has made "considerable" progress in alleviating poverty, income inequality is larger than in other countries of similar income levels. Aruba has received substantial development aid from the Netherlands, amounting to approximately 75 percent relative to GDP in 2003.

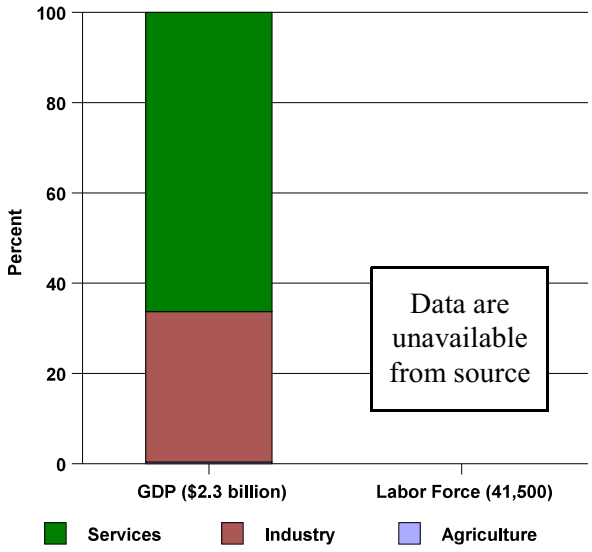
Domestic Economy

Aruba: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	3.6	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP)	na	25
Agricultural land (% of land area, 2003)	11	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people)	na	587
Number of ports and terminals	3	na
Paved roads (% of total, 2007)	64	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Aruba: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2002 estimate data; GDP based on 2005 estimate; labor force data based on 2004 estimate. Labor force composition data are unavailable.

The services sector represents more than 65 percent of GDP, with the industrial sector representing most of the remainder. The agricultural sector contributes very little to GDP. In recent decades, Aruba has witnessed a substantial increase in its tourism industry, which rebounded strongly after a decline following the September 11, 2001 attacks. The United States accounts for the majority of tourists (approximately 70 to 75 percent of the 1.5 million visitors per year). The growth in the tourism industry has supported expansion in other industries. For example, the need for hotels has supported the construction industry.

In addition to tourism, services such as offshore banking, petroleum refining and storage, and transshipment facilities and services have become increasingly important components in the economy. The country's oil refinery reopened in 1993, and petroleum processing has become a dominant industry. Consequently, the refinery, which services Venezuelan oil fields, is a major source of employment and foreign exchange earnings. The shipping industry has also grown as a result of the increasing oil processing and shipping logistics industry.

As Aruba has few natural resources (aside from beaches, which can be developed for tourism) and a scarcity of arable land, the agricultural and nonpetroleum manufacturing industries are relatively small compared to the services sector. Most of the agricultural products are for local consumption, and the island relies heavily on imported food. Aruba has relatively low unemployment rates, leading its tourism and refining industries to attract migrant labor to fill in gaps in labor supply.

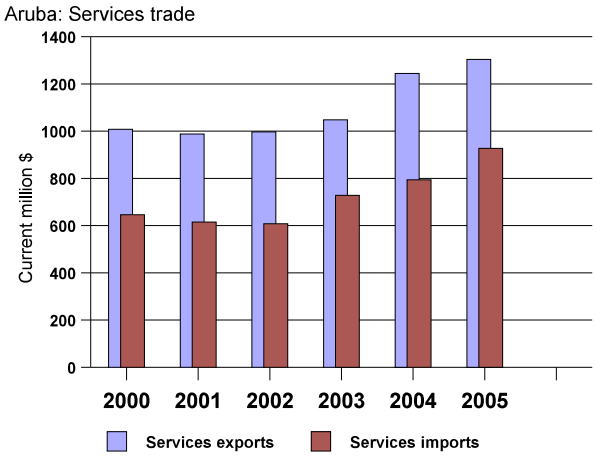
Government policy is focused on diversifying the economy by promoting capital-intensive investments, free trade zone activities, telecommunications, the international financial sector, and higher value-added tourism-

related services, such as conference tourism. Certain infrastructure features support these diversification efforts. Aruba's telephone system is characterized as modern, sophisticated, and fully automatic. Privatization and liberalization efforts in the telecommunications industry have increased local competition. Aruba has three ports, one of which, Oranjestad, is accessible to all types of vessels. However, the relatively poor road infrastructure has impeded its diversification efforts.

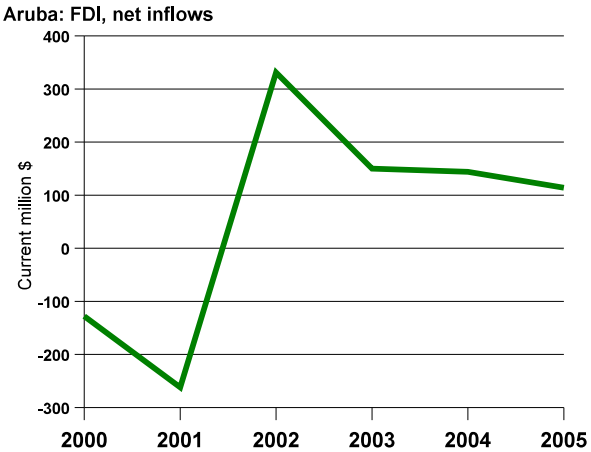
International Integration[2]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[2] See chap. 2 for country membership in international and regional institutions.

Aruba: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	11.9
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	([a])
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	29.6
Exports of goods and services (% relative to GDP)	na
Imports of goods and services (% relative to GDP)	na
Export concentration indicators	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	na
Number of products exported (world value = 260, calculated at 3-digit SITC level)	na
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	na
Agricultural goods	na
Non-agricultural goods	na
Official development assistance ($ million, 2004)	-11
Total debt service (% of exports of goods, services, and income)	na

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

[a] Less than 0.05 percent.

Aruba's exports to the United States represent almost 12 percent of its total exports. Aruba is eligible for preferential access to the U.S. market under the original CBERA, but not GSP or CBTPA. In 2007, U.S. imports from Aruba were $2.9 billion, of which approximately $322,000 was under the CBERA program. The main products exported to the United States were petroleum or petroleum-related products, representing more than 97 percent of exports to the United States. Aruba's CBERA utilization rate is very small, less than 0.05 percent in 2007, and the main products exported under CBERA in 2007 were machine tools[3] and articles of jewelry. In 2007, Aruba's imports from the United States were $492 million. The main products imported from the United States include petroleum, jewelry and parts, and various machinery-related products.

Given the importance of international tourism, petroleum refining, and shipping logistics, the level of goods and services imports plus exports relative to GDP is relatively high. After falling between 2001 and 2003, Aruba's merchandise exports and imports increased steadily between 2003 and 2006. Aruba's main export commodities include live animals and animal products, art and collectibles, machinery and electrical equipment, and transport equipment. Its main export markets include the Netherlands, Panama, Colombia, Venezuela, the United States, and the Netherlands Antilles. Its main imports include machinery and electrical equipment, crude oil for refining and re-export, chemicals, and foodstuffs. Its main import sources are the United States, the Netherlands, and the United Kingdom.

Aruba's services exports and imports increased between 2003 and 2005 after remaining stable between 2000 and 2002. Aruba's currency, the florin, is pegged to the U.S. dollar, and appreciation of the euro against the local currency has supported increased tourist arrivals from Europe and expansion of the sector. After a large increase after 2001, Aruba's net FDI inflows fell steadily between 2002 and 2005.

[3] Value could represent one machine and a data anomaly, which appears recently only in 2007.

Sources

Caribbean-Central American Action. "Aruba." *Caribbean-Central America Profile 2008*, JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

CIA. "The World Factbook: Aruba." December 13, 2007, *www.cia.gov.*

Deloitte. "Aruba Snapshot." *Deloitte International Tax and Business Guides*, February 2006, *www.deloittetaxguides.com.*

EIU. *Country Profile 2007: Aruba*. 2007, *www.eiu.com*.

IMF. *Kingdom of the Netherlands—Aruba: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 08/78, February 2008.

———. *Kingdom of the Netherlands—Aruba: Statistical Appendix*. IMF Country Report No. 08/79, February 2008.

———. *Kingdom of the Netherlands—Aruba: 2005 Article IV Consultation—Staff Report*. IMF Country Report No. 05/204, June 2005.

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2007. *www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file373_13752.pdf*.

U.S. Department of State. "Background Note: Aruba." December 2007, *www.state.gov.*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Governance and Social Justice in Caribbean States: Executive Summary." June 2000, Report No. 20449-LAC.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

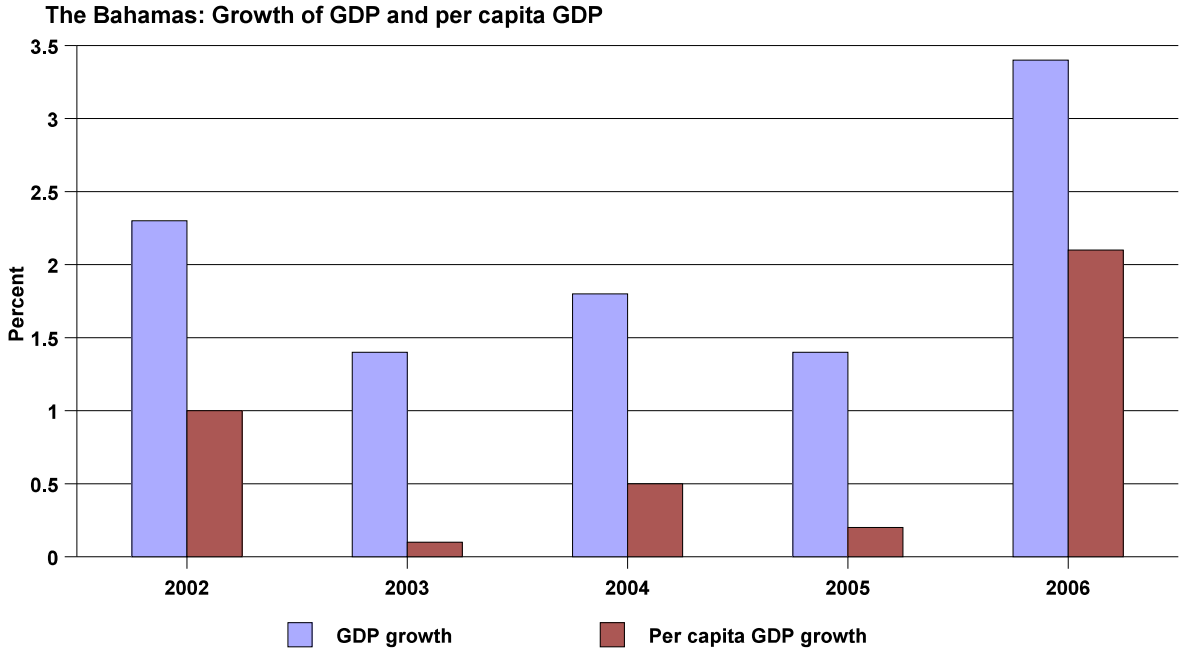
THE BAHAMAS

Economic and Social Development[1]

The Bahamas: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	4,590	5,049	5,295	6,105	6,556	298,351
GDP p.c., purchasing power parity ($)	15,300	16,700	17,700	20,200	21,600	8,059
Remittances (% of GDP)	na	na	na	na	na	1.5

Sources: World Development Indicators; CIA Factbook. See appendix D for sources and definitions.

Note: na = "not available"; p.c.= per capita.



Source: World Development Indicators; IMF, The Bahamas: 2007 Article IV Consultation (staff calculations). See appendix D for sources and definitions.

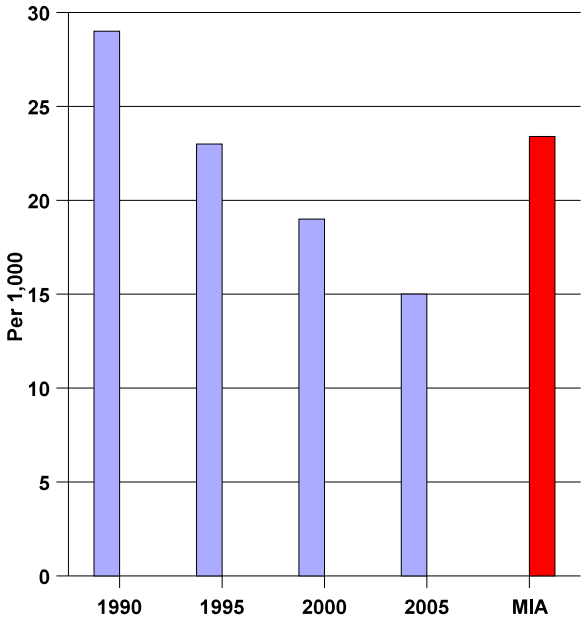
[1] For additional information provided by the Embassy of the Commonwealth of the Bahamas, see chap. 5 of this report. See chap. 2 for cross country comparisons.

The Bahamas: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	327	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	71	70
Literacy rate, total (%, 2003)	96	90
Population with access to improved sanitation facilities (%, 2004)	100	62
Population with access to improved water source (%, 2004)	97	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

The Bahamas: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Classified by the World Bank as a high-income economy, The Bahamas is a small, open island economy and one of the wealthiest and most prosperous countries in the Caribbean. The Bahamas' economy is highly dependent on tourism; tourism and tourism-driven construction and manufacturing are estimated to represent approximately 60 percent of GDP and employ (directly and indirectly) one-half of the labor force. Recent economic growth has been driven by increasing tourism-related construction of new hotels, resorts, and residences; the 2006 GDP growth rate was the highest since 1999. After tourism, financial services is the next largest industry in The Bahamas.

In general, the government's broad objectives are to maintain macroeconomic stability and to maintain and improve a conducive business environment. Government policy is focused on continued expansion of the tourism and financial services industry, with an eye toward diversification and increased Bahamian ownership. Although the government is working to reduce the country's debt, The Bahamas' public debt relative to GDP is more than 40 percent. Because the country lies in the hurricane belt, it is often subject to damaging hurricanes and other tropical storms, which can impose sudden and significant costs.

The Bahamas ranked 49th out of 177 countries in the United Nations 2007–08 human development index,[2] placing The Bahamas in the "high human development" category. The Bahamas' standard of living is considered among the best in the Western Hemisphere. For example, in 2001, the estimated poverty rate was 9 percent. Available social development indicators indicate that The Bahamas' social development exceeds middle-income averages. In addition, recent economic growth has reduced the unemployment rate. The Bahamas has a reasonably good standard of health care. Life expectancy is 71 years, which is up slightly from 68 in 1990. An emerging concern for the government is that increasing costs of health care have negatively affected its ability to deliver universal health care. Relatively consistent GDP growth and good governance have contributed to continued improvement of the population's living standards.

[2] See app. D for a definition of the human development index.

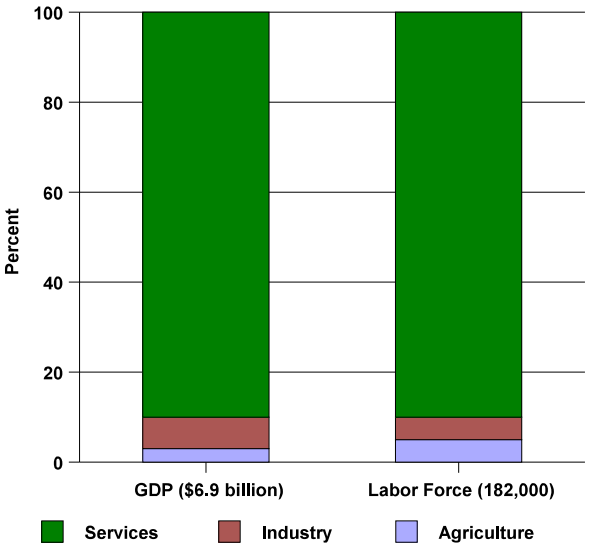
Domestic Economy

The Bahamas: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	2.4	4.3
Labor force participation rate, total (%, 2006)	72	73
Gross fixed capital formation (% of GDP)	na	25
Agricultural land (% of land area, 2003)	1.4	35
Irrigated land (% of cropland, 2003)	8.3	18
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	1023	587
Number of ports and terminals	3	na
Paved roads (% of total, 1999)	57	na
Category 1 and 2 airports, 2007	24	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

The Bahamas: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP based on 2007 estimate; GDP composition based on 2001 estimate; labor force data based on 2006 data; labor force composition based on 2005 estimate.

The services sector (including tourism and financial services) accounts for more than 90 percent of GDP, followed distantly by the industrial sector with 7 percent and the agricultural (including fisheries) sector with 3 percent. Tourism represents approximately 40 percent of GDP. More than 80 percent of tourists come from the United States. The government is attempting to expand high-value niche tourism such as events and group meetings. The second-largest industry, financial services, represents approximately 30–40 percent of GDP. The capital of The Bahamas, Nassau, is considered an international financial center, where more than $300 billion dollars in assets is managed. The Bahamas' financial services industry is driven in part by The Bahamas' role as a tax haven.

Growth of the manufacturing sector is limited, and most manufacturing industries produce only for the domestic market. The few industrial firms include a pharmaceutical firm, an oil facility, a brewery, a rum distiller, oil shipment services, salt production, printing and publishing, clothing, and aragonite mining. Labor costs are too high to support labor-intensive export-oriented manufacturing activities, especially apparel production. The few export-oriented industries include chemicals and ship repair.

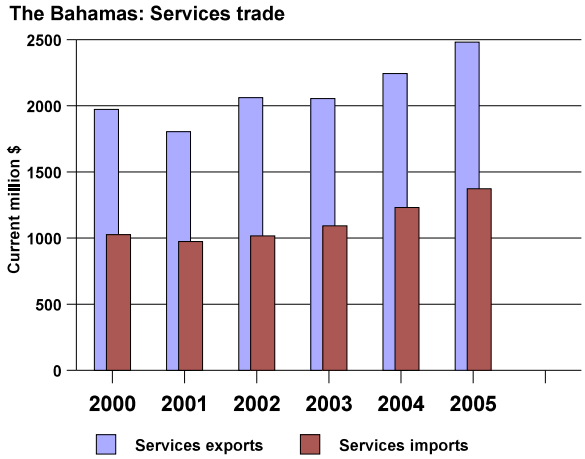
The main agricultural products are citrus, vegetables, and poultry. Most agricultural products are consumed domestically, although lobsters are exported. Prior to an outbreak of citrus canker in 2005, citrus was a major agricultural output; the outbreak effectively ended The Bahamas' export of citrus. The Bahamas also produces limited amounts of lettuce, courgettes, avocados, and papaya for export to the United States.

In addition to its beaches that could be developed for tourism, other natural resources include salt, aragonite, and timber. The Bahamas' infrastructure is relatively well developed in the main cities. The Bahamas' modern telecommunication facilities are highly developed.

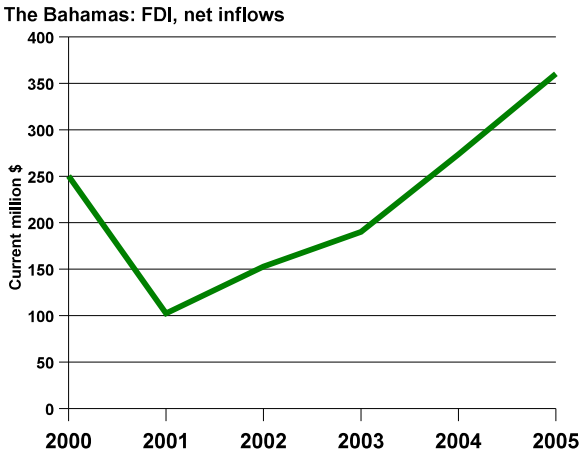
International Integration[3]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

The Bahamas: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	71.3
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	34.1
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP)	na
Imports of goods and services (% relative to GDP)	na
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.418
Number of products exported (world value = 260, calculated at 3-digit SITC level)	41
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	30.2
Agricultural goods	24.1
Non-agricultural goods	31.2
Official development assistance ($ million, 2004)	4.8
Total debt service (% of exports of goods, services, and income)	na

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

In 2006, exports to the United States represented approximately 72 percent of The Bahamas' total exports. The Bahamas is eligible for preferential access to the U.S. market under the original CBERA, but not GSP and CBTPA. In 2007, U.S. imports from The Bahamas were $412 million, of which $141 million was under the CBERA program. The main products exported to the United States in 2007 were polystyrene, rock lobster, and light oil motor fuel. The Bahamas' CBERA utilization rate is almost 35 percent, and the main products exported under CBERA in 2007 were polystyrene, cigars, and grapefruit. In 2007, The Bahamas' imports from the United States were $2.42 billion. The main products imported from the United States include petroleum oils, styrene, and motor vehicles.

Given the importance of international tourism and international financial services, The Bahama's level of goods and services trade relative to GDP is relatively high. The Bahamas relies on imports for approximately 80 percent of its food consumption, which contributes to its large structural merchandise trade deficit. The Bahamas' main export products include mineral products and salt, animal products, rum, chemicals, fruits, and vegetables. Its main export markets include Spain, the United States, Poland, Germany, the United Kingdom, and Guatemala. Its main import products include machinery and transport equipment, manufactures, chemicals, mineral fuels, food, and live animals. Its main import sources are the United States, Brazil, Japan, South Korea, and Spain. Recent concerns include the transshipment of illegal drugs through The Bahamas to the United States and Europe. In May 2001, The Bahamas requested WTO membership, and discussions are under way.

Although The Bahamas' services exports experienced a slight post-September 11, 2001 decline, such exports rebounded and have increased more rapidly than services imports, contributing to an increasing services trade surplus. The Bahamian government actively seeks foreign investment and has conducted investment missions to Asia, Europe, Latin America, India, and Canada. The country is known for its stable environment, limited taxes, proximity to the United States, and availability of skilled labor. Net FDI inflows experienced a post-September 11, 2001 dip but has since rebounded and has been steadily increasing. FDI has been driven by

investment in the services sector, especially tourism-related construction. The Bahamian dollar is fixed to the U.S. dollar.

Sources

Caribbean Development Bank. "The Bahamas," *CDB Annual Economic Review 2006*.

CIA. "The World Factbook: The Bahamas." March 6, 2008, *www.cia.gov.*

EIU. *Country Profile 2007: Bahamas*. 2007, *www.eiu.com*.

———. *Country Report: Bahamas*. October 2007, *www.eiu.com*.

IMF. *The Bahamas: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 08/23, 2008.

UNCTAD. *UNCTAD Handbook of Satistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State. "Background Note: The Bahamas." January 2008, *www.state.gov.*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Governance and Social Justice in Caribbean States: Executive Summary." Report No. 20449-LAC, June 2000.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Profiles 2007*. WTO Publications, 2007.

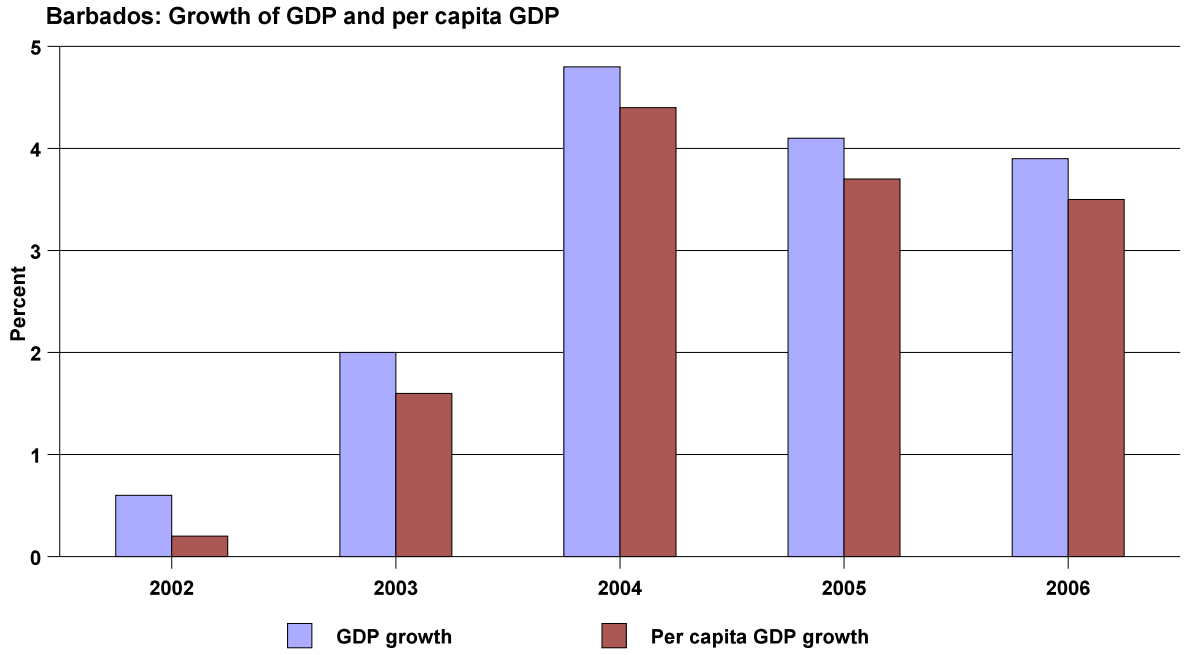
BARBADOS

Economic and Social Development[1]

Barbados: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	4,153	4,355	4,569	4,815	5,146	298,351
GDP p.c., purchasing power parity ($)	15,000	15,700	16,400	17,300	18,400	8,059
Remittances (% of GDP)	4.4	4.3	3.9	4.5	na	1.5

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators; IMF, Barbados:2007 Article IV Consultation. See appendix D for sources and definitions.

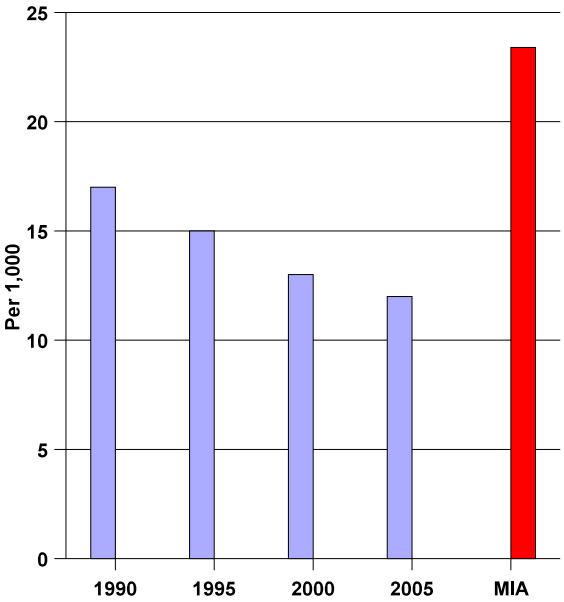
[1] For additional information provided by His Excellency Michael I. King, Ambassador of Barbados to the United States, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Barbados: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	270	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2004	75	70
Literacy rate, total (%, 2002)	100	90
Population with access to improved sanitation facilities (%, 2004)	100	62
Population with access to improved water source (%, 2004)	100	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Barbados: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Barbados has one of the highest per-capita incomes in the Caribbean region and is classified by the World Bank as a high-income economy. Despite the post-September 11, 2001 contraction in GDP growth stemming from a general decline in international tourism, the economy rebounded in 2003, and recent GDP growth was driven by increased construction activity and tourism revenues. Barbados' hosting of the final matches of the Cricket World Cup in 2007 contributed to the spur in construction activities and increased investment in 2006 and early 2007. Although it lies within the hurricane belt, Barbados' infrequently experiences hurricanes.

After independence in 1966, Barbados was a low-income economy centered around sugar production. Barbados' economy has since shifted substantially toward tourism and light manufacturing, and is now one of the most prosperous economies in the Western Hemisphere. Barbados' most important industry is tourism, although financial services, light manufacturing, and agriculture also make important contributions. Government policy is broadly focused on reducing unemployment, encouraging FDI, and privatization of remaining state assets. Expansionary government policies have contributed to a government debt level that exceeds 80 percent relative to GDP in 2006.

Barbados ranked 31st out of 177 countries in the United Nations 2007–08 human development index,[2] placing Barbados in the "high human development" category. Barbados' standard of healthcare is high, and the government of Barbados provides high-quality free health care to all citizens; life expectancy is 75 years. Barbados' educational standards are also high, and educational performance is among the highest in Latin American and the Caribbean. In addition, recent strong economic growth has contributed to historically low unemployment rates, which were estimated at approximately 10 percent in 2002. Poverty reduction,

[2] See app. D for a definition of the human development index.

nevertheless, remains an issue for Barbados' economic development. The most recent survey (1997) estimated poverty at 14 percent of population, and the rate of indigence at 1 percent.[3]

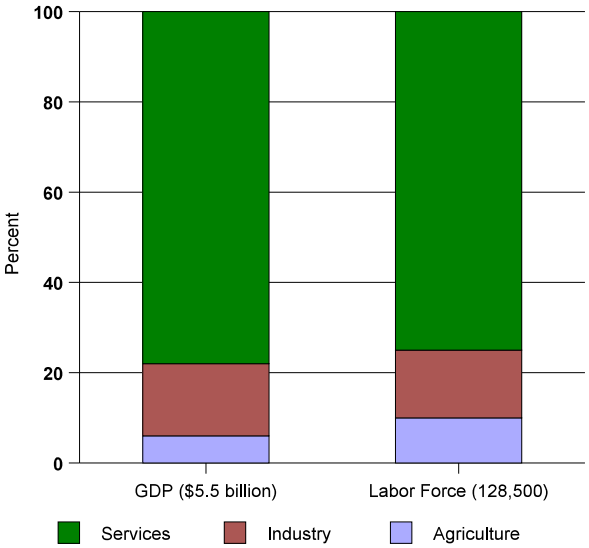
Domestic Economy

Barbados: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	7.3	4.3
Labor force participation rate, total (%, 2006)	81	73
Gross fixed capital formation (% of GDP, 2004)	19	25
Agricultural land (% of land area, 2003)	44	35
Irrigated land (% of cropland, 2003)	29	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	1265	587
Number of ports and terminals	1	na
Paved roads (% of total, 2004)	100	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Barbados: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP based on 2007 estimate; GDP composition based on 2000 estimate; labor force composition data based on 1996 estimate; labor force data based on 2001 estimate.

The services sector is the largest contributor to GDP, with approximately 80 percent, followed by industry (approximately 15 percent) and agriculture (approximately 5 percent). Barbados' primary natural resources, its warm climate and beaches, have supported expansion of its tourism industry. The tourism industry is well developed, and most new investment is for improving existing facilities. The main source of tourist arrivals is the United Kingdom, estimated at almost 40 percent, and the United States, estimated at almost 25 percent and increasing. In addition to tourism, offshore finance and information services have contributed to the expanding services sector. These two industries benefit from a relatively highly educated workforce. Expansion of Barbados' financial services industry is spurred by low corporate taxes.

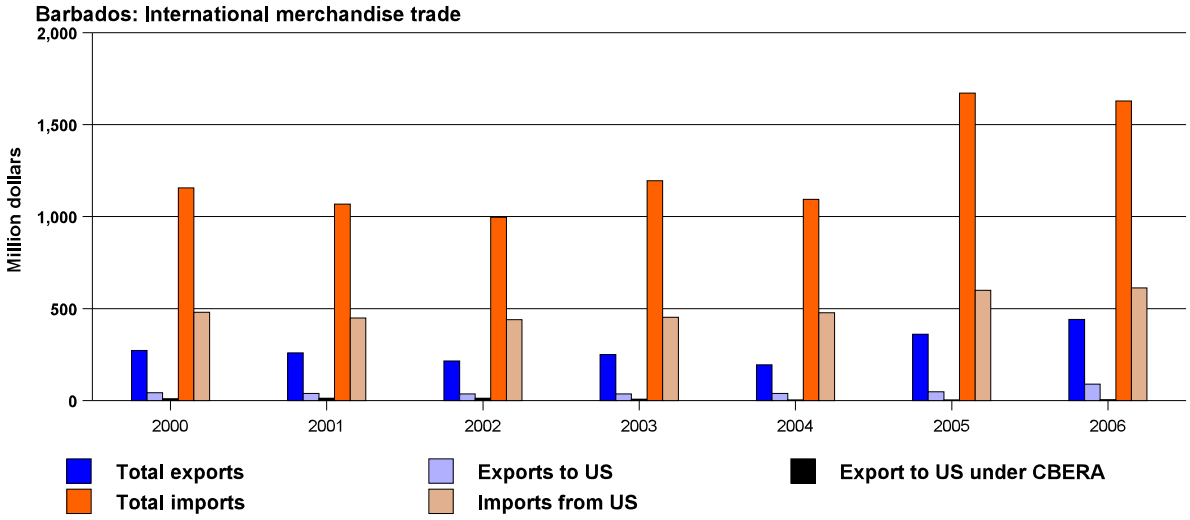
The main manufacturing industries are sugar, light manufacturing, and component assembly for export. Most manufacturing activities (such as foodstuffs, beer, flour, animal feeds, and chemicals) are primarily geared toward the local market, although the main agro-industries (sugar refining and rum) also produce for export. Barbados' relatively high labor costs compared to the Caribbean region hampers expansion of manufacturing activities.

[3] World Bank, *A Time to Choose*, 210.

The main agricultural products are sugarcane, vegetables, and cotton. Although once the backbone of the economy, the sugar industry contracted by about 20 percent from 2001 to 2005 and currently represents less than 1 percent of GDP. Shallow soils, broken terrain, intermittent drought, and poor management have contributed to low yields and low output. Fishing, livestock, dairy, and vegetable industries produce primarily for the local market.

Barbados is an important air transport hub for the eastern Caribbean, as it has links to North America, Europe, many Caribbean countries, and several South American countries. It also has good international shipping connections, but port costs are relatively high.

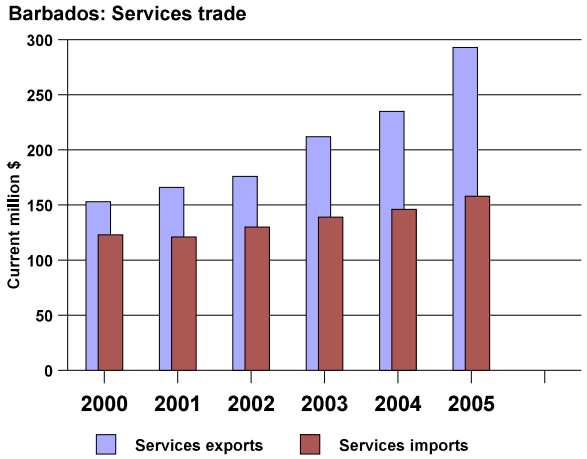
International Integration[4]



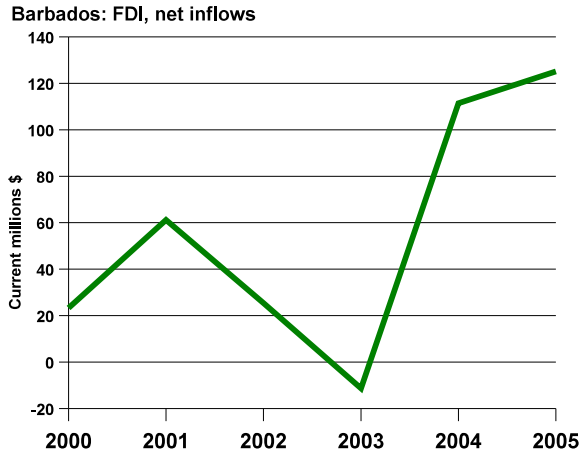
Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Barbados' data, and represent gross figures.

[4] See chap. 2 for country membership in international and regional institutions.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

Barbados: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	20.1
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	19.5
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2005)	58
Imports of goods and services (% relative to GDP, 2005)	69
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.270
Number of products exported (world value = 260, calculated at 3-digit SITC level)	220
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	13.5
Agricultural goods	30.0
Non-agricultural goods	11.0
Official development assistance ($ million, 2005)	-2.1
Total debt service (% of exports of goods, services and income, 2005)	4.7
Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; na = "not available."	

Barbados' merchandise exports to the United States represent approximately 20 percent of total merchandise exports. Barbados is eligible for preferential access to the U.S. market under the original CBERA, GSP, and CBTPA. In 2007, U.S. imports from Barbados were $39 million, of which $8 million was under the CBERA program. The main products exported to the United States in 2007 were ethyl alcohol, rum, and electrical parts. Barbados' CBERA utilization rate is 20 percent, and the main products exported under CBERA in 2007 were ethyl alcohol, electricity meters, and rum. In 2007, Barbados' imports from the United States were

$418 million. The main products imported from the United States include jewelry, cellular phones, and airplane and helicopter parts.

Barbados' total goods and services trade was more than 125 percent relative to GDP. As a result of its high dependence on imported consumer, intermediate, and capital goods, Barbados maintains a structural trade deficit. Barbados' main export products include manufactures, sugar and molasses, rum, chemicals, electrical components, and other foods and beverages. Its main export markets include the United States, Trinidad and Tobago, the United Kingdom, St. Lucia, and Jamaica. Barbados' main import products include consumer goods, machinery, foodstuffs, construction materials, chemicals, fuel, and electrical components. Its main import sources are the United States, Trinidad and Tobago, and the United Kingdom.

Tourism is Barbados' main service export and is estimated to represent 80 percent of total exports. Barbados' services trade surplus has increased in recent years. Due to its political stability, stable institutions, good competitiveness indicators, and good governance, Barbados enjoys an investment grade rating. Net FDI inflows experienced a post-September 11, 2001 decline, but rebounded by 2004. Barbados' currency, the Barbadian dollar, is pegged to the U.S. dollar.

Sources

CIA. "The World Factbook: Barbados," March 6, 2008. *www.cia.gov.*

EIU. *Country Profile 2007: Barbados*, 2007. *www.eiu.com*.

———. *Country Report: Barbados*, December 2007. *www.eiu.com*.

IMF. *Barbados: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 07/315, September 2007.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State. "Background Note: Barbados," December 2007. *www.state.gov.*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *A Time to Choose: Caribbean Development in the 21st Century*. Report No. 31725-LAC, April 26, 2005.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Profiles 2007*. WTO Publications, 2007.

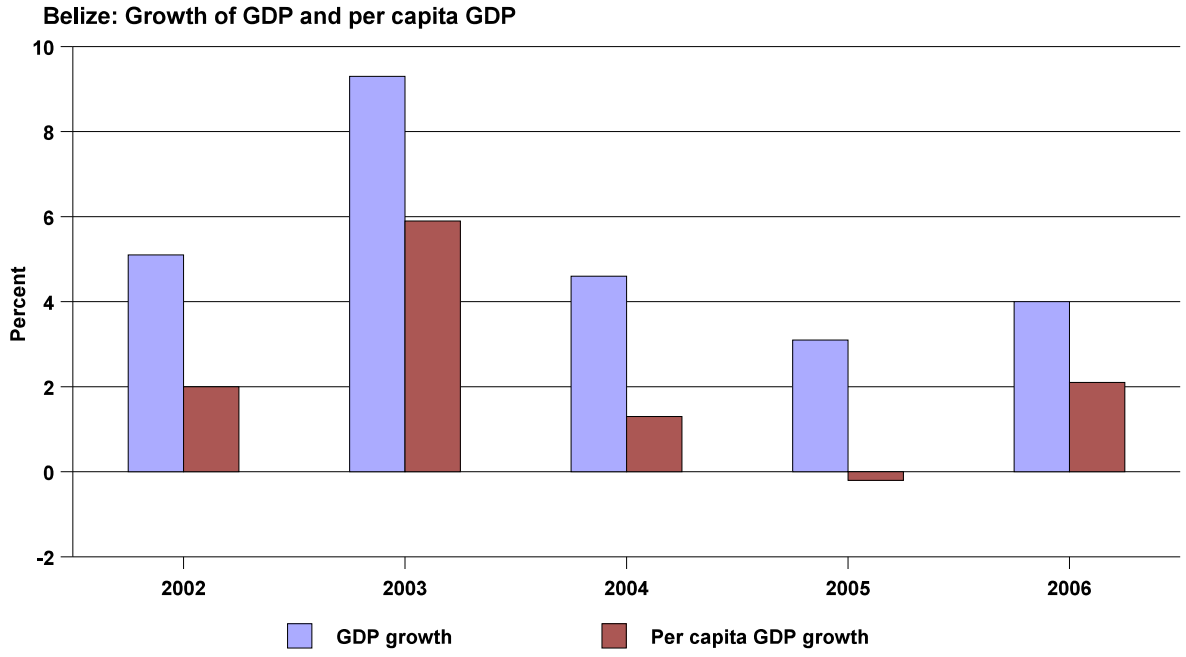
BELIZE

Economic and Social Development[1]

Belize: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	1,630	1,819	1,953	2,075	2,221	298,351
GDP p.c., purchasing power parity ($)	6,150	6,648	6,914	7,112	7,474	8,059
Remittances (% of GDP)	3.1	3.4	3.2	4.2	3.8	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

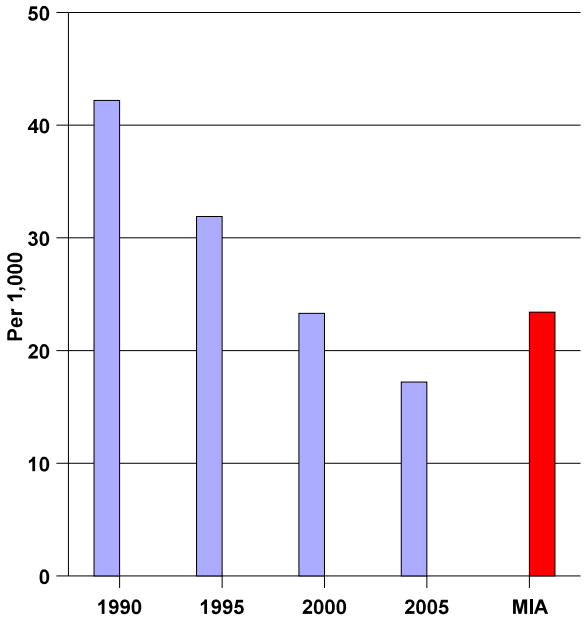
[1] See chap. 2 for cross-country comparisons.

Belize: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	297	32,183
Population below poverty line (%, 2002)	34	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	72	70
Literacy rate, total (%, 2000)	77	90
Population with access to improved sanitation facilities (%, 2004)	47	62
Population with access to improved water source (%, 2004)	91	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Belize: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

The World Bank classifies Belize as an upper-middle-income economy. Belize's GDP growth has averaged about 4 percent since 2002. Recent economic growth has been associated with increased exports and expansionary fiscal policies. The discovery of oil in 2006 also contributed to economic growth in 2006 and 2007. GDP growth is expected to slow in 2007 as a result of the impact of Hurricanes Dean and Felix, the leveling off of oil production, and the partial closure of an apparel factory.

Although the Belize economy has traditionally relied on agriculture (particularly bananas, sugar, and citrus), the economy has undergone gradual diversification toward services, and more recently oil production. Belize's most important industries are tourism and agriculture, and the government of Belize has made development of its tourism industry a top priority. The economy is also susceptible to frequent devastating hurricanes.

As a result of expansionary policies and expenditures related to posthurricane damage, Belize's public debt relative to GDP increased to more than 100 percent in 2004. The government implemented fiscal reforms in 2005, but concerns about the sustainability of the debt led the government to restructure nearly all of its public external commercial debt in February 2007. Belize's external public debt remains one of the highest in the region at approximately 85 percent. Among the government's priorities are foreign debt sustainability, reducing poverty, and the high unemployment rate, and dealing with increased drug trafficking, increasing urban crime, and increasing HIV/AIDS infections.

Belize ranked 80th out of 177 countries in the United Nations 2007–08 human development index,[2] placing Belize in the "medium human development" category. Expansion of rural health care access has been a focus

[2] See app. D for a definition of the human development index.

of government health care spending. For example, the government has provided health centers and mobile clinics in order to expand rural health care. The rate of HIV/AIDS infection is relatively high, although mother-to-child transmission has been drastically reduced.

According to the World Bank, Belize is positioned to attain the Millennium Development Goals with respect to education, access to clean water, and child and maternal mortality. Despite Belize's progress in several social indicators, poverty levels remain a challenge for the country. According to the government, in 2002, more than 33 percent of households lived below the poverty line, with 10 percent considered in "great poverty." The government identified various factors contributing to the poverty levels, including lack of human resource development, increased public debt, an influx of poor immigrants, and increased international competition in key export-oriented industries. The World Bank also noted that Belize's human development index rating had declined since 1998, when it ranked 58th. A main policy objective is to reduce the poverty level by one-half by 2015. In addition, the unemployment rate is considered relatively high, estimated at more than 10 percent in recent years. Although education performance has improved, it is behind other countries in the region.

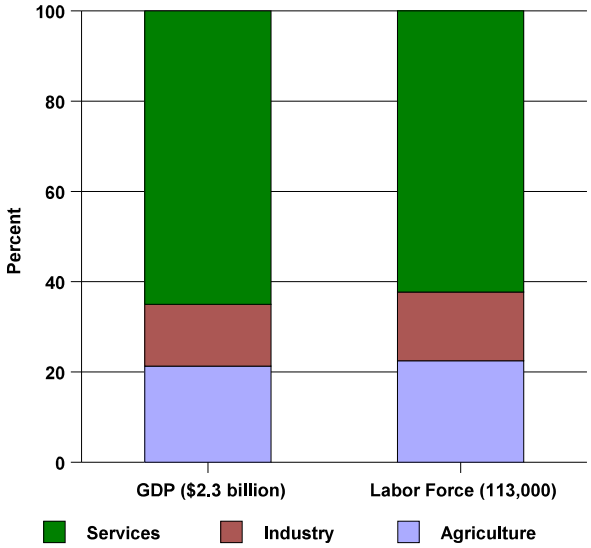
Domestic Economy

Belize: Selected domestic economy indicators		
	MRY (2000–07)	Middle Income Average
Inflation (%, 2005)	3.6	4.3
Labor force participation rate, total (%, 2006)	66	73
Gross fixed capital formation (% of GDP, 2005)	19	25
Agricultural land (% of land area, 2003)	7	35
Irrigated land (% of cropland, 2003)	3	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	433	587
Number of ports and terminals	2	na
Paved roads (% of total, 1999)	20	na
Category 1 and 2 airports, 2007	4	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Belize: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP and GDP composition data are 2007 estimates; labor force data based on 2006 estimate; labor force composition based on 2005 estimate.

The services sector represents almost two-thirds of GDP, followed by the agricultural sector (approximately 20 percent of GDP) and the industrial sector (approximately 15 percent). Tourism is the single largest contributor to employment. Tourist attractions include the Barrier Reef (the second-longest coral reef in the world), scuba diving, Mayan sites, and ecotourism. Tourism makes up about one-fourth of the services sector

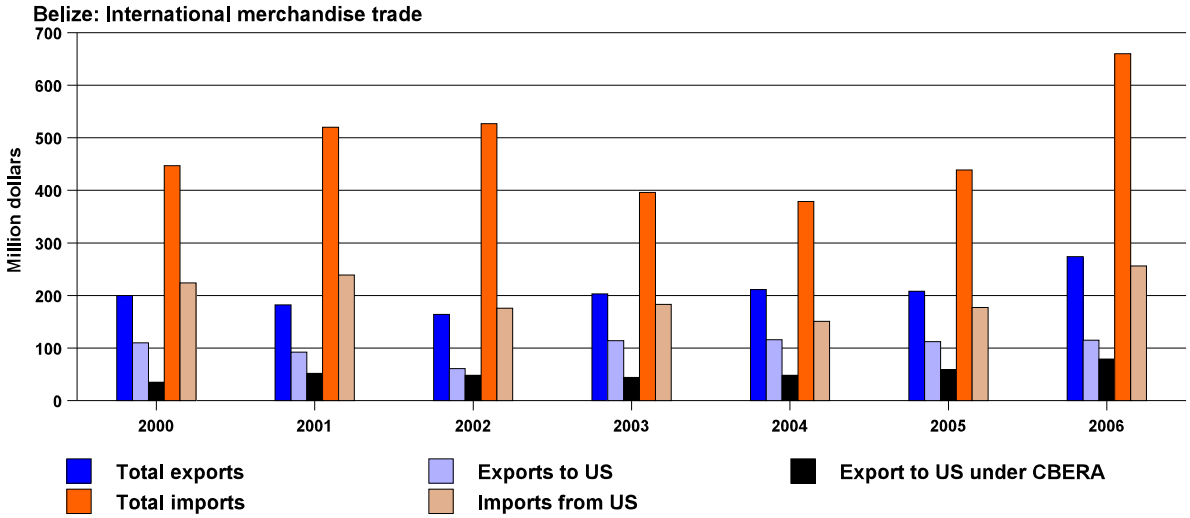
and is one of the fastest-growing industries. Estimated at 90 percent, the United States is the main source of tourist arrivals. Belize has recently been attracting offshore service operations such as telemarketing operations, in part because of the availability of English-speaking labor.

The agricultural sector is a key contributor to employment and merchandise exports; the main agricultural products include bananas, cacao, citrus, sugar, fish, shrimp, and lumber. Sugarcane is produced on about one-half of Belize's farmland. Citrus (oranges and grapefruit) and banana production has been relatively flat since 2000, with fluctuations correlated with weather conditions (especially hurricanes and flooding). Natural resources include timber, fish, and hydropower.

Belize's main industrial activities include apparel production, food processing, construction, and oil extraction. The manufacturing sector is based primarily on agricultural processing and food and beverage production; approximately 90 percent of manufacturing is based on input from or for the agricultural, fisheries, and forestry sectors. These activities include the processing of sugarcane into sugar and citrus fruit into concentrate. Some manufacturing of apparel is done with U.S. fabric for re-export to the United States, though the industry has been in decline as a result of increasing international competition. After the discovery of a small commercially viable petroleum deposit, petroleum extraction began in 2006. As of August 2006, up to six companies had been issued petroleum exploration licenses. All of Belize's oil is exported, as there are no local refining facilities. Excluding petroleum extraction, manufacturing activity contracted in 2005 and the first part of 2006.

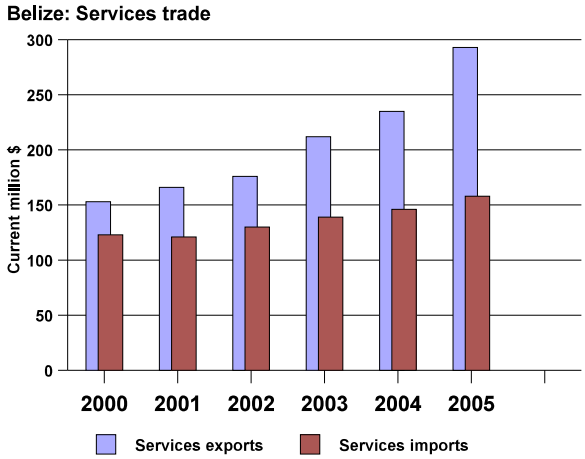
Domestic industry is limited by the relatively low labor productivity and high cost of energy, as well as a small domestic market and limited investment in infrastructure. For example, large land areas remain undeveloped as a result of inaccessibility due to the lack of necessary road infrastructure. Though access to utilities is good, electricity is more expensive in Belize than in neighboring countries. The telecommunications system is considered above average. Economic growth is also constrained by a lack of skilled labor and technical personnel.

International Integration[3]

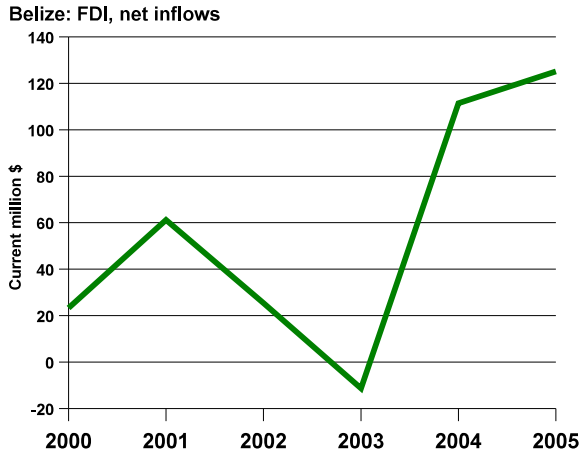


Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Belize's data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

Belize: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	42.0
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	64.4
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	97.7
Exports of goods and services (% relative to GDP, 2005)	55
Imports of goods and services (% relative to GDP, 2005)	63
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.385
Number of products exported (world value = 260, calculated at 3-digit SITC level)	34
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	10.8
Agricultural goods	20.7
Non-agricultural goods	9.3
Official development assistance ($ million, 2005)	12.9
Total debt service (% of exports of goods, services, and income, 2005)	34.5

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

More than 40 percent of Belize's exports go to the United States. Belize is eligible for preferential access to the U.S. market under the original CBERA, GSP, and CBTPA. In 2007, the value of U.S. imports from Belize was $95 million, of which $61 million was under the CBERA program. The main products exported to the United States in 2007 were rock lobster, shrimp and prawns, and mollusks. Belize's CBERA utilization rate is almost 65 percent, and the main products exported under CBERA in 2007 were frozen orange juice, papayas, crude oil, and apparel. In 2007, Belize's imports from the United States were $228 million. The main products imported from the United States include petroleum products, animal feed, and wheat.

Belize depends on imported goods for much of its consumption, and its total goods and services trade was almost 120 percent relative to GDP in 2005. Belize maintains a large structural trade deficit. Much of Belize's exports are under preferential access to the U.S. and EU markets. For example, processed citrus has preferential access to the U.S. market under the CBERA program, sugar is exported under quota to the United States and the EU, and bananas receive preferential treatment into the EU. As a result, Belize's merchandise exports remain vulnerable to preference erosion, and the government has undertaken efforts to diversify its export base. Belize's main export products are sugar, bananas, citrus, clothing, fish products, molasses, and wood. Belize's main export markets are the United States, the United Kingdom, and Cote d'Ivoire. Belize's main import products include machinery and transport equipment, manufactured goods, fuels, chemicals, pharmaceuticals, food, beverages, and tobacco. Its main import sources are the United States, Mexico, Cuba, Guatemala, and China. Various export processing zones have been established in recent years in order to increase and diversify merchandise exports.

Belize's services trade balance is usually positive, driven by its large and expanding tourism industry, one of the fastest-growing industries in Belize. Belize's services exports increased by almost 100 percent between 2001–05. The tourism industry also attracts significant foreign investment. Belize's net FDI inflows fell steeply from 2001 to 2003, but rebounded more rapidly from 2003 to 2005. The Belizean dollar is fixed to the U.S. dollar.

Sources

Caribbean Development Bank. "Belize," *CDB Annual Economic Review 2006*.

CIA. "The World Factbook: Belize." March 6, 2008, *www.cia.gov.*

EIU. *Country Profile 2007: Belize*. 2007, *www.eiu.com*.

———. *Country Report: Belize*. October 2007, *www.eiu.com*.

IMF. *Belize: 2008 Article IV Consultation—Staff Report*. IMF Country Report No. 08/88, March 2008.

———. *Belize: Selected Issues*. IMF Country Report No. 08/92, March 2008.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State. "Background Note: Belize." July 2007, *www.state.gov.*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Belize Country Brief." October 19, 2007. *www.worldbank.org.*

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Policy Review, Belize, Report by the Secretariat*. WT/TPR/S/134, June 14, 2004.

———. *Trade Policy Review, Belize, Report by the Government*.WT/TPR/G/134, June 14, 2004.

———. *Trade Profiles 2007*. WTO Publications, 2007.

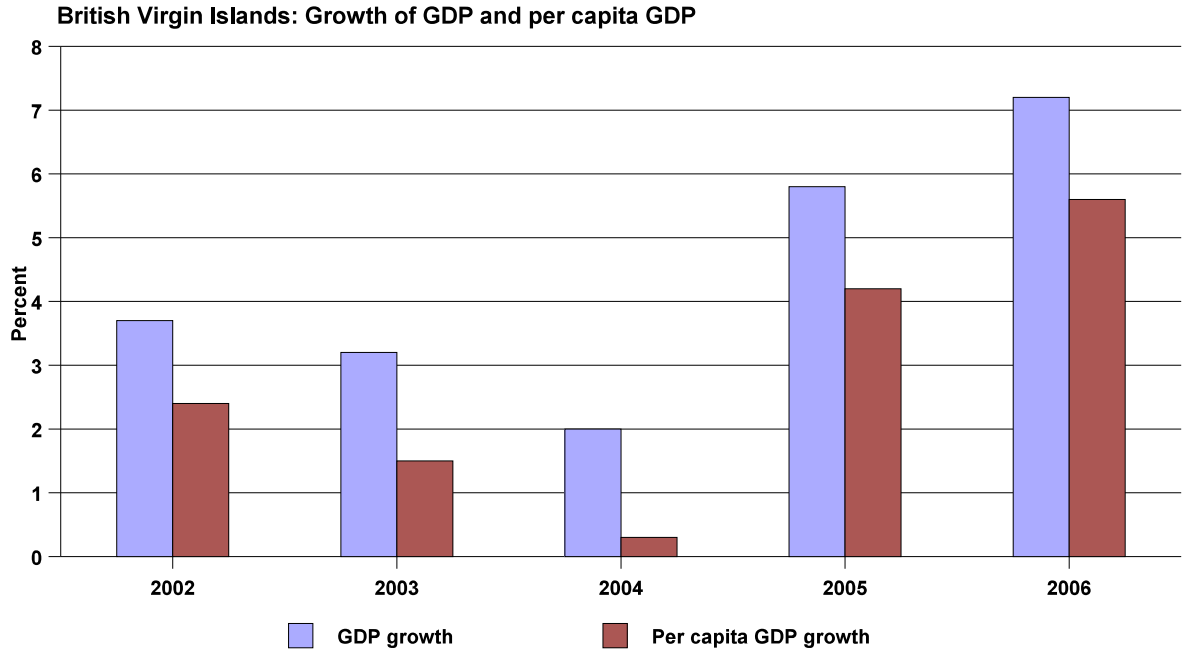
BRITISH VIRGIN ISLANDS

Economic and Social Development[1]

British Virgin Islands: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	na	na	853	na	na	298,351
GDP p.c., purchasing power parity ($)	na	na	35,119	na	na	8,059
Remittances (% of GDP)	na	na	na	na	na	1.5

Source: World Development Indicators; CDB Annual Economic Review 2006; CIA World Factbook. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: EIU, Country Report, March 2007 and March 2008 (staff calculations). See appendix D for sources and definitions.

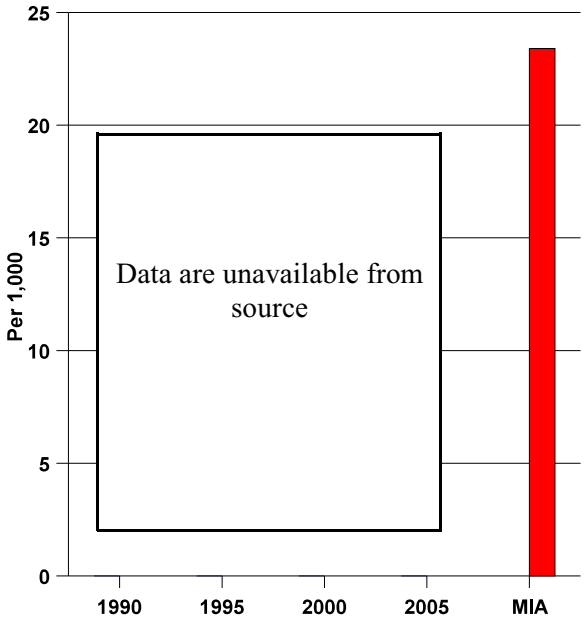
[1] See chap. 2 for cross-country comparisons.

British Virgin Islands: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2005)	27	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2007	77	70
Literacy rate, total (%)	na	90
Population with access to improved sanitation facilities (%)	na	62
Population with access to improved water source (%)	na	83

Source: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

British Virgin Islands: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

The British Virgin Islands ranks as one of the most prosperous countries in the Caribbean region with a GDP per capita of more than $35,000. The economy of the British Virgin Islands, which spans 16 inhabited and more than 20 uninhabited islands, is highly dependent on financial services and the niche sector of luxury tourism. The economy of the British Virgin Islands is closely tied to the larger and more populous neighboring U.S. Virgin Islands.

Available social indicators for the British Virgin Islands are comparable to or higher than those of other countries in the region. Although recent data are unavailable, according to the WDI, the British Virgin Islands' literacy rate in 1991 was 98 percent. In addition, according to a report by the Commonwealth Secretariat, the British Virgin Islands has 896 fixed and mobile phone line subscribers per 1,000 people. The poverty rate in 2002 was approximately 22 percent of the population and 15 percent of the households, although poverty is higher among the immigrant population. The United Nations Development Programme notes that more than 80 percent of poor households have at least one person working. Government development objectives and priorities include continued economic diversification through the expansion of nonbanana agriculture and export services (tourism, data processing, and offshore finance); increased public-sector investment to improve the islands' physical and institutional infrastructure in support of increased economic activity; and continued support of poverty-reduction measures, especially with respect to the provision of health, education, and community services. These projects and programs are to be financed primarily from government revenues, supplemented by domestic and external borrowing.

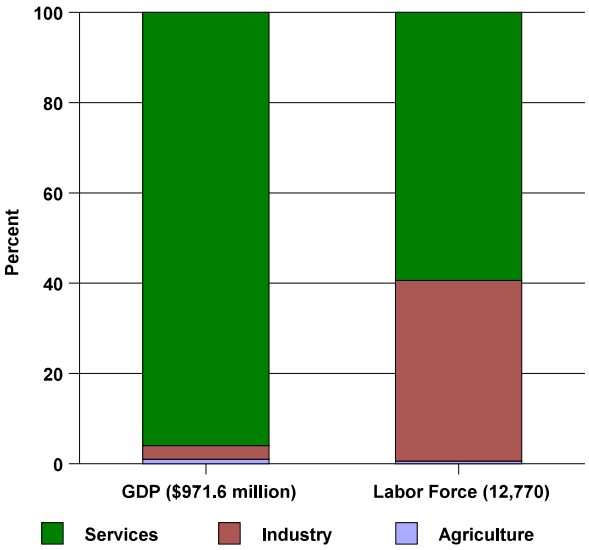
Domestic Economy

British Virgin Islands: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%)	2	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP)	na	25
Agricultural land (% of land area)	na	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people)	896	587
Number of ports and terminals	1	na
Paved roads (% of total, 2002)	100	na
Category 1 and 2 airports, 2007	0	na

Source: World Development Indicators; CIA World Factbook; EIU, Country Profile 2007; Commonwealth Secretariat, United Kingdom-British Virgin Islands. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Br Virgin Is: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2005 data. Labor force data based on 2004 data; labor force composition based on 2005 data.

Services account for more than 92 percent of the economy of the British Virgin Islands. Tourism is the mainstay of the economy. With an estimated population of 27,000, the British Virgin Islands receive visits from an estimated 820,000 tourists (mostly from the United States) annually (data are for 2005). Tourism in the British Virgin Islands is based mainly on the niche sector of luxury accommodation and yacht charters, with yachting visitors outnumbering hotel guests in most years. Cruise tourism has increased significantly from a small base in recent years, and officials in the British Virgin Islands are debating the merits of expanding the islands' tourism sector to include large-scale tourism projects geared to visitors outside of the luxury market. Officials of the British Virgin Islands also are working to improve the islands' international competitiveness in the tourism sector.

Financial services are increasingly important to the economy of the British Virgin Islands. In the mid-1980s, the government of the British Virgin Islands began offering offshore registration to companies wishing to incorporate in the islands. Financial services, including incorporation fees, account for an estimated 50 percent of the government's revenues. More than 450,000 companies and more than 1,000 vessels (mostly large yachts) are registered in the British Virgin Islands. Their activities have spurred its growth as one of the world's leading financial centers and providers of confidential banking services. Officials of the British Virgin Islands continue to strive to improve the island's international competitiveness in the financial services sector by enacting additional legislative changes to enhance the islands' reputation for sound financial management. Other nonfinancial services offered or promoted by the government of the British Virgin Islands include computer data entry, hotel and marina construction and management, motion picture and television production, yacht construction, and yachting services.

Small-scale manufacturing contributes less than 5 percent to the GDP of the British Virgin Islands. The main manufacturing activities include the production of rum blended and bottled on the islands, tourist articles, printed goods, and construction materials. Expansion of manufacturing activities is constrained by high labor and other costs. The government of the British Virgin Islands promotes a number of industries for potential foreign investors, including beverages (ale, beer, soft drinks); processing construction materials (cement, doors, and windows); cosmetics and perfumes; dairy farming for fresh milk; beef feedlot operations; fish processing (mainly tuna); food processing; hydroponic vegetables; souvenir item manufacture; and textiles and apparel manufacturing.

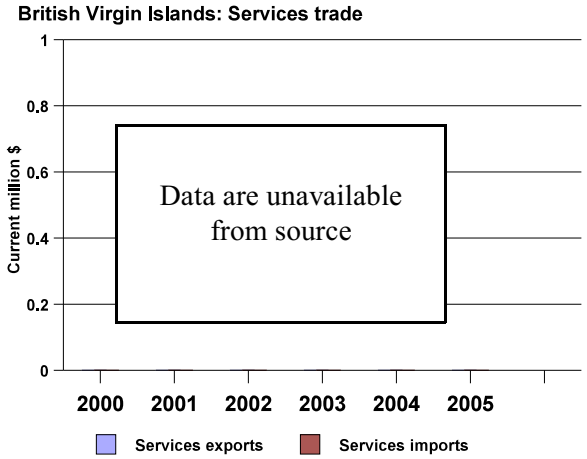
Agriculture and fishing contribute less than 1 percent to GDP of the British Virgin Islands and mainly supply the local market. Livestock raising is the most important agricultural activity. The main crops are fruit and vegetables, which are produced mainly for local consumption and for export to the U.S. Virgin Islands. Poor soil generally limits the islands' ability to expand agricultural production.

International Integration[2]

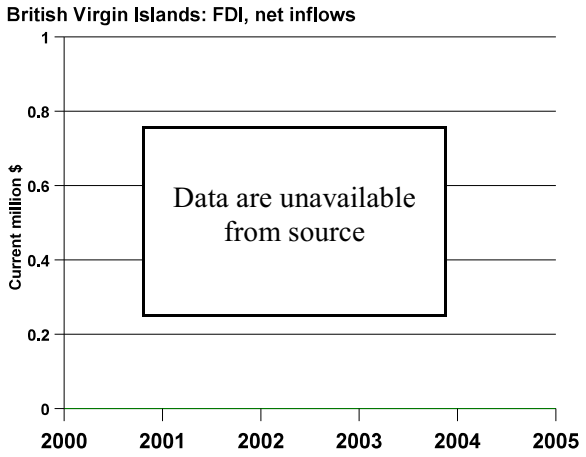
Source: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.

[2] See chap. 2 for country membership in international and regional institutions.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

British Virgin Islands: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	6.6
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	0.2
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP)	na
Imports of goods and services (% relative to GDP)	na
Export concentration indicators, 2004	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.373
Number of products exported (world value = 260, calculated at 3-digit SITC level)	5
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	
Agricultural goods	na
Non-agricultural goods	na
Official development assistance ($ million)	na
Total debt service (% of exports of goods, services, and income)	na
Source: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS (partner data). See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; n a = "not available."	

The British Virgin Islands' exports to the United States represent 6.6 percent of its total exports. The British Virgin Islands are eligible for preferential access to the U.S. market under the original CBERA and GSP programs, but not CBTPA. In 2007, U.S. imports from the British Virgin Islands were $44 million, of which approximately $68,000 was under the CBERA program. The main products exported to the United States included methylbenzene and framed or unframed artwork. The British Virgin Islands' CBERA utilization rate is 0.2 percent. The main export to the United States under the CBERA program was jewelry of precious metal other than silver. In 2007, British Virgin Islands' imports from the United States were valued at $162

million. The main products imported from the United States included aircraft, motorboats, food, and motor vehicles.

The British Virgin Islands is a globally competitive supplier of tourism and financial services. The economy of the British Virgin Islands is closely linked to those of the U.S. Virgin Islands and the United States, and the U.S. dollar is the legal currency. Merchandise trade plays only a small role in the services-based economy of the British Virgin Islands. Total merchandise exports are less than $50 million annually, creating large annual merchandise trade deficits that are more than offset by tourism receipts and fee income from offshore financial operations. Exports of fish, fruit and vegetables, rum, gravel, sand, and concrete blocks are mainly to the U.S. Virgin Islands and the United States. The main imports are food and beverages, machinery, automobiles, and building materials. The large value of imports of petroleum and petroleum products reported in some trade statistics most likely represent global transactions by trading companies based in the British Virgin Islands.

Sources

CDB. "British Virgin Islands." *Annual Economic Review 2006*. *www.caribank.org*.

CIA. "British Virgin Islands." *The World Factbook*. December 13, 2007, *www.cia.gov*.

Commonwealth Secretariat. United Kingdom–British Virgin Islands. *http://www.thecommonwealth.org/YearbookInternal/140416/140421/british_virgin_islands/* (accessed February 2008).

ECLAC. *Caribbean Knowledge Management Center, Development Profile: British Virgin Islands*. *http://www.eclacpos.org/profile/profileByCountry.asp?country_id=22&country_name=BRITISH%20VIRGIN%20ISLANDS* (accessed February 2008).

EIU. *Country Profile 2007: British Virgin Islands*. 2007, *www.eiu.com*.

——— *Country Report: British Virgin Islands*. December 2007, *www.eiu.com*.

——— *Country Report: British Virgin Islands*. March 2008, *www.eiu.com*.

Government of the United Kingdom, Foreign and Commonwealth Office (FCO). "British Virgin Islands," September 5, 2007, *http://www.fco.gov.uk/en/.*

Government of the British Virgin Islands. "About the British Virgin Islands." *http://www.bvi-corporations-ibc-incorporate-in-bvi.offshore-companies.co.uk/british_virgin_islands/* (accessed February 2008).

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

United Nations Development Programme. *Barbados and the OECS*. March 13, 2008. *www.bb.undp.org/index.php?page=british-virgin-islands*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

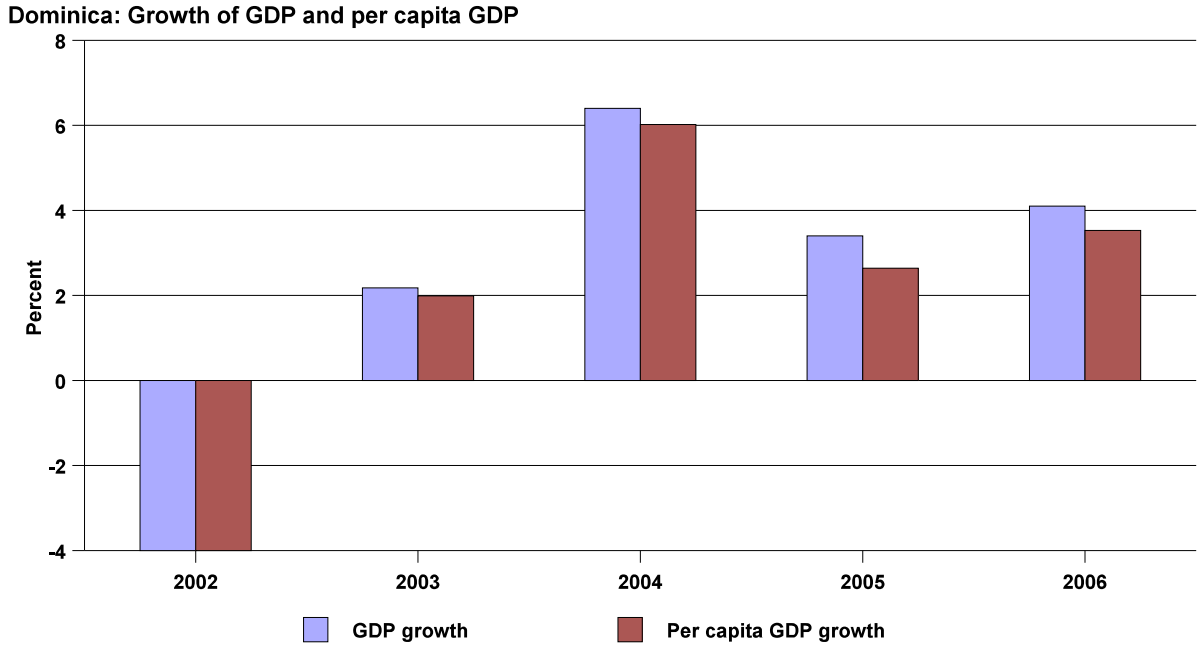
DOMINICA

Economic and Social Development[1]

Dominica: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	390	406	444	473	506	298,351
GDP p.c., purchasing power parity ($)	5,484	5,707	6,209	6,565	6,996	8,059
Remittances (% of GDP)	1.6	1.5	1.5	1.4	1.3	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = "per capita."



Source: World Development Indicators. See appendix D for sources and definitions.

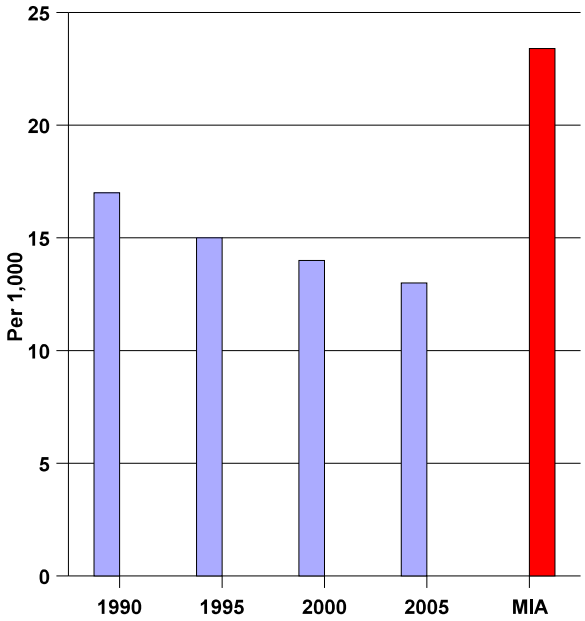
[1] See chap. 2 for cross-country comparisons.

Dominica: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	72	32,183
Population below poverty line (%, 2002)	30	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2002	77	70
Literacy rate, total (%, 2003)	94	90
Population with access to improved sanitation facilities (%, 2004)	84	62
Population with access to improved water source (%, 2000)	97	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Dominica: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

The World Bank classifies Dominica as an upper-middle-income economy. Dominica is a small island economy that is dependent on agriculture. Its economy is vulnerable to natural disasters (for example, Hurricane Dean destroyed much of the infrastructure and banana crop in August 2007), as well as changes in the international economic environment, such as fluctuating international commodity prices. In recent years, however, the Dominican government has been encouraging a transition from an agriculture-based to a services-based economy.

After more than a decade of poor economic performance, negative economic growth from 2001 to 2002, and a near financial crisis, the government began a three-year IMF structural adjustment program in 2003. The program, which it completed in December 2006, included elimination of price controls, privatization of state assets (including the banana company), and tax increases. Dominica experienced positive GDP growth in 2003–2006 driven by growth in the tourism and construction sectors and a recovery in banana production. A recent IMF report lauded the country's implementation of the program and successful macroeconomic reform. Remaining challenges for the government include reduction of the public debt, increased financial sector regulation, and increased market diversification.

Dominica ranked 71st out of 177 countries in the United Nations 2007–08 human development index,[2] placing Dominica in the "medium human development" category. Dominica experienced a 9 percent decline in per capita income between 2000 and 2002 and a 12 percent increase in the unemployment rate between 2001 and 2003. A 2003 assessment found that poverty in Dominica was high compared with other Caribbean countries, at almost 30 percent of households and 40 percent of the population. Approximately 75 percent of the poor were located in rural areas. The shrinking economy in the early 2000s led to increased unemployment, underemployment, and an increase in the informal sector; a 2007 IMF study estimated that

[2] See app. D for a definition of the human development index.

the informal sector represented more than 30 percent of GDP. Consequently, the Dominican government embarked on a poverty reduction strategy.

Because poverty is most pronounced in rural areas and among the youth, the government has identified support for the agricultural sector as an important component in its poverty reduction strategy, as the sector has an important role in employment and income. The government is supporting investment in agriculture, community tourism, human resource development and skill training, and development of the private sector to create employment opportunities. Despite these social challenges, Dominica has maintained high literacy rates, near universal provision of basic infrastructure (water, electricity, and roads), generally favorable health indicators, and decreases in the infant mortality rate.

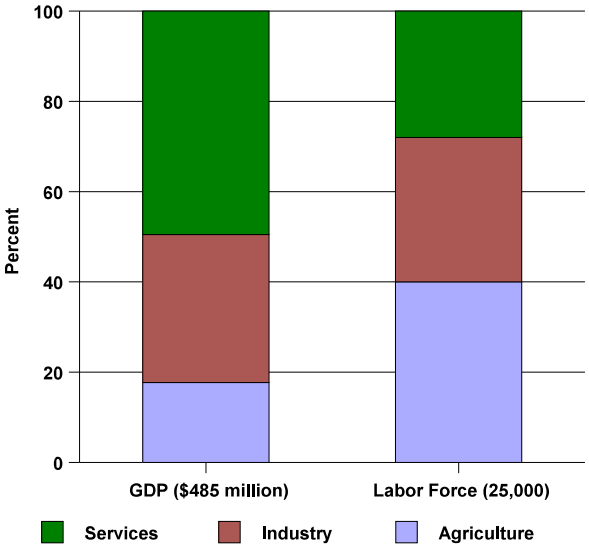
Domestic Economy

Dominica: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	2.2	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP, 2005)	25	25
Agricultural land (% of land area, 2003)	31	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	879	587
Number of ports and terminals	2	na
Paved roads (% of total)	na	na
Category 1 and 2 airports, 2007	0	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Dominica: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition data based on 2004 estimate; GDP based on 2006 estimate; labor force and labor force composition based on 2000 estimates.

The services sector represents approximately one-half of GDP, followed by the industrial sector with more than 30 percent, and the agricultural sector with the remainder. Although the services sector contributes approximately 50 percent to GDP, it represents approximately 30 percent of the labor force. The main services industry is tourism. The main tourist countries of origin are the Caribbean, followed by the United States. The role of tourism in the Dominican economy has increased as the government attempts to diversify away from banana production and toward services. For example, in 2006, the government adopted a national tourism policy (Dominica Tourism 2010). The government is seeking to market Dominica as an "ecotourism" destination by highlighting its rain forests, freshwater lakes, hot springs (Dominica has the second-largest boiling lake in the world), waterfalls, and diving spots. Dominica's rugged coastline, volcanic terrain, lack of beaches, and absence of an international airport, which would allow for direct flights from the U.S.

mainland or Europe, impede development of the tourism industry. Nevertheless, the development of modern docking and waterfront facilities in the capital has encouraged cruise ship stopovers.

Dominica's manufactured products represent primarily low-skilled, labor-intensive goods. Dominica's main industries are soap, agri-processing, coconut oil, copra, furniture, cement blocks, and footwear. The government has supported market research and the development of business plans in order to promote the development and export of manufactured products. Dominica has experienced some increase in its production and exports of soap.

Dominica's economy depends on agriculture, particularly banana production. Aside from bananas, Dominica's other main agricultural products are citrus (oranges and limes), mangoes, root crops, coconuts, dasheens, grapefruit, plantains, sweet potatoes, and cocoa. Although the agricultural sector contributes less than 20 percent to GDP, it employs approximately 40 percent of the labor force and is an important source of foreign exchange. The sector is highly vulnerable to weather conditions and changes in international trade preference programs. For example, bananas have declined in importance as EU reforms have eroded preference margins for Dominica's exports. Other factors contributing to the decline of agriculture, especially the banana industry, are changing demographics of the farming community (aging farmer population), high production costs, limited investment, lack of proper land use planning, and low productivity. The government has responded by encouraging diversification into alternative agricultural products such as coffee, patchouli, aloe vera, cut flowers, and tropical fruits (mangoes, guavas, and papayas). Part of the diversification strategy includes increased emphasis on trade facilitation and increased research and development to assist farmers. Currently, the fishing sector remains very small and informal. Nevertheless, the Dominican government is developing fishing zones, improving related facilities and infrastructure, and supporting efforts to reduce waste and spoilage in order to develop the fishing sector.

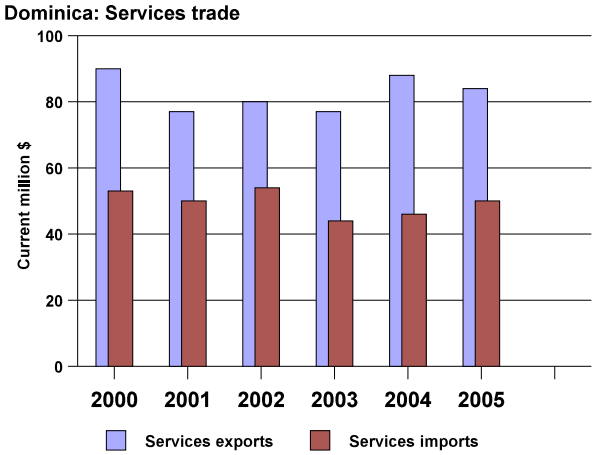
Dominica's natural resources include timber, hydropower, and arable land. In addition to ecotourism and agribusiness, the Dominican government is targeting for development other resource-based industries such as niche-focused agriculture, water, and quarrying of sand and aggregate. General constraints on economic development include high transportation costs, the lack of economies of scale, and a small domestic market. In order to diversify the country's economic base, the Dominican government has encouraged offshore financial banking and is planning to construct an oil refinery.

Dominica has a fully automatic modern telecommunications system. It has two ports, both of which have cruise ship berths, and one of which maintains a deepwater harbor. Dominica's airports are small (none are larger than category 1 or 2 airports) and do not provide direct flights to major international destinations. A current project to expand airport infrastructure could ameliorate this situation. This improvement is aimed at expanding tourism and, subsequently, economic growth.

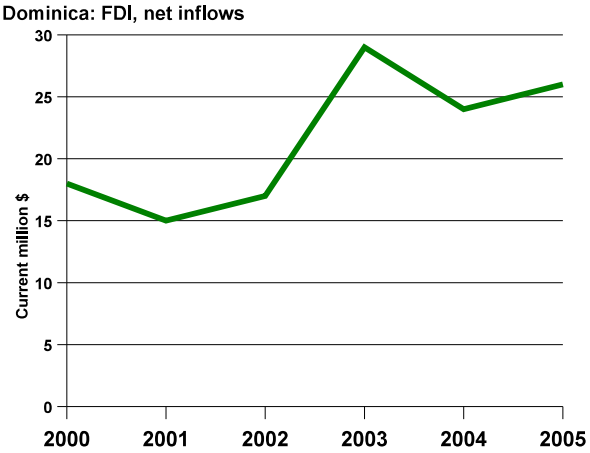
International Integration[3]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Dominica's data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

Dominica: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	4.5
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	2.7
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2005)	45
Imports of goods and services (% relative to GDP, 2005)	69
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies diversification)	0.375
Number of products exported (world value = 260, calculated at 3-digit SITC level)	21
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	9.9
Agricultural goods	20.4
Non-agricultural goods	8.3
Official development assistance ($ million, 2005)	15.2
Total debt service (% of exports of goods, services, and income, 2005)	13.2

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Dominica's exports to the United States represent less than 5 percent of its total exports. Dominica is eligible for preferential access to the U.S. market under the original CBI and GSP, but not CBTPA. In 2007, U.S. imports from Dominica were approximately $2 million, of which $51,000 was under the CBERA program; its CBERA utilization rate was less than 3 percent. The main products exported to the United States include soap, T-shirts, and various machinery-related products. The main products exported under the CBERA program were cosmetic-related items. In 2007, Dominica's imports from the United States were approximately $82 million. The main products imported from the United States were fabric and footwear, machinery and parts, and meat.

Dominica's total goods and services trade relative to GDP exceeds 100 percent. Dominica has experienced trade deficits from 2000 to 2006. Much of Dominica's exports are under preferential market access programs, primarily those of the United States and the EU. Export development is identified as a key trade policy objective. The two main strategies are to enhance international competitiveness and to develop exports by increasing the capacity and competence of local producers, increasing local content, and broadening the export base. Dominica's main export commodities include bananas, soap, bay oil, vegetables, grapefruit, and oranges. Its main export markets include the United Kingdom, Jamaica, Antigua and Barbuda, Guyana, China, Trinidad and Tobago, and St. Lucia. Its main imports include manufactured goods, machinery and equipment, foods, and chemicals. Its main import sources are the United States, China, Trinidad and Tobago, and South Korea.

Dominica enjoyed services trade surpluses between 2000 and 2006. Recent increases in investment, such as tourism facilities and the establishment of an offshore medical school, have targeted the services sector. Other industries receiving investment include agribusiness, light manufacturing (aluminum recycling and soaps), and telecommunications-related services. These investments have contributed to the steady increase in Dominica's net FDI inflows. The government has identified the improvement of the investment climate and providing an enabling environment for private enterprise as priorities in its medium-term economic

growth and social development strategy. As a member of the OECS and part of the Eastern Caribbean Currency Union, Dominica pegs its currency to the U.S. dollar.

Sources

Caribbean-Central American Action. "Aruba." *Caribbean-Central America Profile 2008*, JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

Caribbean Development Bank. *Government of the Commonwealth of Dominica: Country Poverty Assessment, Final Report*. June 2003.

CIA. "The World Factbook: Dominica." December 13, 2007, *www.cia.gov.*

IMF. *Dominica: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 07/322, 2007.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*. December 31, 2007.

U.S. Department of State. "Background Note: Dominica." December 2007, *www.state.gov.*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Policy Review, Report by the Secretariat, Dominica.* WT/TPR/S/190/DMA, October 1, 2007.

———. *Trade Policy Review. Report by Dominica.* October 1, 2007, WT/TPR/G/190/DMA.

———. *Trade Profiles 2007*. WTO Publications, 2007.

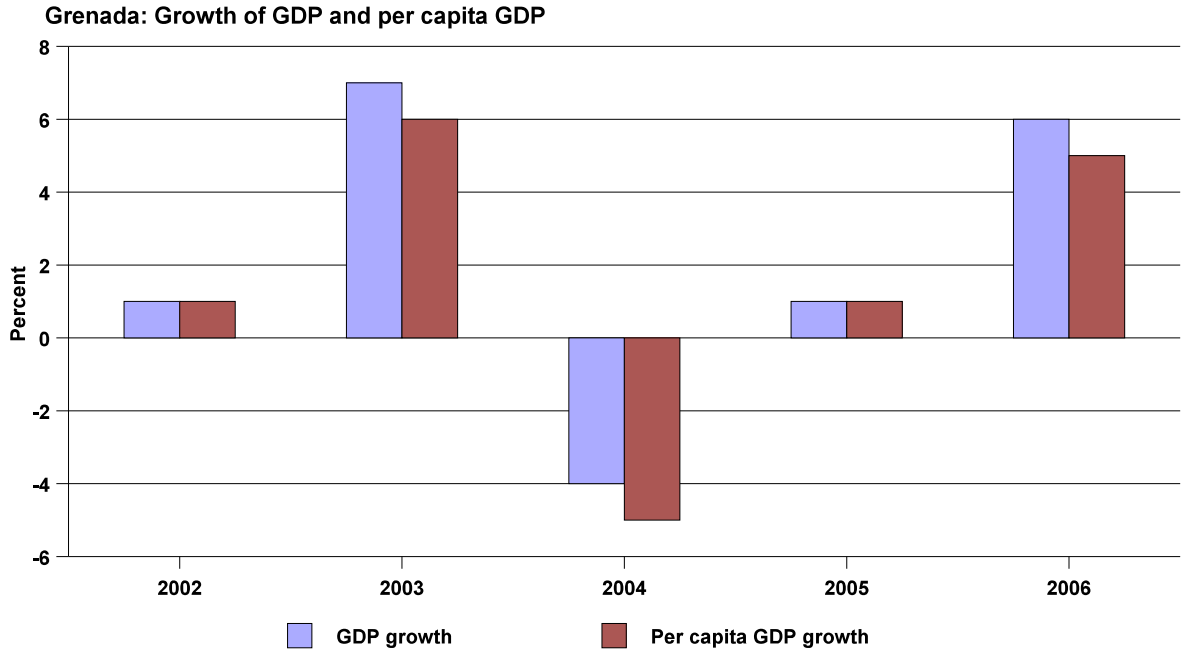
GRENADA

Economic and Social Development[1]

Grenada: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	746	818	805	842	923	298,351
GDP p.c., purchasing power parity ($)	7,208	7,820	7,616	7,908	8,536	8,059
Remittances (% of GDP)	6.0	5.0	5.0	5.0	4.0	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

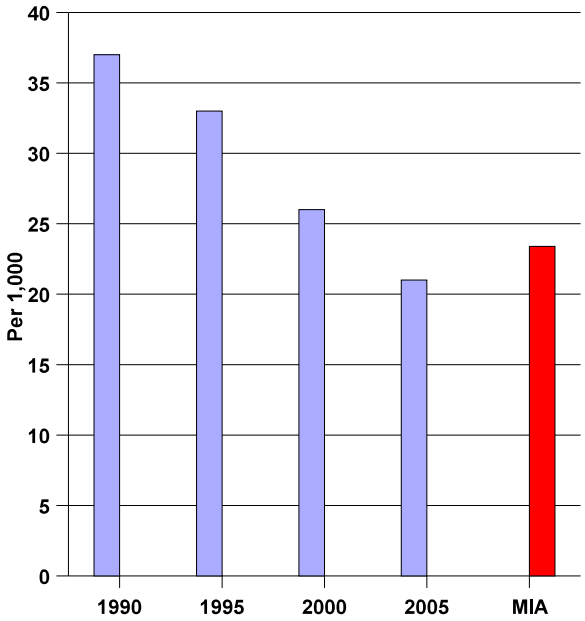
[1] See chap. 2 for cross-country comparisons.

Grenada: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	108	32,183
Population below poverty line (%, 2000)	32	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2002	73	70
Literacy rate, total (%, 2003)	96	90
Population with access to improved sanitation facilities (%, 2004)	96	62
Population with access to improved water source (%, 2004)	95	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Grenada: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Grenada is classified by the World Bank as an upper-middle-income economy. Tourism is the primary economic activity in this three-island country. Grenada's long-term economic performance has been constrained by the islands' susceptibility to hurricanes, limited diversification due to a narrow resource base and small domestic market, limited domestic and export production, inadequate infrastructure, and low levels of productivity.

While Grenada was still recovering from the broad Caribbean tourism downturn that followed the September 11, 2001 attacks, Hurricane Ivan—one of the strongest storms ever to strike the Caribbean region—passed directly over Grenada in September 2004, resulting in the near destruction of the islands' economic base. Hurricane Ivan decimated Grenada's housing stock, severely damaged the important export-oriented nutmeg crop, and inflicted significant property damage on Grenada's tourism sector. Hurricane Emily struck Grenada in July 2005, causing additional damage, especially in the food crop-producing regions. Grenada's major export crops, as well as its main service export, tourism, all contracted as a result of the hurricane damage. Posthurricane reconstruction caused an upturn in economic activity in 2005 and 2006. In addition, Grenada benefited from additional economic stimulus from public- and private-sector construction related to the March–April 2007 Cricket World Cup, for which Grenada was one of the venues.

Grenada ranked 82nd out of 177 countries on the United Nations 2007–08 human development index,[2] placing Grenada in the "medium human development" category of countries. Recent poverty data are limited, but, according to the IMF's 2006 interim poverty reduction strategy paper, the 1999 poverty assessment report estimated that 32 percent of the population (or 29 percent of households) was classified as poor. In addition, 13 percent of the population (or 11 percent of households) was classified as indigent. It also found that the poor have limited access to health, education, housing, and social services. Hurricane Ivan derailed

[2] See app. D for definition of the human development index.

Grenada's ongoing poverty eradication and fiscal programs and was responsible for the country's 2004 economic downturn and slow growth in 2005. Grenada has undertaken a number of recent measures to improve the country's social safety net. The government of Grenada's 2006 budget included an increase in monthly transfers to needy elderly persons, mainly in rural areas. Unemployment in Grenada, as high as 40 percent in the aftermath of Hurricane Ivan, declined to 18.5 percent by 2005, aided by increased demand for construction workers to rebuild after the hurricane.

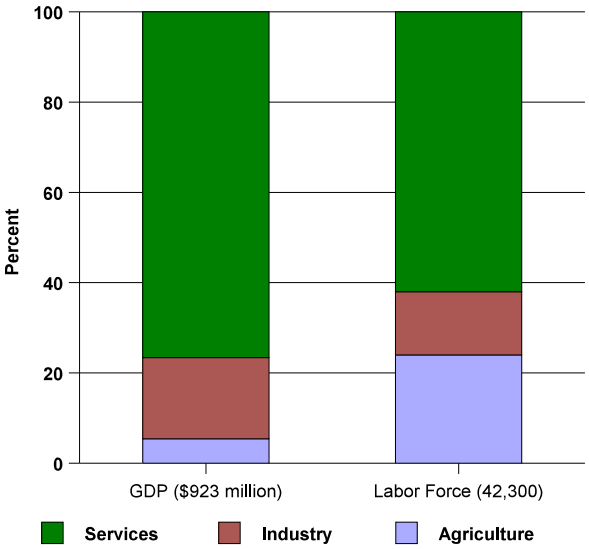
Domestic Economy

Grenada: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	3.5	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP, 2004)	36	25
Agricultural land (% of land area, 2003)	38	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	719	587
Number of ports and terminals, 2007	1	na
Paved roads (% of total, 1999)	61	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CDB Annual Economic Review 2006; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Grenada: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2003 data. Labor force data based on 1996 data; labor force composition data based on 1999 data.

The services sector, led by tourism, traditionally has been the leading contributor to Grenada's GDP and its leading source of foreign exchange earnings. Grenada's tourism sector contracted sharply after Hurricane Ivan, registering a –42.5 percent earnings decline in 2005, compared to 13.1 percent expansion in 2004. Most of Grenada's hotels were reopened in 2006, allowing the sector to expand by 65 percent. Posthurricane construction increased by 91 percent during 2005 and overtook tourism as Grenada's fastest-growing economic activity; construction activity returned to prehurricane levels in 2006.

Grenada's small manufacturing sector, in a long decline even before Hurricane Ivan, contracted further in 2004 as a result of the hurricane. Manufacturing activity increased in 2005, however, reflecting Grenada's overall economic upturn. Grenada's main manufactured products are light manufactures produced primarily for the domestic market, including beverages (beer, malt, rum, soft drinks, and bottled water); flour, wheat bran, and pasta; apparel, paints and varnishes, and acetylene; animal feed; cigarettes; and toilet paper.

Construction-related manufacturing, including the production of chemicals and paints, expanded in response to Grenada's posthurricane construction boom. Grenada's manufacturing sector generally faces high unit costs of production as a result of the high proportion of imported inputs, high costs of borrowing, and low productivity. The sector also faces strong competition from imports from neighboring Trinidad and Tobago.

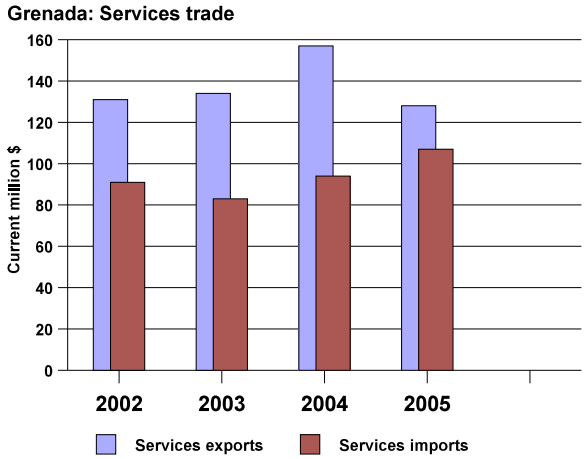
The agriculture sector traditionally has been an important contributor to the Grenadian economy through its impact on employment, national income, and foreign exchange earnings. Nutmeg, cocoa, mace, and bananas are Grenada's major exports along with fish. Following the severe destruction of the sector by Hurricanes Ivan and Emily in 2004 and 2005, the government of Grenada implemented a new agricultural policy that focuses on enhancing the sector's commercial viability and productivity.

International Integration[3]

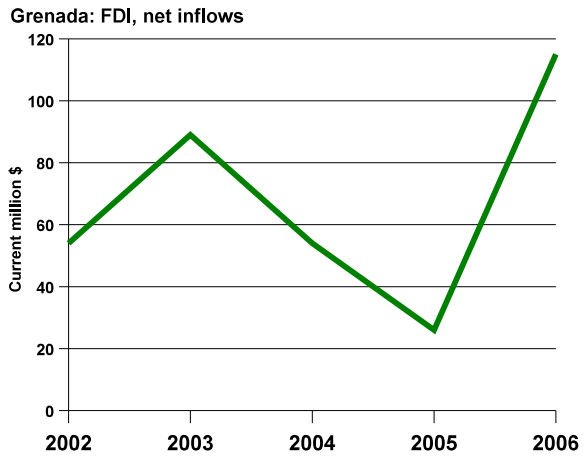
Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.

[3] See chap. 2 for country membership in international and regional institutions.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

Grenada: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the U.S. (% of total exports, 2006)	15.8
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	0.3
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2004)	43
Imports of goods and services (% relative to GDP, 2004)	76
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.342
Number of products exported (world value = 260, calculated at 3-digit SITC level)	24
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	10.2
Agricultural goods	16.9
Non-agricultural goods	9.2
Official development assistance ($ million, 2005)	44.9
Total debt service (% of exports of goods, services, and income, 2005)	7

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS (partner data). See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Grenada's exports to the United States represent 15.8 percent of its total exports. Grenada is eligible for preferential access to the U.S. market under the original CBERA and GSP programs, but not CBTPA. In 2007, the value of U.S. imports from Grenada was $8.7 million, of which approximately $26,000 was under the CBERA program. Grenada's main exports to the United States included yellowfin tuna, nutmeg, and cocoa beans. Grenada's CBERA utilization rate is 0.3 percent. Grenada's main exports to the United States under the CBERA program were electrical static converters, vegetables, and machinery parts. In 2007, Grenada's imports from the United States were valued at $81 million. The main imports from the United States included charitable donations, including medicines and pharmaceuticals, wheat, and computer parts and accessories. As a result of construction activity, cement has become one of Grenada's leading imports.

As Grenada's economy has become increasingly geared to becoming a global supplier of international services, Grenada's goods exports have gradually declined since 2000 as a result of lower production, while imports of goods have increased. Total goods and services trade relative to GDP was almost 120 percent in 2004. Grenada experienced a merchandise trade deficit between 2000 and 2006. Grenada's main export products include bananas, cocoa, nutmeg, and fish. Until late 2004, Grenada was the world's second-largest exporter of nutmeg and mace. Its main export markets are the other member countries of the OECS and the United States. Grenada's main import products are food products, manufactured goods, machinery, and chemicals, and its main import suppliers are Trinidad and Tobago, the United States, and the United Kingdom. The government of Grenada launched a National Export Strategy in 2005 to identify products and services to be developed for export.

Net direct investment declined from $89 million in 2003 to $26 million in 2005, before rising to $116 million in 2006 as a result of Grenada's announcement of a number of tourism sector projects. The Port Louis resort project, one of several privately developed luxury resort properties currently under construction, will include luxury residential, retail, hotels, restaurants, a beach, and a 300-slip marina. The estimated cost is $500–800 million and it is ultimately expected to generate 500 local jobs. As a member of the Organization of Eastern Caribbean States and part of the Eastern Caribbean Currency Union, Grenada pegs its currency to the U.S. dollar.

Sources

Caribbean Net News. "Mitchell Says New Tourism Project Will Put Grenada on the Map." November 21, 2006.

Caribbean Development Bank. "Grenada," *CDB Annual Economic Review 2006*. *http://www.caribank.org/AnReport.nsf/AER06-Gren/$File/AER2006_Grenada.pdf?OpenElement*.

CIA. "The World Factbook: Grenada." March 20, 2008, *www.cia.gov*.

Grenada Today. "Export Strategy Being Developed." May 14, 2005, *http://www.belgrafix.com/*.

His Excellency José Miguel Insulza, secretary general of the Organization of American States, USITC hearing testimony, January 29, 2008, hearing transcript, p. 14.

IMF. "Grenada: Interim Poverty Reduction Strategy Paper." IMF Country Report No. 06/280. July 2006.

———. "Grenada: Interim Poverty Reduction Strategy Paper—Joint Staff Advisory Note." IMF Country Report No. 06/281. WTO, TPR, Report by Grenada, July 2006.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *Country Overviews, 2006–09 Country Assistance Strategy*. *http://siteresources.worldbank.org/INTOECS/Resources/OECSCAS_06_09.Final.pdf* (accessed March 2008).

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Profiles 2007*. WTO Publications, 2007.

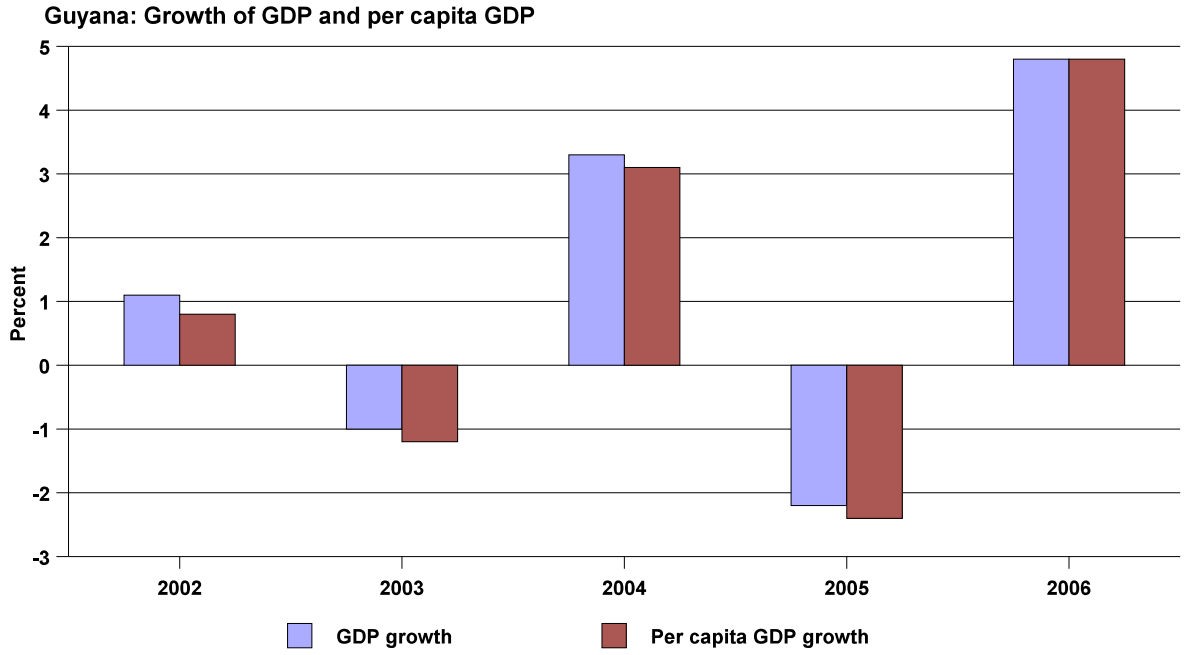
GUYANA

Economic and Social Development[1]

Guyana: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	3,014	2,983	3,082	3,013	3,157	298,351
GDP p.c., purchasing power parity ($)	4,202	4,236	4,482	4,508	4,863	8,059
Remittances (% of GDP)	7.1	13.3	19.5	25.3	22.4	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

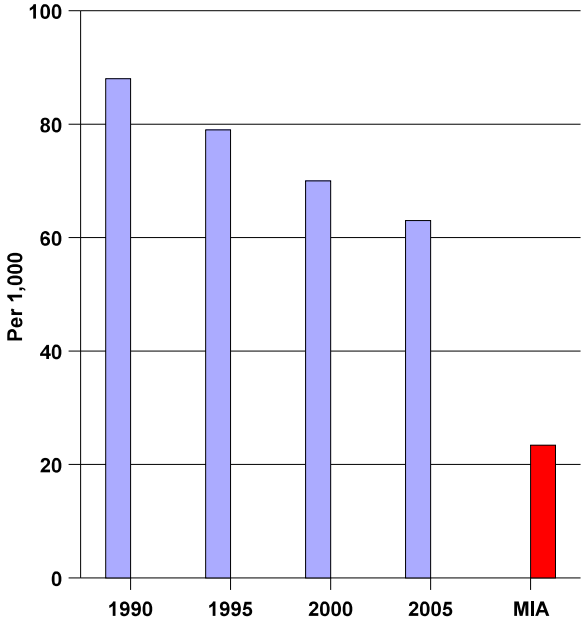
[1] See chap. 2 for cross-country comparisons.

Guyana: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	751	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	64	70
Literacy rate, total (%, 2003)	99	90
Population with access to improved sanitation facilities (%, 2004)	70	62
Population with access to improved water source (%, 2004)	83	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Guyana: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

The World Bank classifies Guyana as a lower-middle-income economy. Following years of declining GDP growth, the Guyanese economy grew rapidly between 1991–97 after the government embarked on a market-oriented economic reform and liberalization program (economic recovery program) in 1989 with the assistance of the IMF. During this period, Guyana's growth was one of the fastest in the region. Economic growth slowed, however, in 1998 and has since exhibited moderate average GDP growth. Economic contraction in 2005 resulted from the devastation caused by major flooding in early 2005. In 1998, Guyana qualified for the IMF's heavily indebted poor country (HIPC) initiative, and a poverty reduction strategy paper was adopted in 2002. In March 2007, the IDB cancelled 100 percent of Guyana's debt of nearly $470 million, which represented more than 40 percent relative to GDP.

Guyana's economy is highly dependent on agriculture and extractive industries. As a result, economic performance is dependent on international commodity prices and weather conditions. Recent economic growth was driven by public-sector investment associated with preparations for the 2007 Cricket World Cup. An IMF working paper noted that a major constraint of the economy has been a lack of diversification; for example, the country remains highly dependant on two agricultural products (sugar and rice), both of which have relied on unilateral preferential market access; the share of five export commodities (sugar, gold, rice, timber, and bauxite) declined only marginally between 1991–2004.

Guyana ranked 97th out of 177 countries in the United Nations 2007–08 human development index,[2] placing Guyana in the "medium human development" category. According to an IMF working paper, Guyana lags behind most former British Caribbean colonies in institutional quality, income measures, human development indicators, and poverty levels. For example, the under-5 mortality rate is almost three times the middle-

[2] See app. D for a definition of the human development index.

income average. The government has increased efforts to improve living standards. For example, it has increased education expenditures, rehabilitated infrastructure, and improved primary care. Although recent social indicators are unavailable, qualitative assessments indicate that income distribution is extremely uneven. There are no recent data on poverty, but a 1999 UNDP living conditions survey estimated the poverty level at 38 percent. The 2006 IMF poverty reduction strategy progress report estimates that households with access to improved sanitation increased from 31 percent in 1991 to 40 percent in 2002, as well as noting decreases in infant and maternal mortality rates and consistent increases in education levels over the same period.

Unemployment rates are not measured regularly. A 1999 UNDP survey estimated the unemployment rate at just under 10 percent, but added that approximately 50 percent of the working-age population was underemployed. Along with a shortage of skilled workers, emigration of highly educated labor (also know as "brain drain") is relatively high. The informal sector is estimated at 30 percent of formal economic activity. Remittances represent an important contributor to the economy; a USAID report noted that the value of remittances exceeded official development assistance every year since 1998, with the exception of 2000 and 2004.

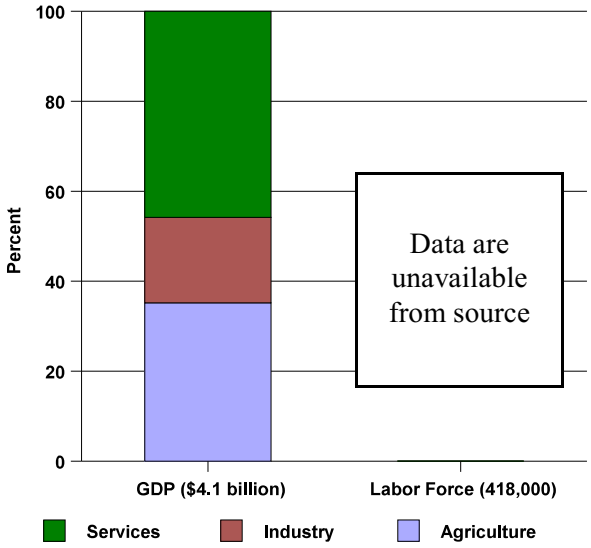
Domestic Economy

Guyana: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	7.2	4.3
Labor force participation rate, total (%, 2006)	66	73
Gross fixed capital formation (% of GDP, 2005)	26	25
Agricultural land (% of land area, 2003)	9	35
Irrigated land (% of cropland, 2003)	29	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	521	587
Number of ports and terminals	1	na
Paved roads (% of total, 1999)	7	na
Category 1 and 2 airports, 2007	0	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Guyana: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP and GDP composition based on 2007 estimates; labor force data based on 2001 estimate; labor force composition data are unavailable.

The services sector contributes approximately 45 percent to GDP, followed by the agricultural sector (approximately 35 percent) and the industrial sector (approximately 20 percent). Historically, most tourism activity is a result of expatriates returning home to visit family. Recent expansion of the tourism industry was

driven by the temporary increase in tourism receipts associated with the Cricket World Cup. According to a USAID report, the services sector has experienced an increasing trend since 1995. Almost one-half of the services sector in 2005 consisted of government-related services, which have expanded significantly since 1990. The emigration of educated Guyanese is an impediment to the expansion of nongovernment services industries.

Guyana's main agricultural (including fisheries) products include sugarcane, rice, shrimp, fish, vegetable oils, beef, pork, poultry, and dairy products. The sugar industry is facing challenges stemming from preference erosion as a result of reforms in the pricing structure governing the EU sugar regime. The fisheries industry has expanded in part due to an increase in shrimp exports. Shrimp is exported primarily to the United States, but a January 2004 certification allowing exports to the EU could potentially increase exports to the EU.

Guyana is endowed with abundant natural resources, including fertile soils, tropical lowland forests with high-value timber and water resources, and almost untapped hydroelectric power and ecotourism potential. Guyana's natural resources include high-grade bauxite, gold, diamonds, hardwood timber, shrimp, and fish. In addition, a U.S. Geological Survey report suggests that there may be large offshore oil and natural gas reserves, but maritime border disputes with Suriname and Venezuela have hampered exploratory drilling activities.

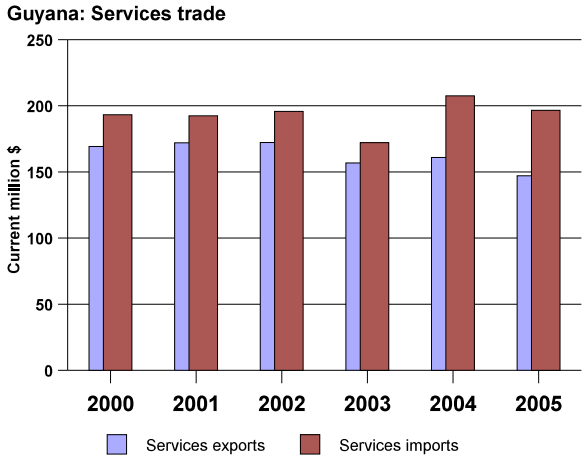
Guyana's main industrial sector production activities include bauxite (box 4.1), sugar, rice milling, timber, textiles, and gold mining. Attempts to develop higher value-added wood processing have not proven successful, and timber exports remain primarily unprocessed logs. The mining sector contracted in 2005, because of the closure of a major gold mine (Omai) and reduced bauxite production. As a result, most gold production is done by small and medium-scale producers. Recent record gold prices have renewed interest in the industry. The manufacturing sector's contribution to GDP has declined over the past decade. Agro-processing (rice milling, sugar processing, rum distilling, wood products, and vegetable oil processing) represents much of the manufacturing activities. Apparel production has almost ceased as a result of increased Chinese and Central American competition.

Major impediments to economic growth include a shortage of skilled labor and inadequate infrastructure. For example, an IMF working paper noted that the road network is underdeveloped, electricity costs are among the highest in the region, water services are considered insufficient and expensive; although telecommunications services are better developed, they remain very expensive. The lack of deep-sea port facilities and limited air transportation routes hamper expansion and diversification of the economy. For example, the lack of a deepwater port raises transport costs for bauxite exports. The completion of the first stage of an upgrade of the Ogle Airport in early 2007 is expected to improve air transport availability. The government has increased efforts to improve the country's infrastructure. For example, it has increased spending on road improvements and rehabilitated aging infrastructure.

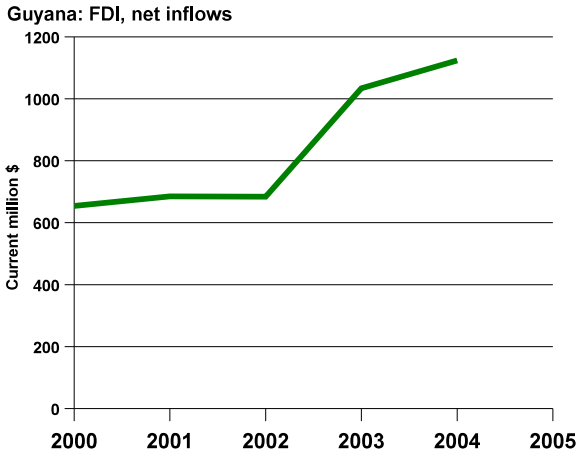
International Integration[3]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Guyana's data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 regional overview for country membership in international and regional institutions.

Guyana: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	15.5
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	7.7
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	100.0
Exports of goods and services (% relative to GDP, 2005)	88
Imports of goods and services (% relative to GDP, 2005)	124
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.325
Number of products exported (world value = 260, calculated at 3-digit SITC level)	221
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	11.1
Agricultural goods	21.1
Non-agricultural goods	9.6
Official development assistance ($ million, 2005)	136.8
Total debt service (% of exports of goods, services, and income, 2005)	3.7

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Merchandise exports to the United States represented approximately 15 percent of Guyana's total merchandise exports in 2006. Guyana is eligible for preferential access to the U.S. market under the original CBERA, GSP, and CBTPA. In 2007, the value of U.S. imports from Guyana was $146 million, of which $11 million was under the CBERA program. The main products exported to the United States in 2007 were aluminum ores and concentrates and shrimps and prawns. Guyana's CBERA utilization rate is approximately 8 percent, and the main products exported under the CBERA program were sugar, plywood, and apparel products. In 2007, the value of Guyana's imports from the United States was $179 million. The main products imported from the United States include petroleum products, cellular phones, soybean oil cakes, eggs, and donated articles.

Total goods and services trade was more than 200 percent relative to GDP in 2005. Guyana's trade balance shifted from a trade surplus in 2004 to a trade deficit in 2006 in large part because of the large increase in the price of petroleum products over the period. In addition, Guyana's export earnings tend to fluctuate with changing weather conditions. Guyana's main export products are sugar, gold, bauxite, alumina, rice, seafood and shrimp, molasses, rum, and timber. Its main export markets include the United States, Canada, the United Kingdom, and Portugal. Most of Guyana's sugar is exported to the EU under a preferential trading regime. Guyana's main import products include manufactures, machinery, petroleum, and food. Its main import sources are Trinidad and Tobago, the United States, China, Cuba, and the United Kingdom.

Guyana has experienced an increase in net FDI inflows in recent years. The government's office of investment notes that, in 2005, approximately one-third of the number of total projects and more than 70 percent of total investment involved foreign investors, primarily from Asia, the Caribbean, and North America. The main industries receiving investment were food products, mining, and wood products. There is also emerging interest in investment in the biofuel industry, and Guyana has already begun producing biodiesel using palm oil. Guyana maintains a floating exchange rate for its currency, the Guyanese dollar.

Box 4.1 Bauxite Industry in Guyana: International Investment Upgrades Industry

The bauxite industry in Guyana has succeeded in attracting foreign investment, creating jobs, increasing exports, and helping to raise the standard of living for a portion of the population. In 2006, Guyana was the seventh-largest world exporter of bauxite, an essential input in the production of aluminum and Guyana's fourth-largest foreign exchange earner after sugar, gold, and rice. The largest bauxite mine in Guyana is the Aroaima mine, managed by the Bauxite Company of Guyana (BCGI). Total employment by BCGI at the end of 2007 was 560.[1]

BCGI was established in December 2004 with the signing of an agreement between UC RUSAL (Russia), the world's largest aluminum and alumina producer, and the government of Guyana.[2] Under the agreement, the assets of formerly state-owned Aroaima Mining Company, including property, infrastructure, and deposits and reserves of 96 million metric tons of bauxite, were sold to BCGI for $22 million. At the same time, the Russian government agreed to cancel approximately 98 percent of Guyana's debt to Russia, amounting to $16 million.

RUSAL is in the process of providing sustained financing for the development of Guyana's bauxite deposits. In separate developments, RUSAL has obtained licenses for the development of the Linden bauxite deposits in Guyana with total reserves of over 100 million metric tons of bauxite, and also holds a license for the development of the Ituni deposits in Guyana, with potential reserves of about 100 million metric tons. Total bauxite deposits in Guyana are likely to ensure a stable supply of high-quality bauxite for RUSAL's Nikolaev aluminum refinery (Ukraine) and promote RUSAL's efforts toward raw material self-sufficiency. RUSAL expected to export 350,000 metric tons of bauxite from Guyana to the Nikolaev refinery in 2006 and 1 million metric tons by 2008. RUSAL announced an investment program in 2005–07 to enable bauxite output by BCGI to be raised from 1.3 million metric tons annually to 2.5 million metric tons annually. According to RUSAL, the investment program is more than 95 percent complete and includes the purchase of new mining and drying equipment and further development and modernization of plant infrastructure. The goals of the introduction of new equipment and the plant modernization have been to increase production efficiency and to lower environmental emissions, especially emissions into groundwater. RUSAL is presently considering building an aluminum smelter in Guyana, which would likely increase bauxite production in Guyana by 50 percent.

Sources: Bauxite Company of Guyana Inc. Web site. *http://www.sual.com/index.php?lang=eng&topic=3&subtopic=57&subtopic2=71&subtopic3=105* (accessed January 31, 2008); "Bauxite and Alumina." *Minerals Yearbook.* U.S. Geological Survey. 2006; Edwards, Al. "RUSAL begins search for bauxite in Guyana," *The Jamaica Observer.* June 9, 2006. ; *http://www.jamaicaobserver.com*; Global Trade Atlas; Kommersant (Russian online daily newspaper); "Mining." The Guyana Office for Investment. *http://www.goinvest.gov.gy/mining.html* (accessed March 20, 2008); RUSAL Inc. "Social Report, 2005-2006." *http://www.rusal.ru/UserFiles/File/Rusal-SocOtchet_2007_eng.pdf*, (accessed March 20, 2008); United Company RUSAL in Guyana Web site. *http://www.sual.com/index.php?lang=eng& topic=3& subtopic=57&subtopic2=193&subtopic3=196*, (accessed January 31, 2008); U.S. Geological Survey. "The Mineral Industries of French Guiana, Guyana, and Suriname." Country Report, 2005.

[1] Telephone conversation by Commission staff with company officials, February 21, 2008.

[2] UC RUSAL owns 90 percent of BCGI and the government of Guyana retains a 10 percent ownership stake.

Sources

Caribbean Development Bank. "Guyana." *CDB Annual Economic Review 2006*.

CIA. "The World Factbook: Guyana." March 6, 2008, *www.cia.gov*.

DaCosta, Michael. "Colonial Origins, Institutions and Economic Performance in the Caribbean: Guyana and Barbados." IMF Working Paper, WP/07/43, February 2007.

EIU. *Country Profile 2007: Guyana*. 2007, *www.eiu.com*.

———. *Country Report: Guyana*. October 2007, *www.eiu.com*.

GO-Invest. "Doing Business in Guyana." *http://www.goinvest.gov.gy/investment_guide.html* (accessed March 27, 2008).

Guyana Ministry of Agriculture. "Proposals Being Reviewed for Bio-fuel Investment." April 25, 2007, *www.agriculture.gov.gy*.

IMF. *Guyana: Poverty Reduction Strategy Paper Progress Report 2005*. IMF Country Report No. 06/364, October 2006.

Staritz, Cornelia, Ruben Atoyan, and Judith Gold. "Guyana: Why Has Growth Stopped? An Empirical Study on the Stagnation of Economic Growth." IMF Working Paper, WP/07/86, April 2007.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

USAID. "Guyana: USAID Program Profile," *www.usaid.gov* (accessed January 14, 2008).

———. *Guyanese Services: Opportunities for Increased Economic Growth and Trade Liberalization*. March 2007.

U.S. Department of State. "Background Note: Guyana." December 2007, *www.state.gov*

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Guyana Country Brief." October 19, 2007, *www.worldbank.org.*

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Profiles 2007*. WTO Publications, 2007.

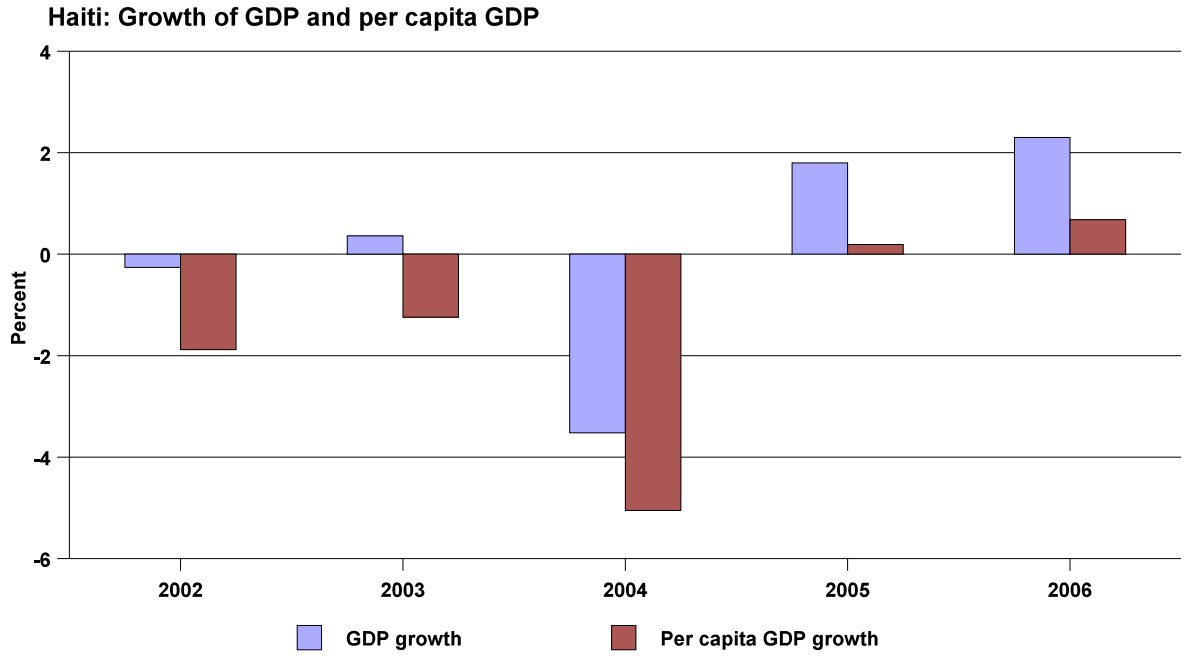
HAITI

Economic and Social Development[1]

Haiti: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	13,218	13,536	13,402	14,055	14,799	298,351
GDP p.c., purchasing power parity ($)	1,618	1,633	1,594	1,648	1,712	8,059
Remittances (% of GDP)	19.0	27.0	24.0	22.0	20.0	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Sources: World Development Indicators. See appendix D for sources and definitions.

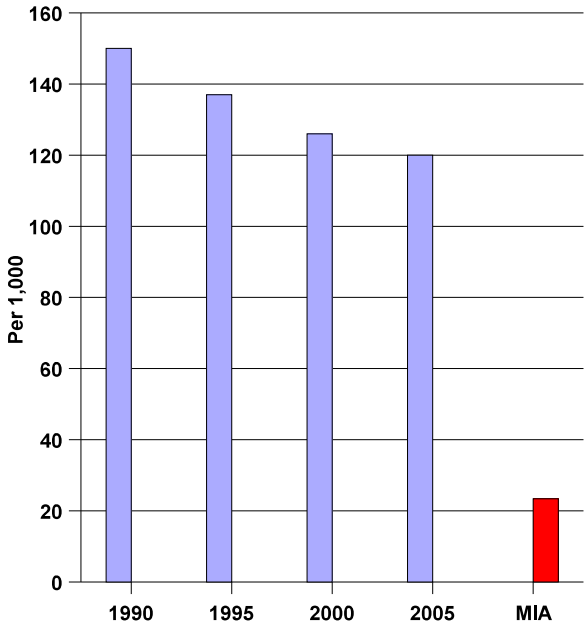
[1] For additional information provided by His Excellency Raymond Alcide Joseph, Ambassador of the Republic of Haiti to the United States, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Haiti: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (millions, 2006)	8.6	32.2
Population below poverty line (%, 2003)	80	na
Poverty headcount ratio at $1 per day (% of population, 2006)	54	na
Life expectancy at birth, 2005	53	70
Literacy rate, total (%, 2003)	53	90
Population with access to improved sanitation facilities (%, 2004)	30	62
Population with access to improved water source (%, 2004)	54	83

Sources: CIA World Factbook; World Development Indicators; EIU Country Profile. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Haiti: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Haiti is the only country in the Western Hemisphere classified by the World Bank as a low-income economy. With a GDP per capita of $1,712 in 2006, Haiti ranks as the poorest country in the hemisphere. Although tourism and light manufacturing emerged as important components of Haiti's economy by the mid-20th century, political instability and domestic unrest led to a deteriorating business and investment climate, causing large economic and social setbacks to Haiti during the past two decades. Haiti inaugurated a democratically elected president and parliament in May 2006, and the economy appears to have stabilized. Greater political and economic stability, lower inflation and price stability, and large inflows of foreign economic assistance have helped Haiti achieve increases in real GDP growth since 2005.

Haiti's economy currently relies heavily on international aid flows, remittances from Haitians abroad, and debt relief. Haiti receives little foreign investment. Political stability and increased business and consumer confidence are widely seen as key to Haiti's economic recovery. In addition to extensive amounts of foreign aid, apparel assembly exports to the United States and remittances from expatriates are Haiti's main sources of foreign exchange. Haiti faces many supply-side constraints that impede its ability to be globally competitive. The main constraints include Haiti's poorly developed economic and social infrastructure, especially its unskilled labor force, poor road and communications networks, and inadequate public utilities providing electricity and water.

Haiti's social indicators are generally significantly below those of other countries in the region and other low-income economies. Haiti ranked 146th out of 177 countries on the United Nations 2007–08 human development index.[2] Despite showing some improvement in this measure in recent years, Haiti is still near the bottom of the "medium human development" category of countries. Most of Haiti's population receives

[2] See app. D for a definition of the human development index

poor nutrition and inadequate access to public sanitation and health care, which adversely affect the quality of Haiti's labor force and labor productivity. Public spending on education and health care in Haiti is even lower than sub-Saharan African standards. Life expectancy is low because of the high HIV/AIDS infection rate. The Haitian government's main social policies emphasize poverty and inequality reduction, with a focus on improved provision of education and health services.

Two-thirds of Haiti's labor force works in the informal sector and is primarily engaged in subsistence agriculture and, to a lesser extent, informal services such as street vending of produce and other goods. According to Haiti's poverty reduction strategy paper, in 2001, 56 percent of the population lived below the extreme poverty line, and 76 percent are considered poor. It also noted that Haiti regressed on the human development scale between 2000 and 2005, falling from 146th to 153rd. Poverty and the absence of employment opportunities have resulted in massive emigration of Haitians, educated and skilled individuals in particular. Reportedly, more than 500,000 Haitians or persons of Haitian origin live in the Dominican Republic, and more than 2 million Haitians live in the United States.

The Haitian government's main economic policies covering the fiscal years 2007–08 through 2009–10 include maintaining sound fiscal and monetary policies to reduce major internal and external imbalances. Key sectoral policies include modernizing the agricultural sector, upgrading the transportation infrastructure, improving the electricity supply, and developing telecommunications services.

Domestic Economy

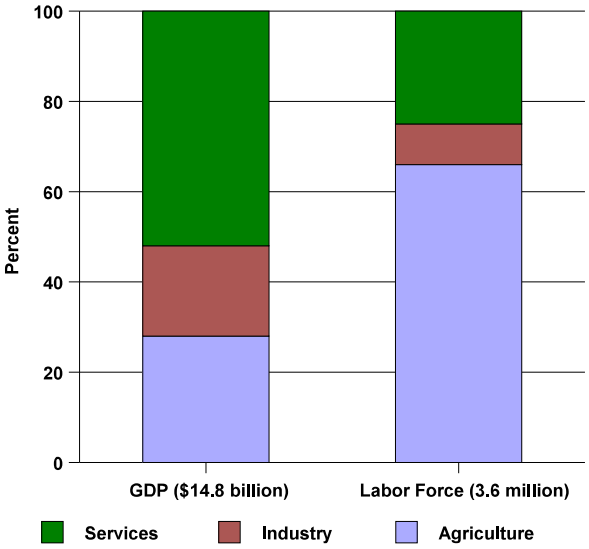
Haiti: Selected domestic economy indicators

	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	13	4.3
Labor force participation rate, total (%, 2006)	71	na
Gross fixed capital formation (% of GDP, 2003)	29	28.8
Agricultural land (% of land area, 2003)	58	44.8
Irrigated land (% of cropland, 2003)	8	na
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	64	113.2
Number of ports and terminals, 2007	1	na
Paved roads (% of total, 1999)	25	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Haiti: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2004 data. Labor force data based on 1995 data; labor force composition based on 1995 data.

Services make up more than one-half of Haiti's formal economy as measured by GDP, with the agricultural and manufacturing sectors accounting for 28 percent and 20 percent, respectively. Tourism was an important industry for Haiti in the 1970s and 1980s, but poor infrastructure and political unrest have limited the sector's development and effectively discouraged tourism and investment. A significant number of current visitors to Haiti are representatives of nongovernmental organizations working in Haiti or Haitian nationals visiting family. Haiti has a rudimentary banking sector. Commercial banks provide a full range of banking services, but there is no bond or securities market and no available equity financing, reflecting the low levels of income and savings and the small formal economy.

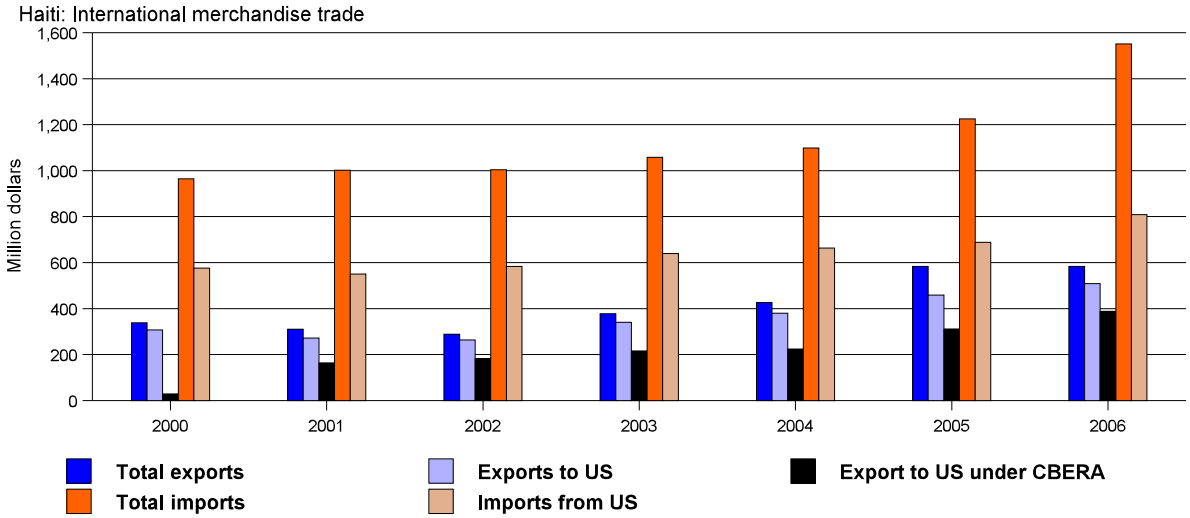
Agricultural activities, both formal and informal, make up the most important sector in Haiti's economy in terms of both employment and output. Haiti's agricultural sector faces the challenges of mountainous terrain, low crop yields because of soil exhaustion, and antiquated farming techniques. Unlike other countries in the region that have shifted from traditional to nontraditional export crops, population pressures in Haiti have caused a shift from traditional cash crops such as coffee, sugar, cocoa, and sisal to subsistence crops consumed domestically such as rice, maize, sorghum, millet, and beans. While coffee and sugarcane traditionally were important export crops for Haiti, production of both has fallen sharply. Haiti's most important agricultural export crops now are mangoes, cocoa, and essential oils. A limited growing area and a lack of technical infrastructure prevent expansion of agricultural production. Other factors inhibiting agricultural production in Haiti include poor rural infrastructure, primitive farming techniques, the small size of plots, and competition from imported goods, especially from neighboring Dominican Republic.

Haiti's manufacturing output has declined significantly since its peak in the early 1980s, largely as a result of the country's political unrest and poor business and investment climates. A recovery in export-oriented manufacturing activity began in the mid-1990s, based on Haiti's large population of low-skilled labor, proximity to the U.S. market, and availability of U.S. tariff preferences. The composition of Haiti's manufactured exports has become increasingly concentrated on apparel assembly products, which accounted for nearly 90 percent of export earnings during 2005–06. Like other Caribbean Basin apparel exporters, Haiti's apparel assembly sector was generally expected to decline as a result of the expiration of global quotas under the WTO Agreement on Textiles and Clothing at the beginning of 2005. Haiti's apparel assembly sector, however, has expanded somewhat since the December 2006 passage of the Hemispheric Opportunity through Partnership Encouragement (HOPE) Act, granting Haitian apparel exports broad tariff-free access to the United States and an effective tariff advantage over other Caribbean producers. Manufacturing for domestic consumption in Haiti consists mainly of food and beverages, household goods, and building materials; production is limited due to low incomes and small domestic market.

Haiti's potential resources include an underdeveloped tourism and services sector and an abundance of low-wage labor. Haiti faces a shortage of skilled labor, the environmental challenges of extensive deforestation and soil erosion, inadequate social services infrastructure such as limited supplies of potable water, and inadequate physical infrastructure.

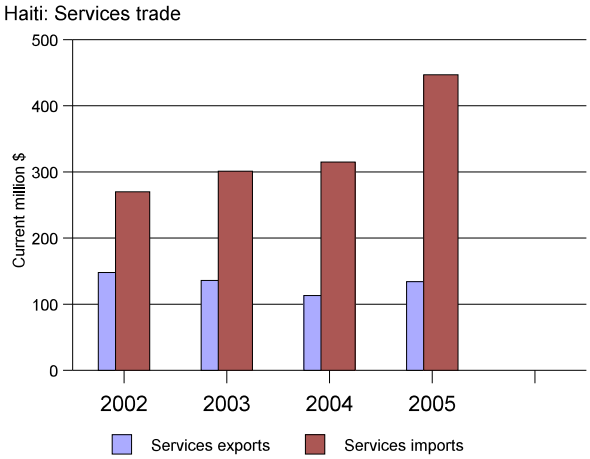
The IMF, the World Bank, and international aid donors have worked with a succession of governments in Haiti since 1994, following the return of a constitutional rule. Haiti has not consistently implemented economic reforms and structural adjustment policies. In 2006, the Haitian government reached a general agreement on economic policy priorities with representatives of multilateral and bilateral aid donors. One key part of this agreement included a three-year economic program focusing on sustaining macroeconomic stability through fiscal discipline and prudent monetary management.

International Integration[3]

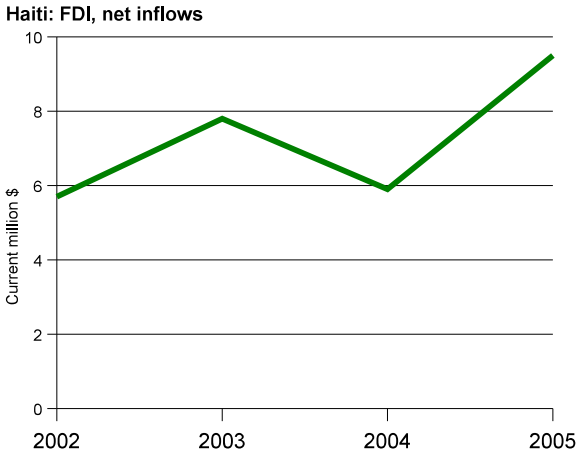


Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and are gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

Haiti: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	86.9
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	88.0
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	92.9
Exports of goods and services (% relative to GDP, 2003)	15
Imports of goods and services (% relative to GDP, 2003)	44
Export concentration indicators, 2004	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.612
Number of products exported (world value = 260, calculated at 3-digit SITC level)	43
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	2.8
Agricultural goods	5.7
Non-agricultural goods	2.4
Official development assistance ($ million, 2005)	515
Total debt service (% of exports of goods, services, and income, 2005)	4

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS (partner data). See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Haiti's exports to the United States represent more than 87 percent of its total exports. Haiti is eligible for preferential access to the U.S. market under the original CBERA, CBTPA, HOPE Act, and GSP programs. In 2007, U.S. imports from Haiti were $500 million, of which $440 million was under the CBERA program. Haiti's main exports to the United States included various apparel articles (including T-shirts, sweaters, men's and boys' trousers, and men's and boys' shirts), mangoes, and cocoa. Haiti's overall CBERA utilization rate is 88 percent, and its CBERA apparel utilization rate is 93 percent. Haiti's main exports to the United States under the CBERA program were T-shirts, sweaters, men's and boys' trousers, and men's and boys' shirts (box 4.2). In 2007, Haiti's imports from the United States were valued at $696 million. The main products imported from the United States included rice, cellular telephone handsets, and wheat.

Haiti's total goods and services trade was almost 60 percent relative to GDP in 2003. Haiti has maintained a merchandise trade deficit between 2000 and 2006. Haiti's main export products are apparel, manufactures, oils, cocoa, mangoes, and coffee. Its main export markets are the United States, the Dominican Republic, and Canada. Haiti's main import products are food, manufactured goods (including apparel used for the country's export-oriented assembly industry), machinery and transport equipment, fuels, and raw materials. Its main import sources are the United States, the Netherlands Antilles and Brazil. Apart from its trade relationships with the United States and neighboring Dominican Republic, Haiti is not significantly integrated with the global economy. Almost 90 percent of Haiti's exports of goods, mainly assembled apparel articles, including T-shirts, sweaters, and men's or boys' suits, are shipped to the United States. Haiti receives little foreign investment, and an improved business and investment climate is unlikely to happen in the absence of greater political and economic stability.

Box 4.2 Apparel Industry in Haiti: International Business Connections and Reputation Help Weather Instability and Asian Competition

Established in 1952, the Apaid Group, a 100 percent family-owned Haitian company that originally produced plastic molding, moved into apparel production in the 1990s. A leading Haitian contract apparel manufacturer, the Apaid Group employs 6,000–6,500 apparel workers (about one-third of Haiti's apparel workers) in six facilities in Port-au-Prince's industrial sector. The Apaid Group manages several companies: One World Apparel, Premium Apparel, Genesis, and Inter-American Woven, which recently opened a facility in the Sonapi Industrial Park.

U.S. companies have been importing apparel from Haiti to diversify their sourcing and to take advantage of the country's proximity, ample supply of low cost labor,[1] and preferential treatment granted by the CBTPA. For a number of years, the Apaid Group has contracted with major U.S. apparel companies such as Hanesbrands and Canadian-owned Gildan,[2] to produce knit garments, chiefly T-shirts. Most of these apparel exports entered duty-free under the CBTPA.[3] Since the implementation of the HOPE Act, the Apaid Group has expanded production of woven garments in response to provisions in the HOPE legislation that allow a certain number of woven garments made of third-country fabrics to receive preferential treatment. Of the Apaid Group's total number of apparel employees, an estimated 1,000 to 1,200 now produce woven products such as pants.[4] Apaid Apparel attributes its relative success in apparel production in Haiti to its longevity in business and good reputation. Its strong business relationships with North American apparel companies, such as Hanesbrands producers, have also likely contributed to its success.[5]

In the late 1980s, Haiti's apparel industry consisted of more than 100 firms and over 100,000 employees, but prolonged political and economic instability contributed to a contraction in Haiti's economy and its apparel industry. Today, Haiti's apparel industry has fewer than 20 firms and about 15,000 to 18,000 employees.[6] Nevertheless, Haiti's textile and apparel industry currently represents most of the production in Haiti's assembly sector, accounting for over one-half of the total number of companies in its assembly sector. Haiti was the only CBERA apparel supplier to the United States whose apparel exports grew steadily during 2002–07, rising to $452 million at the end of the period. This growth can likely be attributed to preferential treatment such as duty-free access for qualified textile and apparel goods and more flexible rules of origin offered by the CBTPA to textile and apparel exports from Haiti.

Sources: Andrea Schmidt and Anthony Fenton. "Andy Apaid and Us." October 19, 2005, *http://www.zmag.org*; U.S. & Foreign Commercial Service and U.S. Department of State. "Haiti: Apparel & Textiles." *Industry Sector Analysis.* March 3, 2003.

[1] According to an Apaid Apparel representative, Haiti's minimum wage rates are about 70 Haitian gourdes for an 8-hour day (about $2.00); apparel workers who are paid on a piece rate to encourage increased productivity make about two to three times the minimum wage.

[2] One industry source stated that Gildan supplies an estimated 40 percent of the T-shirts sold in the United States; Gildan's labor costs in Haiti and Honduras are actually cheaper than those in China, and the bulk of T-shirts heading to the U.S. market are from the Caribbean."

[3] Clifford Apaid (manager, Apaid Apparel), telephone interview by Commission staff, January 18, 2006.

[4] Ibid.

[5] Ibid.

[6] Faubert (hearing transcript, 10-13) states that employment ceased during the embargo itself and later recovered to approximately 22,000 employees and then declined to 18,000 employees in 2006. Also see U.S. Department of State, October, 2006, 1.

Sources

CIA. "The World Factbook: Haiti." March 20, 2008, *www.cia.gov*.

EIU. *Country Report: Haiti*. February 2008, *www.eiu.com*.

———. *Country Profile 2007: Haiti*, *www.eiu.com*.

IMF. *Haiti: Poverty Reduction Strategy Paper*. IMF Country Report No. 08/115. March 2008.

Ugo Fasano, IMF Western Hemisphere Department. "Post-Conflict Stabilization: Haiti's Economic, Political Turnaround." *IMF Survey Magazine*, September 17, 2007. *http://www.imf.org/external/pubs/ft/survey/so/2007/CAR0917A.htm*.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State, Bureau of Western Hemisphere Affairs. "Background Note: Haiti." August 2007. *http://www.state.gov*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Haiti Country Brief.," October 2007. *www.worldbank.org*.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Profiles 2007*. WTO Publications, 2007.

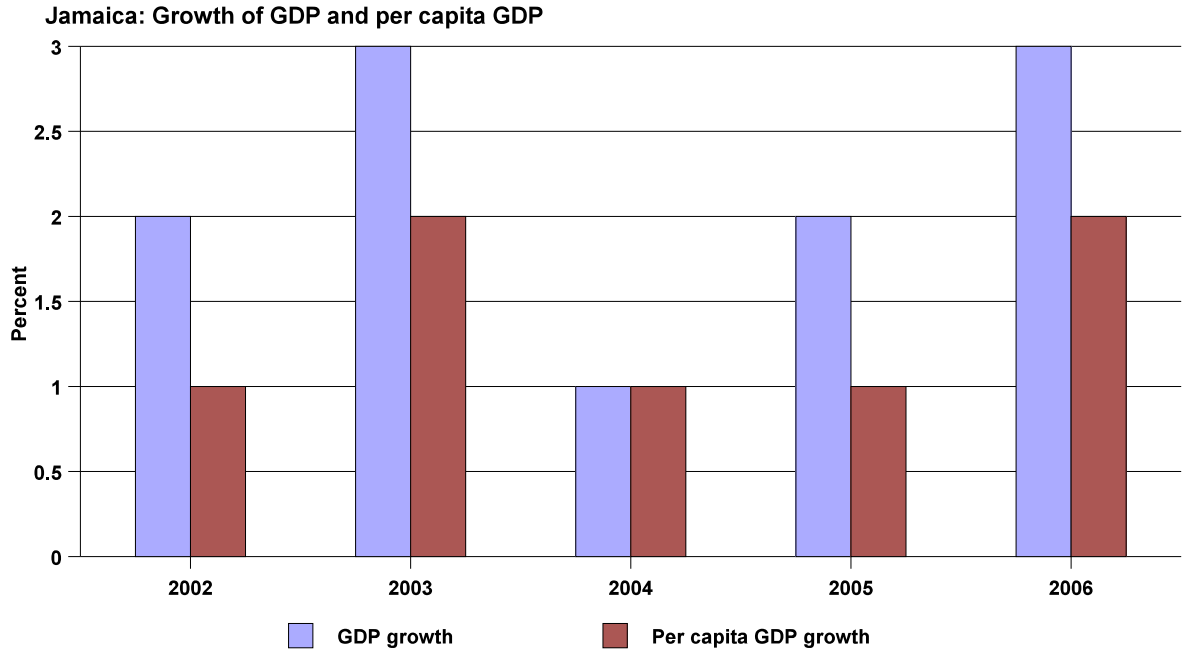
JAMAICA

Economic and Social Development[1]

Jamaica: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	9,999	10,477	10,865	11,394	12,042	298,351
GDP p.c., purchasing power parity ($)	3,820	3,983	4,113	4,293	4,521	8,059
Remittances (% of GDP)	15.0	17.0	18.0	18.0	17.0	1.5

Source: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

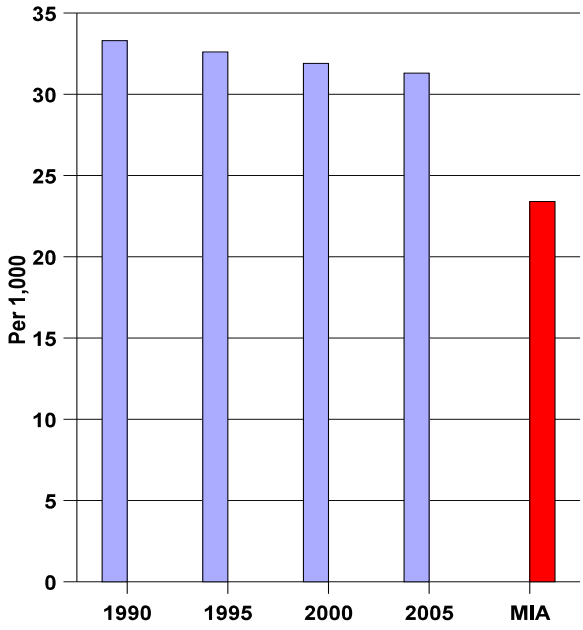
[1] For additional information provided by the Honorable Sharon Miller, Chargé d'Affaires, Embassy of Jamaica, and the Honorable Marcia Thomas, Senior Director, Foreign Trade, Ministry of Foreign Affairs and Trade, Embassy of Jamaica, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Jamaica: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (millions, 2007)	2.8	32.2
Population below poverty line (%, 2003)	15	na
Poverty headcount ratio at $1 per day (PPP, % of population, 2004)	2	na
Life expectancy at birth, 2005	71	70
Literacy rate, total (%, 2003)	88	90
Population with access to improved sanitation facilities (%, 2004)	80	62
Population with access to improved water source (%, 2004)	93	83

Source: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Jamaica: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Classified by the World Bank as a lower-middle-income economy, Jamaica is a small, open economy based on tourism, mining and agricultural exports, and remittances from expatriates. Despite its significant natural resource endowment, Jamaica's economic performance has been subject to periodic downturns as a result of hurricanes. Hurricane Ivan caused extensive damage to the island in September 2004, requiring substantial government spending to repair. With the recovery from Hurricane Ivan still ongoing, Hurricane Dean hit the island in August 2007, again causing extensive damage to Jamaica's social and economic infrastructure. Unlike other countries that were venues for the March–April 2007 Cricket World Cup, Jamaica did not experience as large a growth benefit from the matches given the economic impact of the event relative to Jamaica's economic size. One key challenge facing the government of Jamaica is the country's large debt-to-GDP ratio, currently in excess of 130 percent, which is a significant constraint on the Jamaican government's ability to channel funds into social and physical infrastructure.

Jamaica's social indicators are comparable to or slightly lower than those of other countries in the region. Jamaica ranked 101st out of 177 countries on the United Nations 2007–08 human development index,[2] placing it in the "medium human development" category of countries. In its national educational plan for the 2005–06 academic year, Jamaica focused on improving the quality and access of the country's educational and training system. Almost 15 percent of the population is below the poverty line, almost one-half of the poor are children under 18, and approximately 10 percent are elderly. In addition, the mortality rate for children under five years has barely fallen since 1990. Public health also is a concern, particularly the high HIV/AIDS infection rate. Unemployment has declined from 15 percent to about 11 percent, but remains high and contributes to high levels of violent crime that adversely affect Jamaica's business climate.

[2] See app. D for a definition of the human development index.

Hurricane Dean caused significant damage to Jamaica's social infrastructure. More than 500 schools and public educational institutions sustained damage valued at an estimated $10 million. Losses to Jamaica's health sector totaled an estimated $4 million, with structural damage to a number of critical facilities. Jamaica's road infrastructure was estimated to have sustained damage which would cost $15 million to repair. Jamaica has secured World Bank loans to repair this damage.

The Jamaican government has identified accelerating GDP growth (0.9 percent average annual rate for 1996–2006) as its main economic policy goal. The Jamaican government has targeted a reduction in the public debt burden as important to redirect public expenditure from debt service to social and infrastructure investment. Central government spending has declined in recent years as a result of the government's tight fiscal policy, thereby restricting funds available for new development-oriented projects. The Jamaican government has made greater use of public-private partnerships for infrastructure development. In addition, the PetroCaribe development fund established under an oil-financing arrangement signed with Venezuela in 2005 also has provided investment capital for Jamaica.

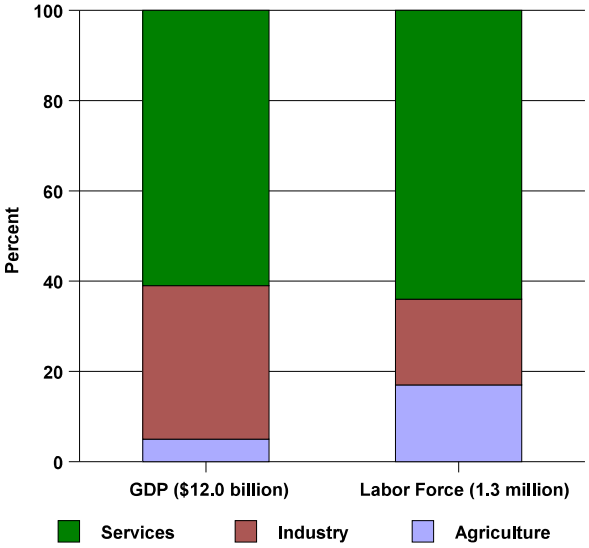
Domestic Economy

Jamaica: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	9	4.3
Labor force participation rate, total (%, 2006)	68	73
Gross fixed capital formation (% of GDP, 2006)	30	25
Agricultural land (% of land area, 2004)	47	35
Irrigated land (% of cropland, 2002)	9	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	1,146	587
Number of ports and terminals, 2007	5	na
Paved roads (% of total, 2004)	73	na
Category 1 and 2 airports, 2007	2	na

Source: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Jamaica: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2006 data. Labor force data based on 2006 data; labor force composition data based on 2006 data.

The total value of damage and losses incurred from Hurricane Dean in August 2007 is estimated at $22.9 billion, with $11.6 billion of losses to the country's economically productive sector. Damage and losses included reduced agricultural and fishing sector output, lost production time as a result of electrical outages and water pipeline disruptions, and severe port damage.

The services sector accounts for about 60 percent of Jamaica's GDP, much of which is attributed to tourism. Tourism remains the single largest contributor of foreign exchange to Jamaica's economy, and continues to receive significant new investment. Telecommunications is one of the fastest growing service sectors in Jamaica. The former telecommunications monopoly was dismantled and the sector was liberalized by March 2003, resulting in significant expansion of cellular users and landlines in Jamaica. Stronger policies and regulatory oversight have contributed to the recent expansion of Jamaica's financial services sector. Transportation and distribution also are important components of Jamaica's services sector.

Manufacturing as a share of Jamaica's GDP is about 30 percent. Low productivity and high labor costs relative to other Caribbean countries are key factors discouraging investment and production in Jamaica's manufacturing sector. Key manufacturing activities in Jamaica include bauxite and alumina mining and refining, food processing (including poultry meat, sugar, and edible oils), light manufactures, beverages (including beer, rum, and soft drinks), tobacco products, chemicals and chemical products, and cement.

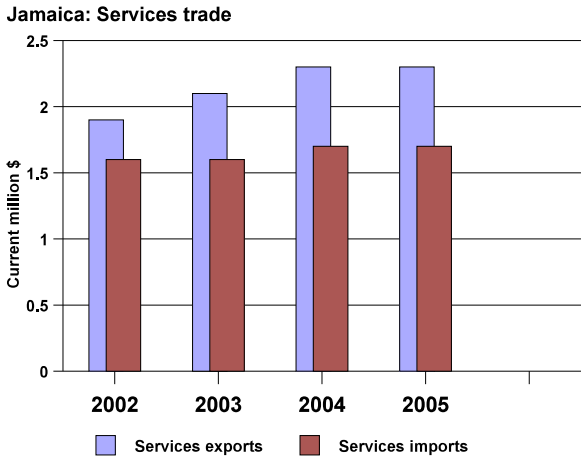
Jamaican agricultural production has generally declined since the late 1990s. Periodic adverse weather and consequent reduced planting by farmers are key factors that have constrained agricultural production in recent years. Traditional crops include sugarcane, bananas, coffee, citrus, pimentos, coconut, and cocoa. Nontraditional export commodities include yams, farmed fish (tilapia), and farmed shrimp (box 4.3). Jamaica also produces crops and livestock for domestic consumption.

International Integration[3]

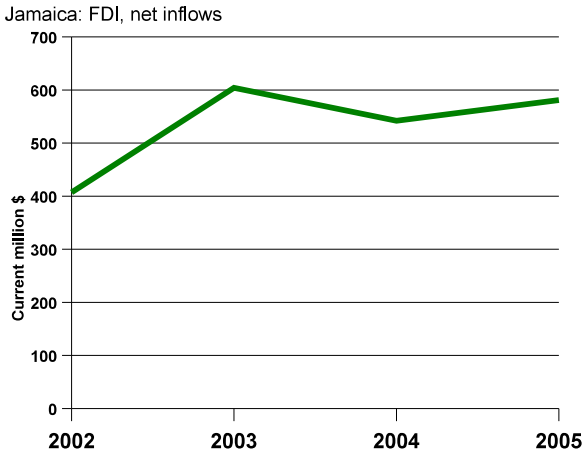
Source: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Jamaica's data, and represent gross figures.

[3] See chap. 2 for country membership in international and regional institutions.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

Jamaica: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	30.4
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	34.6
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	98.3
Exports of goods and services (% relative to GDP, 2006)	44
Imports of goods and services (% relative to GDP, 2006)	60
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.608
Number of products exported (world value = 260, calculated at 3-digit SITC level)	107
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	7.3
Agricultural goods	17.2
Non-agricultural goods	5.8
Official development assistance ($ million, 2005)	35.7
Total debt service (% of exports of goods, services, and income, 2005)	16

Source: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Jamaica's merchandise exports to the United States represent approximately 30 percent of its total exports. Jamaica is eligible for preferential access to the U.S. market under the original CBERA, CBTPA, and GSP programs. In 2007, the value of U.S. imports from Jamaica was $730 million, of which $252 million was under CBERA. Jamaica's main exports to the United States included aluminum oxide, ethyl alcohol, aluminum ore, and beer. Jamaica was the largest supplier of fuel-grade ethanol to the United States under CBERA during 2007. Jamaica had a CBERA utilization rate of 34.6 percent overall, and 98.3 percent for apparel. Jamaica's main exports to the United States under the CBERA program were T-shirts, women's or girls' briefs, men's or boys' underwear, and sweaters. In 2007, Jamaica's imports from the United States

were valued at $2.2 billion. The main products imported from the United States included petroleum, sodium hydroxide, and wheat.

Jamaica's total goods and services trade exceeds 100 percent relative to GDP. Jamaica has maintained a merchandise trade deficit between 2000 and 2006. Its main export products include alumina, bauxite, sugar, bananas, rum, coffee, yams, beverages, chemicals, and apparel. Its main export markets are the United States, Canada, China, and the United Kingdom. Jamaica's main import products are food, consumer goods, industrial supplies, fuel, machinery and transport equipment, and construction materials. Jamaica's leading import sources are the United States, Canada, and China, and its leading imports are petroleum and motor vehicles.

For many years, Jamaica's large trade deficit has been partly offset by tourism earnings and worker remittances. Tourism is Jamaica's leading foreign exchange-earning economic activity, with net inflows from foreign travel totaling $1 billion in 2003. Jamaicans working abroad, particularly those associated with higher-paying jobs under the U.S. H-2A visa (for temporary or seasonal agricultural workers) and H-2B visa (for programs workers in industries including hospitality, tourism, food service, camps, retail, amusement parks, national and state parks, ski resorts, country clubs, and golf clubs), provide a substantial amount of remittances, which are an important source of net capital inflows for Jamaica.

FDI in Jamaica and remittances from abroad remain important components of Jamaica's economy. FDI is directed primarily to hotel construction and to expanding capacity in the mining sector. The Jamaican government's commitment to macroeconomic stability reportedly is a key factor allowing Jamaica to attract FDI at near-record levels, which exceeded $500 million annually (box 4.4), and to spur demand in international markets for Jamaica-issued government bonds.

Box 4.3 Agricultural Products Industry in Jamaica: Diversification Promotes Growth

Jamaica Broilers Group (JBG) began over 50 years ago as a small commercial broiler meat producer located in St. Catherine, Jamaica. Today, JBG is a publically listed agricultural company with a fully integrated poultry operation and has diversified into cattle ranching, beef production, and aquaculture (fish farming). The company has also expanded into services and products that are higher up the value chain than its core agricultural commodities, such as veterinary and nutritional services, feed ingredients, prepared foods, and ethanol production. Diversifying its business interests across several agricultural and food products is a key to JBG's success because it has enabled the company to better manage the financial risk associated with fluctuating commodity prices and sales revenues. Between 1998 and 2007, net sales grew nearly 10 percent annually, reaching approximately $162 million in 2007.[1] JBG currently employs over 1,500 workers with seven locations in Jamaica and two divisions based in the United States.

JBG is also a successful exporting company and has developed a marketing network through its export subsidiary, Jabexco. It exports almost one-half of its farmed tilapia to Belgium, Canada, Germany, the United Kingdom, and the United States, with plans to increase exports to the EU. JBG uses the foreign currency earned from exports to purchase inputs, such as feed grains, that are not readily available domestically. Tilapia, beef, and poultry are exported mainly to the high-value hotel and restaurant trade in the United States and Europe, where margins for such products are high.

Sources: Jamaica Gleaner. "Pioneers in Export-JABEXCO Propels Brand Jamaica Overseas." May 26, 2006. *http://www.jamaica-gleaner.com/gleaner/20060526/business/business6.html*; FAO. *Promotion of Sustainable Commercial Aquaculture in Sub-Saharan Africa-Volume 1: Policy Framework*, Technical Paper 408/1. Rome, Italy: 2001.

[1] Based on exchange rate of 1 U.S. $ =71.36 Jamaican $ (February 26, 2008).

Box 4.4 Film Production Outsourcing in Jamaica: Facilitating Business Environment Attracts Blockbusters

Tax incentive programs have played an important role in developing nascent film markets, especially those in the Caribbean region. As the cost of producing and marketing a major Hollywood film has increased steadily in recent years,[1] more major U.S.-based studios have opted to film their movies outside of the United States in order to take advantage of the tax-incentive programs offered to foreign film companies. Countries such as Australia, Canada, and New Zealand, whose governments offer foreign film companies some of the most generous incentive packages available, have seen foreign feature film production grow substantially over the first half of the decade.[2] Although the Caribbean region's total foreign film production remains relatively small in a global sense (approximately $50 million in revenue generated per year), Jamaica and a handful of other countries in the region have been successful in promoting their respective geographic, environmental, and, most important, financial incentives to foreign film producers.[3]

Since the 1980s, the Jamaican Film Commission (JAMPRO), a part of the investment and export arm of the Jamaican government, has been instrumental in developing relationships with major Hollywood studios. International films shot in Jamaica include *How Stella Got Her Groove* Back for Twentieth Century Fox, *Legends of the Fall* for TriStar Pictures, *Cool Runnings* for Walt Disney Pictures, and *Lord of the Flies* for Castle Rock Entertainment. Overall, foreign film production in Jamaica is estimated to generate over $14 million per annum, which does not reflect possible spillover benefits to Jamaica's tourism, transport, and construction sectors, and the concomitant increase in employment.

In acting as a "one-stop shop" office for foreign film companies, JAMPRO assists producers in activities such as location scouting, identifying local production crews and actors, and facilitating visa and work permit applications and approvals. Moreover, through Jamaica's Motion Picture Industry Encouragement Act (1948), recognized film producers (film projects require a license) are entitled, among other benefits, to the following:

- relief from income tax for a period not exceeding nine years after the first release of the motion picture;
- an investment allowance (grants or subsidies) of 70 percent of the total expenditure on production facilities;
- a general consumption tax (GCT) rebate of 16.5 percent on all goods and services purchased in Jamaica; and
- an exemption from import duties on equipment, machinery, and materials for the building of studios or for use in motion picture production.

The government of Jamaica has also been active in promoting coproduction agreements with countries such as Canada and the United Kingdom, where Jamaica would be eligible for film production funding and other credits from foreign governments to further develop its local film production infrastructure (e.g., film studios and postproduction facilities).[4]

Sources: Caribbean Regional Negotiating Machinery (CRNM). *The Cultural Industries in CARICOM: Trade and Development Challenges*. European Commission/PROINVEST, 2006; Center for Entertainment Industry Data and Research (CEIDR). *The Global Success of Production Tax Incentives and the Migration of Feature Film Production from the U.S. to the World, Year 2005 Production Report.* Encino, CA: CEIDR, 2006; FilmJamaica.com, "Incentives," *http://www.filmjamaica.com/index.php?action=content&section=incentives* (accessed February 1, 2008); IBISWorld. *Industry Report: Global Movies Production and Distribution.* May 11, 2007; U.S. International Trade Commission (USITC). *Recent Trends in U.S. Services Trade*. USITC Publication no. 3925. Washington, DC: USITC, June 2007.

[1] In 2005, Motion Picture Association of America (MPAA) members spent an average of $96 million to produce and market each film, an increase of $20 million since 2001.

[2] Specifically, from 1998 to 2005 foreign film production revenue in Canada grew from $430 million to $1.2 billion (an increase of 179 percent), and from 2001 to 2005, foreign film production revenue in Australia and New Zealand grew from $113 million to $717 million (a 535 percent increase). While there are other economic factors at play, such as relative labor costs and exchange rates, over the past several years the proliferation of direct government production subsidies around the globe has been one of the most significant factors affecting the choice of production venues for major movie studios.

[3] A common competitive pressure that all film production locations face is the advancement of visual effects technologies such as computer-generated imagery (CGI), which gives major film companies the ability to recreate any landscape or location from within their studios.

[4] These credits would generally come from sources such as the British Library Fund or British Film Council Fund.

Sources

Caribbean Development Bank. "Jamaica." *CDB Annual Economic Review 2006*. *http://www.caribank.org/AnReport.nsf/AER06-Jam/$File/AER2006_Jamaica.pdf?OpenElement*.

CIA. "The World Factbook: Jamaica." December 13, 2007.

EIU. *Country Report: Jamaica*. March 2008, *www.eiu.com*.

The Planning Institute of Jamaica. *The Jamaican Economy: Economic Performance and Prospects*. January 2008.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

USAID. "Latin America and the Caribbean: Jamaica." *http://www.usaid.gov/locations/latin_america_caribbean/country/jamaica* (accessed January 2008).

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). www.usitc.gov (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *TPR, Report by Jamaica*. WT/TPR/G/139, October 11, 2004.

———. *TPR, Report by the Secretariat: Jamaica*. WT/TPR/S/139, October 11, 2004.

———. *Trade Profiles 2007*. WTO Publications, 2007.

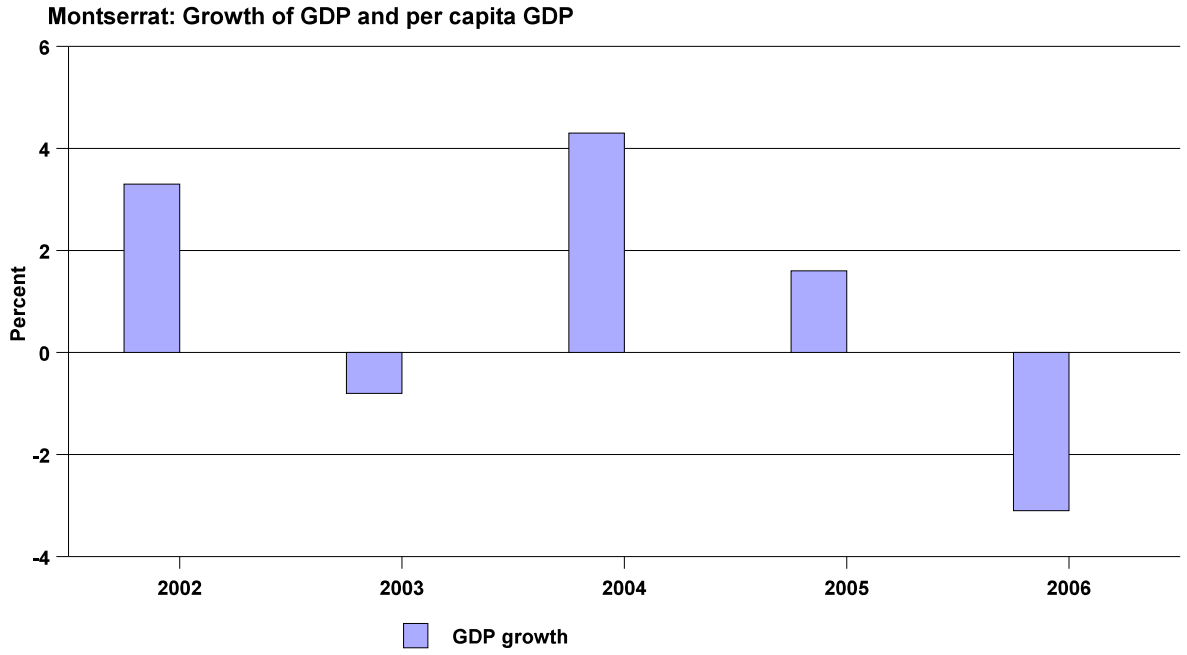
MONTSERRAT

Economic and Social Development[1]

Montserrat: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, current market prices ($ million)	103	103	111	119	na	298,351
GDP p.c., current market prices ($)	22,494	22,816	23,630	24,811	na	8,059
Remittances (% of GDP)	na	na	na	na	na	1.5

Source: World Development Indicators; CDB Annual Economic Review 2006. Consistent and relatively comparable purchasing power parity GDP data were unavailable. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: Caribbean Development Bank. Data are not available for per capita GDP growth. See appendix D for sources and definitions.

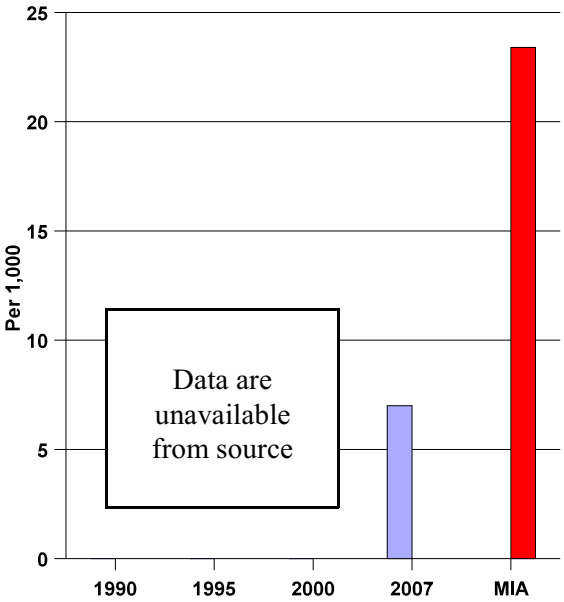
[1] See chap 2. for cross-country comparisons.

Montserrat: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2007)	10	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2007	79	70
Literacy rate, total (%)	na	90
Population with access to improved sanitation facilities (%, 2004)	96	62
Population with access to improved water source (%, 2004)	100	83

Source: CIA World Factbook; UN, UN Statistics Division. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Montserrat: Under-5 mortality rate



Source: CIA, The World Factbook. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Montserrat is a small, open economy. Much of the island was devastated and two-thirds of the population fled abroad because of the eruption of the Soufrière Hills Volcano that began in July 1995. As a result, Montserrat has become heavily dependent on international assistance for nearly 13 years. The estimated 2007 population of Montserrat was 9,500 individuals, with an additional 8,000 refugees abroad who fled the volcanic eruption (some of whom have since returned). The remaining population has resettled on the less developed northern side of the island.

Volcanic activity in the south of the island destroyed or buried under volcanic lava and ash key elements of Montserrat's economic infrastructure, including most of the country's road system. Plymouth, Montserrat's capital city, was destroyed by lava flows in 1997 along with its adjacent port and airport. The southern half of the island is expected to remain uninhabitable for another decade and is designated as an "exclusion zone" off-limits to all except scientific monitoring and national security personnel. A "maritime exclusion zone" extends 4 kilometers offshore around the southern part of the island because of the danger of pyroclastic flows reaching the sea. Major volcanic activity in May 2006 resulted in collapse of the lava dome and heavy ashfall, resulting in new damage to Montserrat's economic infrastructure. The volcano remains active and reportedly has a high probability of another major eruption in the future. The most recent significant increase in volcanic activity occurred in January–February 2007.

The available social indicators for Montserrat are comparable with or exceed middle-income averages, though poverty remains a significant problem for the island. The lack of housing is a major factor limiting the return of the population and resumption of normal economic activity on the island. Many of the individuals who remained on the island became dependent on the government for economic assistance. An estimated 70 percent of the homes on Montserrat were destroyed or are uninhabitable as a result of the volcanic activity; certain portions of the island have been opened for resettlement, although residents are warned to be prepared to evacuate at short notice. Housing is to receive 50 percent of the government's budgeted public spending during the period 2006–08. The small size of Montserrat's population is a major

constraint to the country's future economic development. Montserrat faces acute shortages of skilled workers in almost all social and economic sectors. Moreover, the small population size restricts the government's ability to raise revenue. Approximately 95 percent of Montserrat's $77 million 2006–08 public sector development program is being provided by grants from the United Kingdom, the EU, and Canada, with the government of Montserrat funding the remainder.

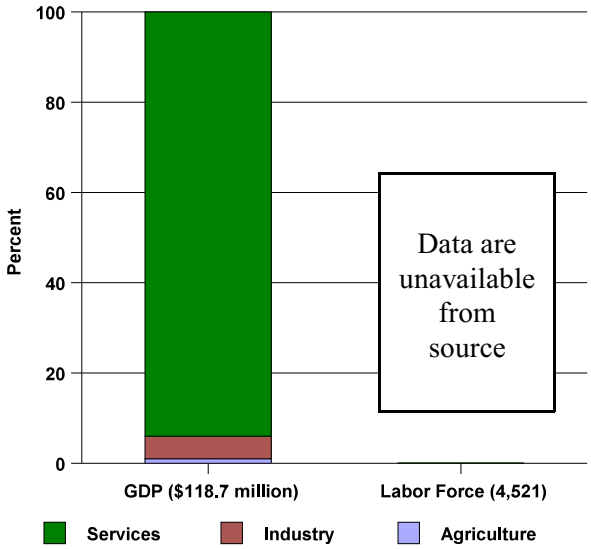
Domestic Economy

Montserrat: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	3.3	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP)	na	25
Agricultural land (% of land area)	na	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people, 2006)	825	587
Number of ports and terminals, 2007	0	na
Paved roads (% of total, 2006)	0	na
Category 1 and 2 airports, 2007	0	na

Source: CDB Annual Economic Review 2006 and CIA World Factbook.. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Montserrat: Output and employment by sector



Source: CDB Annual Economic Review 2006. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2006 data. Labor force based on 2000 estimate; labor force composition data unavailable.

Montserrat's economy contracted by 3.1 percent in 2006 following two years of economic expansion related to postvolcano reconstruction. Services account for 94 percent of Montserrat's GDP, manufacturing and mining 5 percent, and agriculture 1 percent. The 2006 economic decline was a result of volcanic activity, which caused construction delays for several major projects and a sharp decline in tourist visits. Montserrat traditionally has been primarily a tourism-based, services-oriented economy. Ongoing volcanic activity, however, continues to significantly limit tourism prospects. Between 1997 and 2005, Montserrat was only accessible by helicopter or boat. A new airport in the north of the island was completed in 2005 serving small interisland aircraft, but has not fully addressed Montserrat's interisland transportation needs. Total visitor arrivals fell from 13,085 in 2005 to 9,500 in 2006, in part as a result of limited air connections and the cessation of the government-subsidized ferry service to Antigua. Ferry service was terminated in mid-2005, and the government of Montserrat has been unable to resume its funding or to find a private operator willing to take on such a low-revenue operation. The government of Montserrat has launched a program to strengthen the country's tourism and hospitality infrastructure and to raise the island's profile in the luxury tourism niche that includes yachting.

In recent years, the main economic activity on Montserrat has been construction. Montserrat's economy and infrastructure are being rebuilt, including a new small airport that opened in 2005, the single largest project undertaken since the population relocated to the northern part of the island. The construction activity contracted by 5 percent during 2006 mainly as a result of a slowdown in activity caused by the delay in the start of several public works projects as a result of renewed volcanic activity. Montserrat issues work permits to immigrant workers from other CARICOM countries to alleviate its shortage of labor.

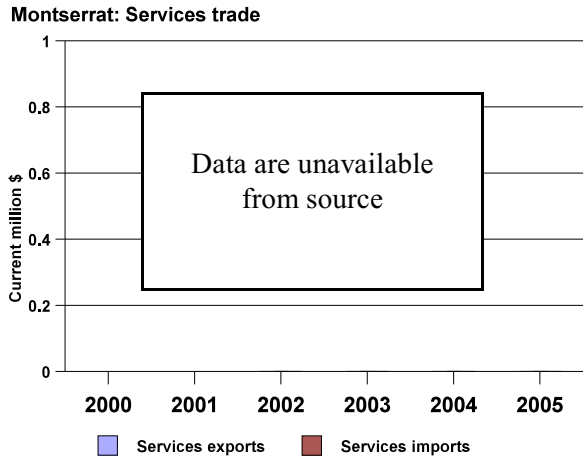
Increased economic activity in Montserrat is attributable to increases in earnings in the mining sector. Volcanic activity on the island has produced millions of cubic meters of sand, ash, pumice, and aggregate that potentially can be harvested and exported to markets such as Anguilla, Antigua and Barbuda, Trinidad and Tobago, and the U.S. Virgin Islands. Mining activity on Montserrat reportedly increased sevenfold between 2005 and 2006. Montserrat has a small manufacturing sector. The main manufacturing activities involve baking, furniture manufacturing, concrete block making, and craft production. Officials are discussing the feasibility of establishing a facility to manufacture roof tiles from volcanic ash.

Montserrat's agricultural, fishing, and livestock sector has been devastated by volcanic and seismic activity, loss of labor force, and loss of transportation infrastructure. In the past, Montserrat's farmers grew limes, bananas, vegetables, and cotton. Montserrat exported small amounts of vegetables and fruits to neighboring islands. In general, however, agriculture is declining in Montserrat and, according to one estimate, only 20 farmers were consistent producers even before the volcanic activity. Montserrat also has produced livestock for domestic use and export. Fish and other seafood also were exported. Agricultural production has resettled in the north of the island, where plots of land for crop production are smaller and less fertile, and fishing grounds not as productive. Despite the May 2006 ashfall, agricultural output (crops and fishing) expanded by 60 percent, while livestock output declined by nearly 30 percent.

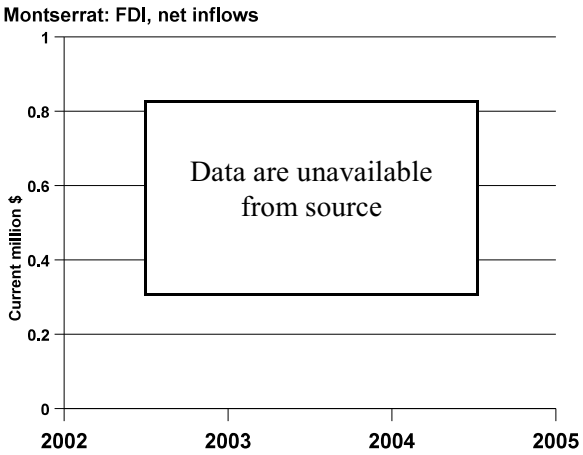
International Integration[2]

Source: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[2] See chap. 2 for country membership in international and regional institutions.

Montserrat: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	4.1
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	0.0
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2005)	37.6
Imports of goods and services (% relative to GDP, 2005)	104.5
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.353
Number of products exported (world value = 260, calculated at 3-digit SITC level)	55
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	na
Agricultural goods	na
Non-agricultural goods	na
Official development assistance ($ million, 2005)	na
Total debt service (% of exports of goods, services, and income, 2004)	0.3

Source: CDB Annual Review 2006; DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Montserrat's exports to the United States represent less than 5 percent of its total exports. Montserrat is eligible for preferential access to the U.S. market under the original CBERA and GSP programs, but not CBTPA. In 2007, the value of U.S. imports from Montserrat was $559,000, of which none entered under the CBERA program. The main products exported to the United States included printing machinery, carpets, and floor coverings. Montserrat's CBERA utilization rate was 0.0 percent. In 2007, Montserrat's imports from the United States were valued at $4.0 billion. The main products imported from the United States included mechanical shovels and excavators, trailer parts, and parts for electrical motors and generators.

Montserrat's total goods and services trade was more than 140 percent relative to GDP in 2005. Exports remain a relatively small component of the economy, while the island is highly reliant on imported supplies and construction equipment. Montserrat is highly dependent on international assistance, with the United Kingdom and Canada as its main aid donors. The lack of transportation linkages with neighboring islands constrains Montserrat's ability to integrate with the global economy. Foreign investment in Montserrat is minimal. Montserrat maintained a merchandise trade deficit between 2000 and 2006. Its main export products include electronic components, plastic bags, apparel, hot peppers, limes, and live plants. Its main export markets are the United States and neighboring Antigua and Barbuda. Its main import products are machinery and transportation equipment, food products, manufactured goods, and fuels and its main import suppliers are the United States, the United Kingdom, Trinidad and Tobago, and Japan. As a member of the OECS and part of the Eastern Caribbean Currency Union, Montserrat pegs its currency to the U.S. dollar.

Sources

Caribbean Development Bank. "Montserrat." *CDB Annual Economic Review 2006*, *http://www.caribank.org*.

CIA. "The World Factbook: Montserrat." December 13, 2007, *www.cia.gov*.

Commonwealth Secretariat, United Kingdom. "Montserrat." *http://www.thecommonwealth.org/YearbookInternal/140416/140427/montserrat/*.

Federal Research Division of the Library of Congress, Country Studies/Area Handbook Program. "British Virgin Islands, Anguilla and Montserrat–Economy." *http://www.country-studies.com/caribbean-islands/british-virgin-islands,-anguilla-and-montserrat---economy.html* (accessed February 2008).

Government of Montserrat, Governor's Office. "Government of Montserrat Outlines its Import Duty Exemption Policy." *The Montserrat Newsletter*, May 2007. *http://www.montserrat-newsletter.com/archives/indexmay07.htm* (accessed February 2008).

Government of Montserrat. "2007 Budget Speech." *http://www.devunit.gov.ms/budget/2007/BUDGET_SPEECH_2007.pdf* (accessed February 2008).

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

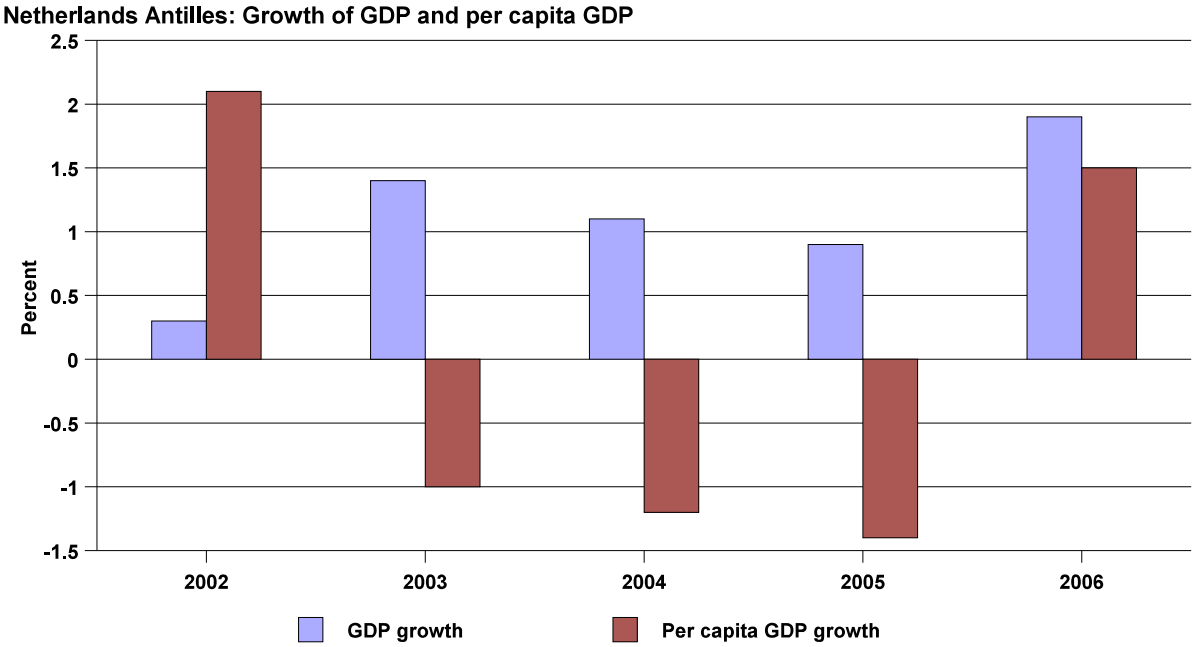
NETHERLANDS ANTILLES

Economic and Social Development[1]

Netherlands Antilles: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	2,400	2,450	2,800	na	na	298,351
GDP p.c., purchasing power parity ($)	11,400	11,400	16,000	na	na	8,059
Remittances (% of GDP)	na	na	na	na	na	1.5

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions

Note: na = "not available"; p.c. = per capita.



Sources: IMF, Netherlands Antilles: 2005 Article IV Consultation (staff calculations). See appendix D for sources and definitions.

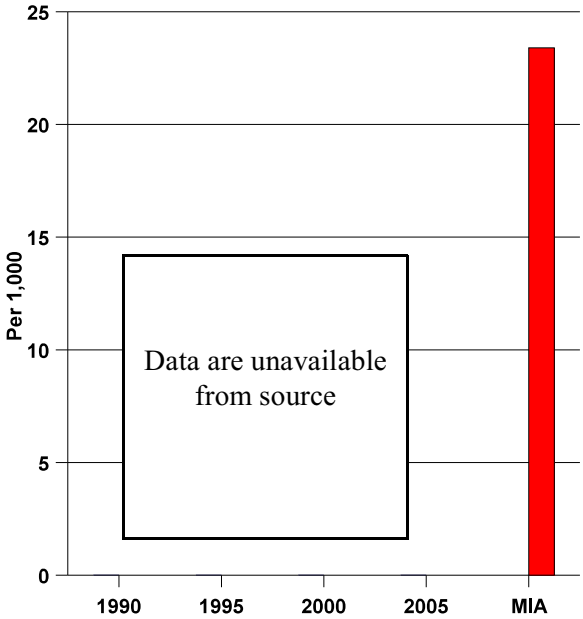
[1] See chap. 2 for cross-country comparisons.

Netherlands Antilles: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	184	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	76	70
Literacy rate, total (%, 2003)	97	90
Population with access to improved sanitation facilities (%)	na	62
Population with access to improved water source (%)	na	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Netherlands Antilles: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Classified by the World Bank as a high-income economy, the Netherlands Antilles is a small, open economy and a separate, autonomous member of the Kingdom of the Netherlands. Although it has a population of less than 200,000, its services-oriented economy supports a relatively high GDP per capita of $16,000, twice that of the middle-income average. The Netherlands Antilles consists of five islands: Curacao, Bonaire, St. Maarten, Saba, and St. Eustatius; more than 70 percent of the population is on Curacao.[2] Although two of the islands are south of the Caribbean hurricane belt (Curacao and Bonaire), three are subject to hurricanes from July to October, which has contributed to economic contraction.

The Netherlands Antilles economy depends on tourism, oil refining, and offshore financial services. Recent economic growth has been weak, and the IMF attributes this lackluster performance to inflexible labor markets, widespread state ownership and interference in commercial activities, and insufficient investment in infrastructure and human capital. As a result, per capita GDP has declined in recent years, though it remains higher than the middle-income economy average.

High deficits resulting from costly provision of infrastructure and services and damage from natural disasters in recent years have driven rising debt ratios. In addition, increasing pension and health care costs, income support, and interest payments have contributed to an increase in estimated public debt from 64 percent relative to GDP in 2000 to more than 85 percent in 2005.

Social development in the Netherlands Antilles is considered relatively advanced. Compared to the middle-income economy average, the Netherlands Antilles has a higher literacy rate and life expectancy. Nevertheless, the IMF 2005 Article IV consultation report noted that poverty alleviation remains a concern

[2] As of December 15, 2008, the Netherlands Antilles is to cease to exist as a political entity. Curacao and St. Maarten are to become separate and independent countries, while Bonaire, St. Eustatius, and Saba will become special status municipalities within the Netherlands.

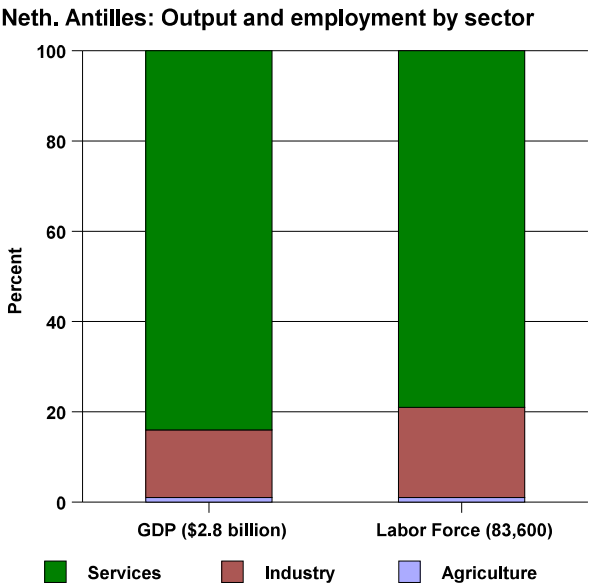
for the government. The declining tourism industry has continued to contribute to declining levels of overall employment. Despite relatively high levels of emigration to the Netherlands (an estimated 12 percent of the population emigrated between 1998 and 2001), unemployment remains relatively high at approximately 15 percent. The government of the Netherlands provides the country with substantial development aid.

Domestic Economy

Netherlands Antilles: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	3.1	4.3
Labor force participation rate, total (%, 2006)	65	73
Gross fixed capital formation (% of GDP)	na	25
Agricultural land (% of land area, 2003)	10	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people)	na	587
Number of ports and terminals	4	na
Paved roads (% of total)	na	na
Category 1 and 2 airports, 2007	2	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition data based on 2000 estimate; GDP based on 2004 estimate; labor force data based on 2005 data; labor force composition data based on 2005 estimate.

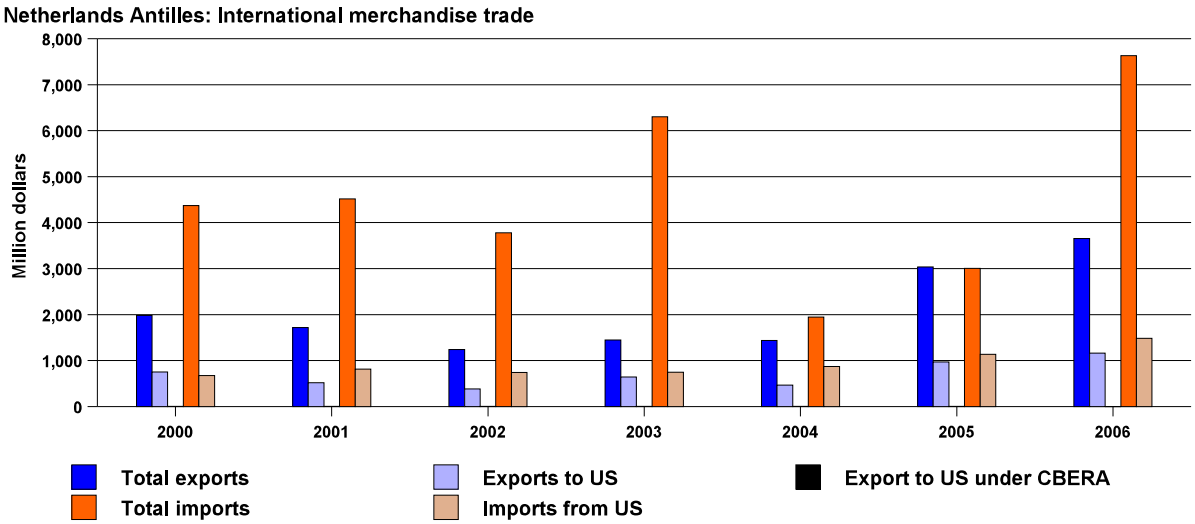
The services sector contributes approximately 85 percent to GDP, with the industrial sector contributing most of the remainder. The agricultural sector constitutes a small percentage of GDP. The Netherlands Antilles' economy is dominated by tourism, petroleum refining, petroleum transshipment facilities and services, and offshore financial services. Expansion of the tourism industry has supported increased construction and retail activities. Although the majority of tourists come from Europe, recent charter flight connections with Boston, Chicago, and Toronto have increased the number of tourists from the United States and Canada.

The country's oil refineries service the Venezuelan oil fields. Aside from oil refining, the manufacturing sector is small. Light manufacturing industries include paper, plastics, textiles, brewery, and salt. The main agricultural products produced are aloes, sorghum, peanuts, vegetables, and tropical fruit, which are primarily consumed domestically. Further development of the agricultural sector is hampered by poor soil, limited arable land, and inadequate water supplies. Consequently, agriculture and fishing contribute minimally to GDP. The few natural resources include phosphates and salt.

Compared with other countries in the region, the Netherlands Antilles has a relatively well-developed infrastructure. The port of Curacao is considered one of the largest natural ports in the world, and its shipping

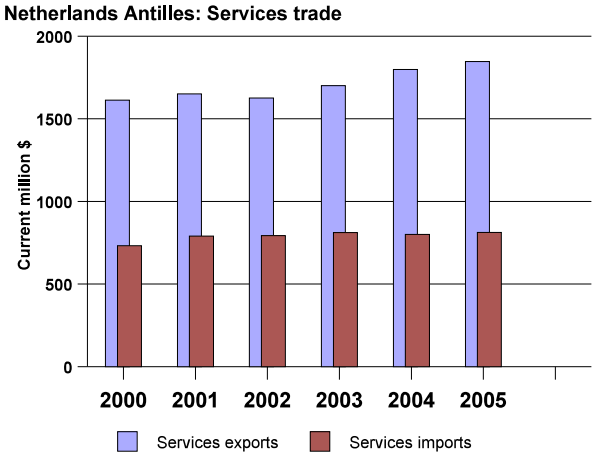
services industry is an important source of foreign exchange earnings. Liberalization of the telecommunications sector has contributed to decreased prices. The IMF identified the need for greater labor market flexibility and increased foreign investment as necessary for improved economic competitiveness.

International Integration[3]

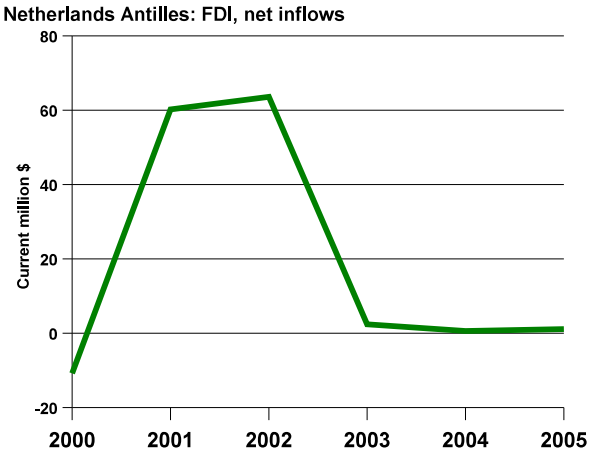


Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

Netherlands Antilles: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	30.2
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	0.5
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP)	na
Imports of goods and services (% relative to GDP)	na
Export concentration indicators, 2004	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.715
Number of products exported (world value = 260, calculated at 3-digit SITC level)	148
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	na
Agricultural goods	na
Non-agricultural goods	na
Official development assistance ($ million, 2004)	21.3
Total debt service (% of exports of goods, services, and income)	na
Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS (partner data). See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; na="not available."	

The Netherlands Antilles' exports to the United States represent approximately 30 percent of its total exports. The Netherlands Antilles is eligible for preferential access to the U.S. market under the original CBI, but not GSP or CBTPA. In 2007, U.S. imports from the Netherlands Antilles were $738 million, of which almost $4 million were under the CBERA program. The main products exported to the United States were petroleum and energy-related products, representing more than 70 percent of total exports to the United States. The Netherlands Antilles' CBERA utilization rate is very small, at 0.5 percent, and the main products exported under the CBERA program include various types of electrical machinery and parts, and chemicals. In 2007, the value of the Netherlands Antilles' imports from the United States was $1.9 billion. The main products imported from the United States include petroleum (representing almost 45 percent), chemicals, and various types of machinery, motor vehicles, and related products.

Given the importance of international tourism, petroleum refining, and shipping services, the level of goods and services trade relative to GDP is relatively high. The Netherlands Antilles experienced merchandise trade deficits between 2000 and 2006, with a very small surplus in 2005. The Netherlands Antilles' major export commodities are petroleum products, and its main export markets are the United States, Panama, Mexico, Germany, Haiti, Singapore, and The Bahamas. The Netherlands Antilles' main import products are crude petroleum for processing, food, and manufactures (machinery and electrical equipment). Its main import sources are Venezuela, the United States, and Italy. The country has free trade zones (e-zones) located at the harbor at Curacao, the international airport, and the industrial park, which serve as a distribution and e-commerce center for exports.

The Netherlands Antilles has experienced a steady and large services trade surplus, driven largely by tourism. After a large increase between 2000 and 2002, net FDI inflows decreased sharply in 2003 and remained steady between 2004 and 2005. Private investment has been driven by expansion of the tourism sector and related infrastructure and construction activities, such as construction of large hotel complexes. The

Netherlands is a major source of FDI. The Netherlands Antilles' currency, the guilder, is pegged to the U.S. dollar.

Sources

Caribbean-Central American Action. "Netherlands Antilles," *Caribbean-Central America Profile 2008*. JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

CIA. "The World Factbook: Netherlands Antilles." December 13, 2007. *www.cia.gov.*

Deloitte. "Netherlands Antilles Snapshot." *Deloitte International Tax and Business Guides*. April 2006. *www.deloittetaxguides.com*.

Economic Commission for Latin America and the Caribbean. "The Netherlands Antilles: Trade and Integration with CARICOM." December 21, 2001. LC/CAR/G.681.

EIU. *Country Profile 2007: Netherlands Antilles*. 2007. *www.eiu.com*.

IMF. *Kingdom of the Netherlands—Netherlands Antilles: 2005 Article IV Consultation—Staff Report*. IMF Country Report No. 06/116, March 2006.

———. *Kingdom of the Netherlands—Netherlands Antilles: Selected Issues and Statistical Appendix*. IMF Country Report No. 06/117, March 2006.

Kingdom of the Netherlands. "Agreement on Division of Netherlands Antilles." February 13, 2007. *www.government.nl*.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2007. *www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file373_13752.pdf*.

U.S. Department of State. "Background Note: Netherlands Antilles," January 2008. *www.state.gov*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov*. (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*, *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

PANAMA

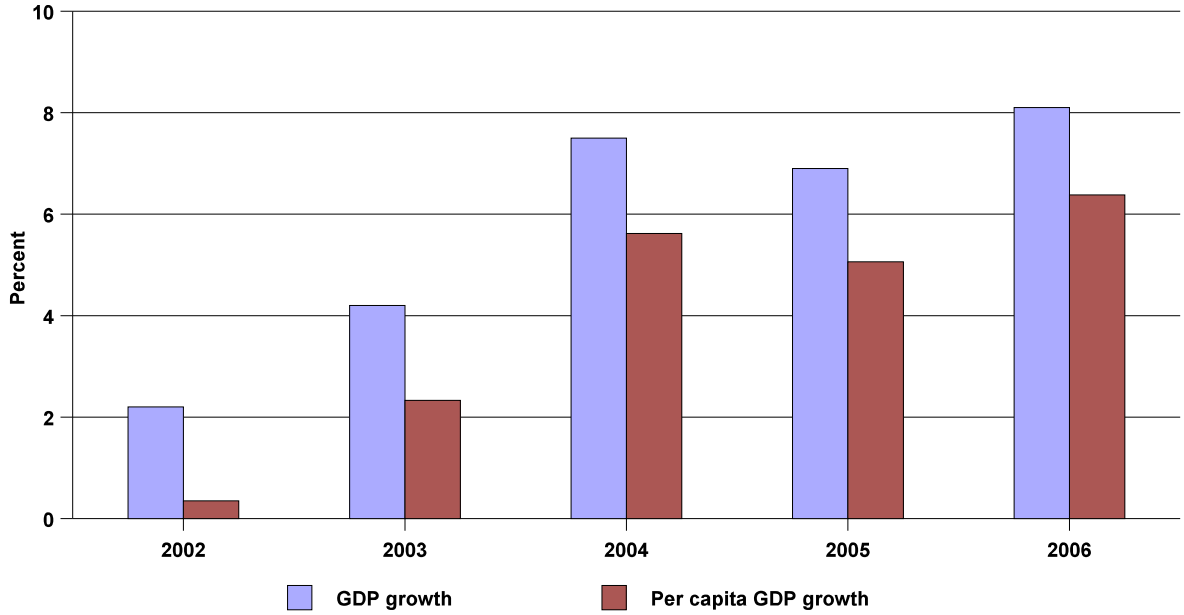
Economic and Social Development[1]

Panama: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	19,116	20,325	22,427	24,701	27,489	298,351
GDP p.c., purchasing power parity ($)	6,241	6,516	7,063	7,644	8,369	8,059
Remittances (% of GDP)	0.7	0.7	0.7	0.8	0.9	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.

Panama: Growth of GDP and per capita GDP



Source: World Development Indicators. See appendix D for sources and definitions.

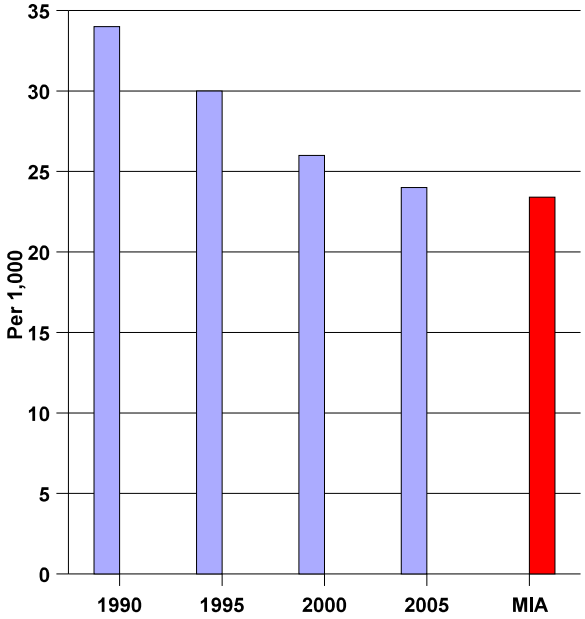
[1] See chap. 2 for cross-country comparisons.

Panama: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	3,284	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population, 2003)	7	na
Life expectancy at birth, 2005	75	70
Literacy rate, total (%, 2000)	92	90
Population with access to improved sanitation facilities (%, 2004)	73	62
Population with access to improved water source (%, 2004)	90	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Panama: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

The World Bank classifies Panama as an upper-middle-income economy. Panama has experienced an economic boom in recent years, making it one of the fastest-growing economies in the region. A recent Inter-American Development Bank report characterized Panama's economy as having a dual structure that "is divided between a modern, dynamic, competitive sector based on exportable services which is integrated into the international economy, but which has little connection to the national economy, and a production sector oriented toward agricultural or industrial activities that are not internationally competitive and that cater primarily to the domestic market."

Panama's dollarized[2] economy is heavily based on a well-developed services sector, which represents more than three-fourths of GDP. The main drivers of Panama's recent economic growth have been capital investment, port activity, tourism, construction, and other export-oriented services. In addition, growth of the services sector has substantially outpaced other sectors of the economy. The Panama Canal is considered the country's greatest economic asset, with associated activities accounting for approximately 20 percent of GDP, 40 percent of exports, and 30 percent of fiscal revenue. Public debt relative to GDP has declined, but remains high at approximately 60 percent.

Overall, Panama's social indicators are comparable to those of other countries in the region. Panama ranked 62nd out of 177 countries in the United Nations 2007–08 human development index,[3] placing Panama in the "high human development" category. Although Panama's literacy rate is more than 90 percent for the population as a whole, it is estimated to be only 65 percent for the indigenous population.

[2] In Panama, the U.S. dollar serves as legal tender and is used as local currency.

[3] See app. D for a definition of the human development index.

In spite of its classification as an upper-middle-income country, Panama has significant educational disparities, poverty, and income inequality. Infant mortality rates, access to drinking water, and other social indicators differ substantially between urban and rural areas, with rural areas lagging behind. Although Panama has the highest GDP per capita in Central America and relatively high per-capita social spending, about 40 percent of the population lives in poverty, and approximately 10 percent in extreme poverty. An estimated 90 percent of the population in indigenous areas lives in extreme poverty. According to the World Bank, these income disparities are driven by the gaps in international competitiveness and productivity between the services sector on one hand and the agricultural and manufacturing sectors on the other hand.

Most of the population, approximately 60 percent, is concentrated in urban areas, where unemployment rates are generally higher. This high structural unemployment rate is a result of the dominance of the capital-intensive services sector (e.g., canal services). Panama suffers from a shortage of skilled labor, particularly English-speaking workers, but an oversupply of unskilled labor. The Panama Canal, the free trade zone, and the international banking subsectors generate relatively little employment in comparison with their contribution to GDP. High levels of unemployment have led to expansion of the informal sector; a 2006 household survey estimated that one-half of nonagricultural workers were employed on an informal basis. Recent economic growth has, however, improved the employment situation. Unemployment declined from approximately 13 percent in 2003 to less than 9 percent in 2006, although underemployment has been estimated in excess of 20 percent.

In 2004 and 2005, the government launched a wide range of programs focusing on low-income groups and communities, including efforts to increase education and training, to reduce child malnutrition, to expand low- and moderate-income housing, and to assist the indigenous population in accessing social services.

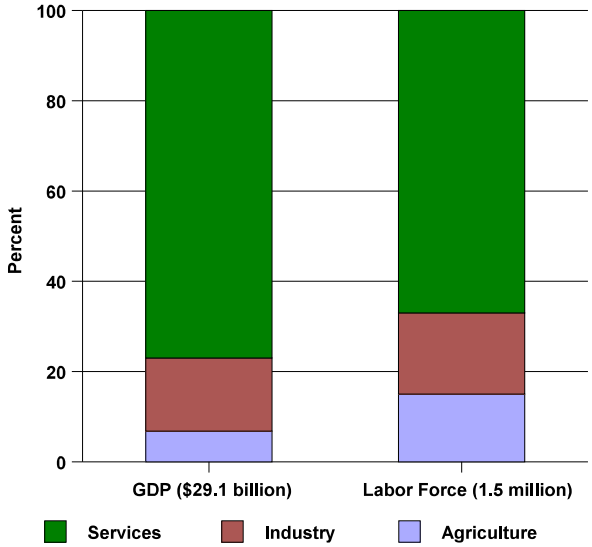
Domestic Economy

Panama: Selected domestic economy indicators

	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	3.3	4.3
Labor force participation rate, total (%, 2006)	69	73
Gross fixed capital formation (% of GDP, 2006)	18	25
Agricultural land (% of land area, 2003)	30	35
Irrigated land (% of cropland, 2003)	6	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	555	587
Number of ports and terminals	3	na
Paved roads (% of total, 2000)	35	na
Category 1 and 2 airports, 2007	2	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.
Note: MRY=most recent year for which data are available; na = "not available."

Panama: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP, GDP composition, and labor data based on 2007 estimates; labor force composition based on 2006 estimate.

The services sector contributes more than 75 percent to Panama's GDP. The industrial sector accounts for approximately 15 percent of GDP, and the agricultural sector accounts for less than 10 percent. The services sector is also the largest source of formal employment. Services-related activities include Panama Canal operations, banking, the Colon Free Zone, insurance, container ports, flagship registry, tourism, and medical and health care services. In October 2006, the Panamanian people approved plans to expand the Panama Canal, which will be funded in part by public debt. The $5.25 billion expansion, expected to be completed in 2014–15, will allow the canal to accommodate larger ships and could potentially double the canal's capacity. Although the government has been promoting the tourism sector, expansion of the sector has been hindered by lack of adequate infrastructure. Nevertheless, Panama has witnessed an increase in tourists as its popularity as a retirement destination has increased.

The manufacturing sector is relatively small. The main manufacturing sectors are agro-industrial (e.g., sugar, coffee, milk, tomatoes, and brewing). Light manufacturing activities include clothing, household goods, chemicals, cement and other construction materials, and paper products. Relatively high labor costs hamper development of labor-intensive, export-oriented manufacturing activities such as a garment industry.

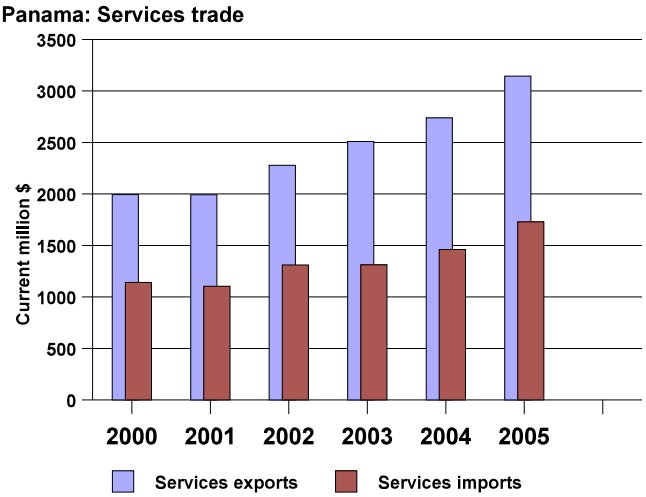
The agricultural sector, including livestock and fisheries, contributes very little to GDP, but employs between 15 and 20 percent of the labor force. The main agricultural products are tropical fruit and bananas, rice, corn, coffee, sugarcane, vegetables, livestock (bovine cattle, goats, swine), poultry, and shrimp. Banana production has declined as a result of increasing competition from more productive producers in the region. Traditional subsectors, such as bananas and coffee, tend to suffer from low productivity and declining international competitiveness, whereas emerging agricultural industries, such as melons, pineapple, and livestock, tend to exhibit higher levels of productivity and international competitiveness. Recent increases in agricultural output have been driven by these nontraditional sectors. The export of tuna and shrimp is also an important part of the sector. Natural resources include copper, mahogany forests, shrimp, and hydropower. Although there has been relatively little development of copper and gold deposits, recent record commodity prices have contributed to increased interest in developing these sectors.

Panama's domestic and international telecommunications facilities are well developed, and it is considered to have the highest level of communications infrastructure in Central and South America, including the Caribbean. Tocumen International Airport is the main airport and serves as a regional hub. It is also the largest center for express freight operators in Central America. In July 2004, the airport received a $70 million to upgrade its facilities (box 4.5).

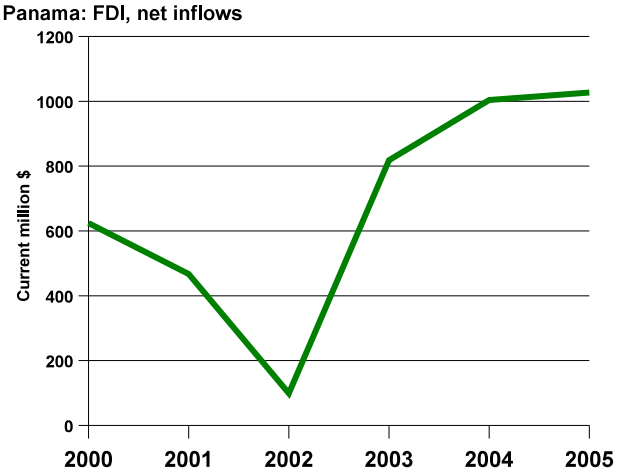
International Integration[4]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on partner countries' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[4] See chap. 2 for country membership in international and regional institutions.

Panama: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	39.0
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	10.0
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	24.2
Exports of goods and services (% relative to GDP, 2006)	73
Imports of goods and services (% relative to GDP, 2006)	71
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.384
Number of products exported (world value = 260, calculated at 3-digit SITC level)	75
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	7.3
Agricultural goods	13.6
Non-agricultural goods	6.4
Official development assistance ($ million, 2005)	20
Total debt service (% of exports of goods, services and income, 2005)	17
Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; na = "not available."	

Panama's exports to the United States represent 39 percent of its total exports. Panama is eligible for preferential access to the U.S. market under the original CBI, CBTPA, and GSP. In 2007, the value of U.S. imports from Panama was $386 million, of which $39 million was under the CBERA program. Panama's CBERA utilization rate in 2007 was 10 percent. The main products exported to the United States include crustaceans and fish, petroleum, sugar, gold, and metal. The main products exported under the CBERA program were sugar, fruits and vegetables, and water. In 2007, the value of Panama's imports from the United States was $3.5 billion. The main products imported from the United States were petroleum products, medicine, corn, motor vehicles, and various types of machinery and parts. On June 28, 2007, Panama and the United States signed an FTA, the U.S.-Panama Trade Promotion Agreement.[5]

International trade plays an important role in Panama, as total goods and services trade exceeds 140 percent relative to GDP. The high levels of trade are, in part, a result of the Colon Free Trade Zone and related shipping services activities. It is the largest free trade zone in the Western Hemisphere, accounting for more than 90 percent of Panama's exports and more than 60 percent of Panama's imports. Panama has experienced increasing merchandise trade deficits in recent years. Panama's main export commodities include bananas, sugar, shrimp, coffee, and apparel. Its main export markets include the United States, the Netherlands Antilles, Costa Rica, and Japan. Its main imports include capital goods, foodstuffs, consumer goods, and chemicals. Its main import sources are the United States, the Netherlands Antilles, Costa Rica, and Japan.

[5] The Panamanian government approved the agreement in July 2007. As of April 7, 2008, the U.S.-Panama Trade Promotion Agreement had not been submitted by President Bush to Congress for approval. For more information, see United States Trade Representatives's Office, "United States and Panama Sign Trade Promotion Agreement," Press Release, June 6, 2007, *www.ustr.gov.* Were this agreement to become law, Panama would no longer be covered under CBERA. For more information on the potential effects of this FTA, see USITC, *U.S.-Panama Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects*, Publication 3948, September 2007.

Panama maintains a large services trade surplus, which has been increasing in recent years. Services exports include Canal-related revenue, ship services, transport and storage services, tourism, banking services, and offshore banking. Panama has become an important regional base for container shipping services and has also developed a large offshore banking sector, in part due to its dollarized economy. Panama also has an open registry shipping fleet, which is the largest in the world and from which it derives services revenues.

Panama is one of the leading FDI destinations in the region, and the United States is a main source of Panama's total foreign investment. Investment in Panama, which has targeted the Panama Canal Zone, the free trade zones, and the international banking center, has increased in recent years, driven in part by increased interest in expansion of the Panama Canal and expansion of the banking sector. It is estimated that more than 50 percent of FDI in 2006 went into the banking sector. Other important FDI recipient sectors include wholesale trade and public services.

Box 4.5 Airline industry in Panama: International partnerships and strategic investments

Copa Airlines is an international airline positioning itself to capture much of the future growth in Latin American air traffic. It began operating in 1947 as the national flag carrier of Panama, and now concentrates on international services within the region and to the United States. Panama is an ideal location for an airline: it is the midpoint of the Americas and its Tocumen International Airport (which recently underwent a government-funded $70 million expansion) is subject to few weather restrictions. Copa won the SkyTrax award for best airline in the region and was listed among the 25 best employers in Latin America in 2004. In late 2005, it had a successful initial public offering on the New York Stock Exchange, with shares rising 37 percent in the first week of trading. In 2006, Copa reported record net earnings of $134 million, a 61 percent increase from 2005, making it the top-performing carrier among airlines with annual revenues of less than $1 billion. In 2007, the company was expected to report a 20 percent operating margin, among the top percentages for all airlines.[1]

One factor in Copa's success was its 1998 strategic alliance with Continental Airlines, in which Continental acquired a 49 percent stake in Copa. This alliance offered important benefits for Copa, including economies of scale in purchases of aircraft, aviation insurance, and fuel; efficiency gains from standardizing policies and procedures (including flight code sharing); Copa passengers' participation in Continental's frequent flier benefits; and Copa's adoption of Continental's software for revenue management, flight profitability, maintenance planning, and sales management. Copa is also an associate member of SkyTeam, the second-largest global airline alliance. These partnerships have integrated Copa into a global airline network and consolidated its status as an industry leader in the Caribbean region.

Copa's fleet investments have also benefitted its expansion strategy. In the 1980s, Copa began upgrading to Boeing 737 aircrafts, which have low maintenance costs, a relatively long lifespan, and a capacity of 150 passengers, a good size for hub-based Central American markets with low population density. In 1999, Copa renewed its fleet by acquiring 12 Boeing 737-700s; their higher fuel efficiency and longer range allowed Copa to initiate nonstop flights to Buenos Aires, Santiago, and São Paulo. In 2006, Copa began taking delivery of Embraer 190 Advanced Range aircrafts. These smaller aircraft provided more flexibility in flight routes and frequencies, improving Copa's ability to adjust quickly to fluctuations in customer demand. These investments helped Copa achieve an impressive 87 percent on-time performance and 74 percent average load factor (the available seating capacity filled by passengers) in 2007.

Sources: Anonymous. "Copa's Regional Niche Pays Off." *Business Latin America* 39, no. 40, 2004; Copa Airlines Web site. "Copa Air—Our History." *http://www.copaair.com/html/user/default.aspx?PageId=1&lang=en* (accessed February 6, 2008); Lennane, Alex. "The Legacy Low Cost Carrier." *Airfinance Journal* 289, 2006; Lima, Edvaldo Pereira. "Copa's Continental Aspirations." *Air Transport World* 36, no. 11, 1999;
Michels, Jennifer. "Copa On Top." *Aviation Week and Space Technology* 167, no. 3, 2007.

[1] Operating margins are a common measure of a company's health and efficiency.

Sources

Caribbean-Central American Action. "Panama." *Caribbean-Central America Profile 2008*, JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

CIA. "The World Factbook: Panama," December 13, 2007. *www.cia.gov*.

EIU. *Country Profile 2007: Panama*, 2007. *www.eiu.com*.

IMF. *Panama: 2004 Article IV Consultation—Staff Report*. IMF Country Report No. 06/7, January 2006.

Inter-American Development Bank. "Panama—IDB: Country Strategy with Panama," October 2005. www.iadb.org.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2007.

———. "United States and Panama Sign Trade Promotion Agreement." Press Release, June 6, 2007. *www.ustr.gov*.

U.S. Agency for International Development. "Latin America and the Caribbean: Panama." *www.usaid.gov* (accessed January 14, 2008).

U.S. Department of State. "Background Note: Panama," November 2007. *www.state.gov*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. "Panama Country Brief," January 11, 2007. *www.worldbank.org*.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Policy Review, Report by the Secretariat, Panama, Revision*. December 3, 2007, WT/TPR/S/186/Rev.1.

———. *Trade Policy Review, Report by Panama, Revision*. WT/TPR/G/186/Rev.1, November 2, 2007.

———. *Trade Profiles 2007*. WTO Publications, 2007.

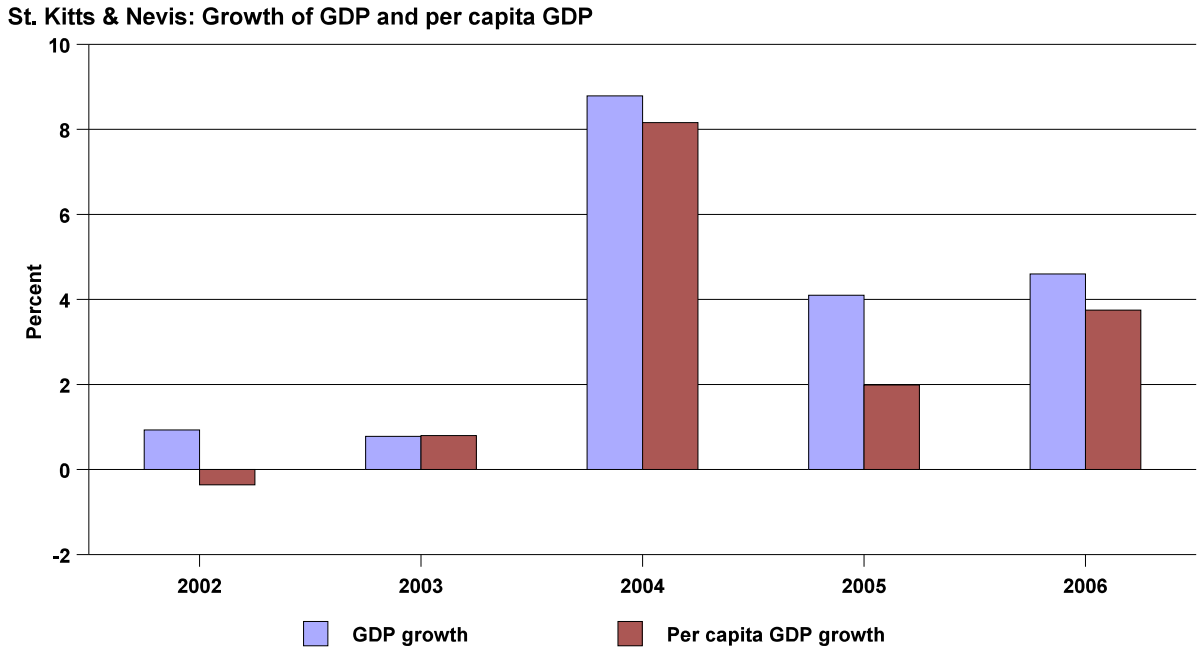
ST. KITTS & NEVIS

Economic and Social Development[1]

St. Kitts & Nevis: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	529	544	607	651	701	298,351
GDP p.c., purchasing power parity ($)	11,332	11,643	12,923	13,565	14,486	8,059
Remittances (% of GDP)	0.9	0.8	0.7	0.7	0.6	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

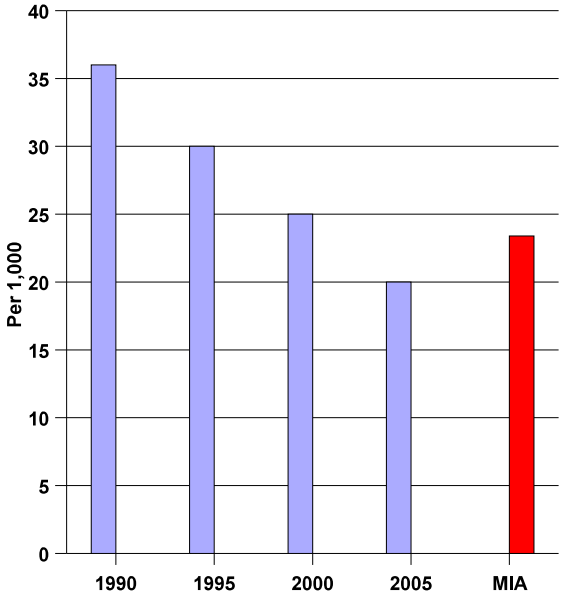
[1] For additional information provided by His Excellency Dr. Izben Cordinal Williams, Ambassador of St. Kitts and Nevis to the United States, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

St. Kitts & Nevis: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	48	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2002	71	70
Literacy rate, total (%, 2003)	98	90
Population with access to improved sanitation facilities (%, 2004)	95	62
Population with access to improved water source (%, 2004)	100	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Kitts & Nevis: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Classified by the World Bank as an upper-middle-income economy, St. Kitts and Nevis' per-capita GDP is one of the highest in the region and the second-highest among OECS countries. The two-island federation consists of two volcanic islands. Although the economy once depended substantially on sugar production and export, reform in EU preference programs and preference erosion have resulted in a closure of the state-run sugar company in 2005 after three centuries of sugar production. St. Kitts and Nevis is refocusing the economy on services, especially tourism. The government has increased diversification efforts to reduce the country's economic vulnerability; key sectors identified by the government for development include tourism, financial services, light manufacturing, agro-industries, and telecommunications, as well as agriculture, livestock, and fisheries.

Recent economic growth was driven by tourism and construction related to the Cricket World Cup. A very high debt level, approaching 200 percent relative to GDP in recent years (the highest debt-to-GDP ratio within CARICOM, and among the highest levels in the world), has hampered economic growth. The main factors contributing to the high debt levels are infrastructure restoration costs from a series of natural disasters, costs associated with the closure of the state-run sugar company, and the increasing costs of an aging population.

St. Kitts and Nevis ranked 54th out of 177 countries in the United Nations 2007–08 human development index,[2] placing St. Kitts and Nevis in the "high human development" category. The infant mortality rate has steadily declined since 1990. In addition, St. Kitts and Nevis has a high literacy rate, exceeding 95 percent, and good social indicators comparable to the rest of the region. Despite this high literacy rate, an IMF report finds that a shortage of skilled labor could constrain economic growth. Despite the relatively high per capita income, poverty remains a significant problem. A 2001 poverty assessment report found that approximately

[2] See app. D for a definition of the human development index.

30 percent of the population was "poor." It also noted that the population was primarily "working poor," lacking marketable skills. The poverty assessment report also found that a lack of education and functional illiteracy were major causes of poverty. In addition, a WTO report noted that although data on employment levels and wage rates are difficult to obtain, the informal sector is relatively large, estimated at as much as 24 percent of GDP.

The closure of the state-run sugar company has contributed to increased social development issues. The closure increased unemployment by approximately 1,500 workers, or 10 to 12 percent of the labor force. Unemployment rates have subsided to about 5 percent. The expanding tourism industry is a major source of employment and has absorbed some of the excess labor. The government has also implemented several retraining programs to provide the displaced workers with new skills and employment opportunities. In addition, the closure of the sugar company released a significant amount of land once devoted to sugar production.

Domestic Economy

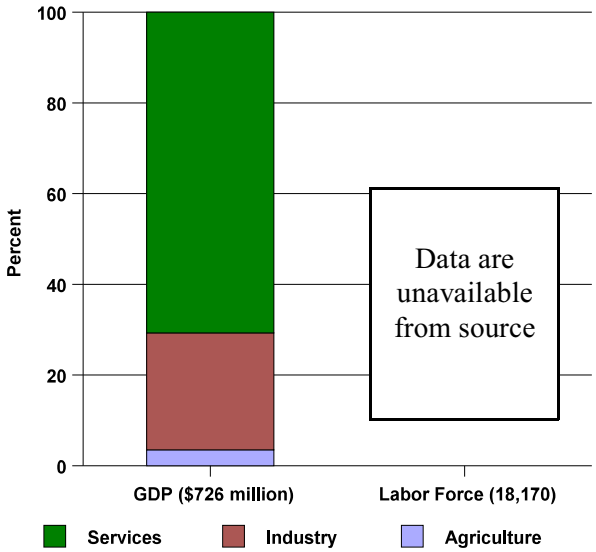
St. Kitts & Nevis: Selected domestic economy indicators

	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	1.8	4.3
Labor force participation rate, total (%)	na	73
Gross fixed capital formation (% of GDP, 2004)	43	25
Agricultural land (% of land area, 2003)	28	35
Irrigated land (% of cropland)	na	18
Fixed line and mobile phone subscribers (per 1,000 people, 2004)	745	587
Number of ports and terminals	3	na
Paved roads (% of total)	na	na
Category 1 and 2 airports, 2007	0	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Kitts & Nev.: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition data based on 2001 data; GDP based on 2006 estimate; labor force data based on 1995 data. Labor force composition data are unavailable.

The services sector contributes approximately 70 percent to GDP, followed by the industrial sector with more than 20 percent; the agricultural sector contributes less than 5 percent to GDP. The main industries are tourism, financial services, construction, clothing, footwear, beverages, and tobacco. The main services industries are tourism, banking and insurance, wholesale and retail trade, and transportation. The United States is the main source for tourist arrivals. Manufacturing's contribution to GDP has been fairly consistent in recent years; the manufacturing sector includes food processing (for example, beer, malt, rum, bottled water, and pasta) and light manufacturing (e.g., electrical and electronic components). Until 2005, when the

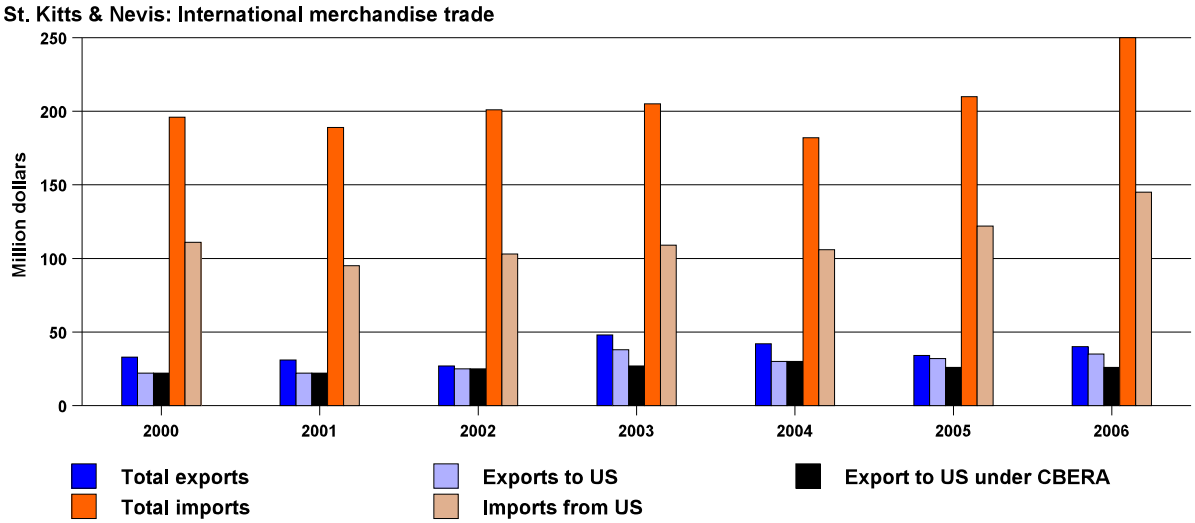
government closed the state-run sugar company, sugar was the mainstay of the domestic economy. The contribution of agriculture to GDP has declined in recent years, driven primarily by the closure of the sugar company. The main agricultural products are sugarcane, rice, yams, vegetables, bananas, cotton, peanuts, vegetables, and fish.

The government has embarked on a program to diversify the economy, with a particular focus on the agricultural sector (especially tropical fruits such as pineapples and papayas), tourism (especially high-end facilities), export-oriented manufacturing, information technology services, and offshore banking. The government is also promoting investment in agro-based industries such as rum distilling, beef and dairy products, confectionary, prepared and preserved fruits and vegetables, and fish processing. Recent telecommunications liberalization efforts are expected to support further expansion of the services sector, especially information-based services industries. Although St. Kitts and Nevis has almost no natural resources, an initial assessment of the potential for biofuel production has been undertaken. The conclusions reached in the initial assessment were "that under certain conditions both electricity generation and ethanol production for the local market would be feasible; . . . Saint Kitts and Nevis has been chosen to be one of the four Caribbean Basin countries that will be the initial focus of the US/Brazil Biofuels Partnership's outreach programme"; and the "Government of SKN has also agreed to support the development of a biofuels capability that will be based on a diversified sugar cane industry."[3]

St. Kitts and Nevis has two ports and terminals and two airports. The port in St. Kitts is a deep-harbor port that can accommodate cruise ships. Construction was recently completed on the port facility at Long Point (Nevis) to increase cargo handling and provide berthing for mini cruise ships. An upgrading of the airport was recently completed, allowing it to handle larger aircraft and more frequent flights; the government anticipates that the upgraded airport will contribute to increased tourism.

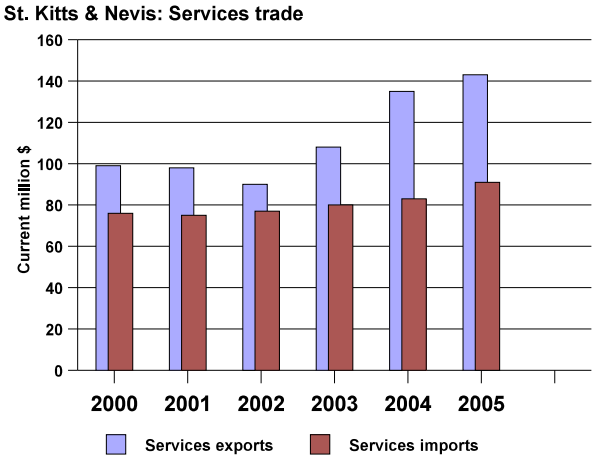
[3] Economic Commission for Latin America and the Caribbean, "Biofuels for St. Kits & Nevis (SKN)," http://www.eclac.org/drni/noticias/noticias/5/31365/St_Kitts_Nevis.pdf (accessed March 3, 2008).

International Integration[4]

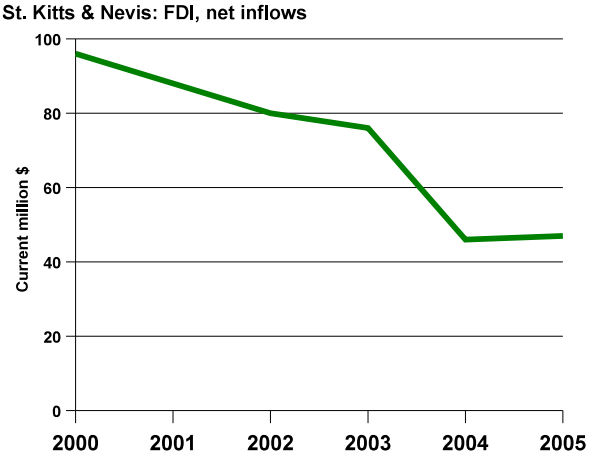


Sources: WITS; DataWeb. See appendix D for sources and definitions

Note: Values are based on St. Kitts & Nevis' data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[4] See chap. 2 for country membership in international and regional institutions.

St. Kitts & Nevis: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	88.5
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	30.9
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0.0
Exports of goods and services (% relative to GDP, 2004)	49
Imports of goods and services (% relative to GDP, 2004)	61
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.575
Number of products exported (world value = 260, calculated at 3-digit SITC level)	13
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	9.2
Agricultural goods	13.3
Non-agricultural goods	8.6
Official development assistance ($ million, 2005)	4
Total debt service (% of exports of goods, services, and income, 2005)	23

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Kitts and Nevis' exports to the United States represent more than 88 percent of its total exports. St. Kitts and Nevis is eligible for preferential access to the U.S. market under the original CBERA and GSP, but not CBTPA. In 2007, U.S. imports from St. Kitts and Nevis were approximately $57 million, of which $18 million was under the CBERA program. The main products exported to the United States include various machinery and parts (box 4.6). St. Kitts and Nevis' CBERA utilization rate was slightly more than 30 percent in 2007. The main exports under CBERA were electrical machinery and parts. In 2007, the value of St. Kitts and Nevis' imports from the United States was $103 million. The main products imported from the United States include machinery and parts, wood products, motor vehicles, and jewelry.

St. Kitts and Nevis' total goods and services trade exceeds 110 percent relative to GDP in 2004. In general, St. Kitts and Nevis' merchandise imports exceed merchandise exports, contributing to sustained merchandise trade deficits; increasing oil prices have also contributed to increasing trade deficits. St. Kitts and Nevis' main export commodities are machinery, food, electronics, beverages, and tobacco. Its main export markets are the United States, Canada, the Netherlands, and Azerbaijan. The country's main import commodities are machinery, manufactures, food, and fuels. Its main import sources are the United States, Trinidad and Tobago, Spain, and the United Kingdom.

St. Kitts and Nevis has experienced services trade surpluses between 2000 and 2005. As well as contributing significantly to GDP, tourism is the main foreign exchange earner. Net FDI inflows fell steadily between 2000 and 2005. Investment in recent years has been targeted predominantly toward tourism-related projects. The main industries receiving FDI were construction, hotel development and reconstruction, and electronics. The government has undertaken efforts to reduce the cost of doing business in St. Kitts and Nevis and to modernize the investment incentive regime. In order to increase investment and improve the investment climate, the government, with assistance from USAID, has established an investment promotion agency to function as a one-stop shop for investors. As a member of the OECS and part of the Eastern Caribbean Currency Union, St. Kitts and Nevis pegs its currency to the U.S. dollar.

Box 4.6 Electronics Assembly in St. Kitts: Investment Incentives and Language Skills Generate Employment

In recent years, St. Kitts has increased its exports of advanced technology (AT) products to the United States. AT products accounted for 83 percent of total U.S. imports from St. Kitts in 2007. Five assembly operations account for the bulk of U.S. imports of AT products[1] from St. Kitts. Each is affiliated with a U.S. manufacturer. The largest of these operations, Kajola-Kristado Ltd., accounted for about two-fifths of total U.S. imports of AT products from St. Kitts in 2006. During 1989–2007, U.S. imports of AT products from St. Kitts grew from $11.5 million to $44.6 million.

Kajola-Kristado Ltd. was established in St. Kitts in 1998 by John Mezzalingua Associates, based in East Syracuse, New York.[2] The company makes cable television traps, filters, and connectors, which are fitted onto cable television wires to allow cable television subscribers to see certain channels or block those to which the customer does not subscribe.[3] The workforce in St. Kitts grew from 64 employees to 108 employees during 1998–2008.

In 1997, John Mezzalingua Associates began looking for a location in the Caribbean Basin to assemble cable television parts. The company purchased Pico Electronics in St. Kitts, an electronics assembly firm that had recently gone out of business. Kajola-Kristado rehired Pico's work force, substantially reducing the company's training expenses and start-up time. Knowledge of English by the workforce was a critical factor in selecting St. Kitts. Customs regulations in St. Kitts permitting duty-free entry of components used in the assembly of goods for export were another critical factor, as was the law providing a 15-year tax holiday for companies investing in assembly operations.[4]

Although electronics assembly is quite small in the overall picture of U.S.-Caribbean trade, the sector has provided important sources of employment in St. Kitts and might offer opportunities for other small island nations in the Caribbean.

Sources: APPC, "John Mezzalingua Associates: Overview," http://company.monster.com/mcc (accessed February 15, 2008); *Congressional Record: Extension of Remarks by the Honorable James T. Walsh of New York in the House of Representatives.* August 2, 2001; Sutton-Jeffers, Cherisse M. "Kajola-Kristada Celebrates 10th Anniversary." *SKNVibes.* http://www.sknvibes.com/News/NewsDetails.cfm/4422 (accessed Feb. 14, 2008).

[1] AT products are defined here as articles classified in chapters 84, 85, and 90 of the Harmonized System. These articles include electrical and nonelectrical machinery and equipment and medical and measuring instruments.

[2] John Mezzalingua Associates has three factories near Syracuse, New York, and a research, design, and manufacturing facility in Denmark.

[3] The other leading AT products assembled in St. Kitts in 2006 included parts for electric motors and generators (Harowe Servo Controls, API Deltran, and Electrofab), parts of transformers and inductors (Jaro Electronics), and snap-action electrical switches and dimmers (Lutron Liamuiga).

[4] Commission staff telephone interview with Jose Rosa, General Manager, Kajola-Kristado, February 28, 2008.

Sources

Caribbean-Central American Action."St. Kitts & Nevis," *Caribbean-Central America Profile 2008*. JTZ Publishing, http://www.c-caa.org/news_reports/publications.html.

Caribbean Development Bank/KAIRI. *St. Kitts and Nevis: Poverty Assessment Report*. March 2001, www.caribank.org/publications.nsf/Poverty%20Index?OpenPage.

CIA. "The World Factbook: Saint Kitts and Nevis." December 13, 2007, www.cia.gov.

Economic Commission for Latin America and the Caribbean. "Biofuels for St. Kits & Nevis (SKN)." http://www.eclac.org/drni/noticias/noticias/5/31365/St_Kitts_Nevis.pdf (accessed March 3, 2008).

IMF. *St. Kitts and Nevis: 2006 Article IV Consultation—Staff Report*. IMF Country Report No. 07/141, April 2007.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612 (accessed February 2008).

U.S. Department of State. "Background Note: Saint Kitts and Nevis." December 2007, www.state.gov.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). www.usitc.gov (accessed March 2008).

Williams, His Excellency Dr. Izben Cordinal, Ambassador of St. Kitts and Nevis to the United States, testimony before the USITC, hearing transcript, January 29, 2008, 44–50.

World Bank. *Data & Statistics: World Development Indicators Online*. http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html (accessed February–March 2008).

———. "Data & Statistics: Country Classification." www.worldbank.org (accessed March 2008).

WTO. *Trade Policy Review, Report by the Secretariat, Saint Kitts and Nevis*. WT/TPR/S/190/KNA, October 1, 2007.

———. *Trade Policy Review, Report by Saint Kitts and Nevis*. WT/TPR/G/190/KNA, October 1, 2007.

———. *Trade Profiles 2007*. WTO Publications, 2007.

ST. LUCIA

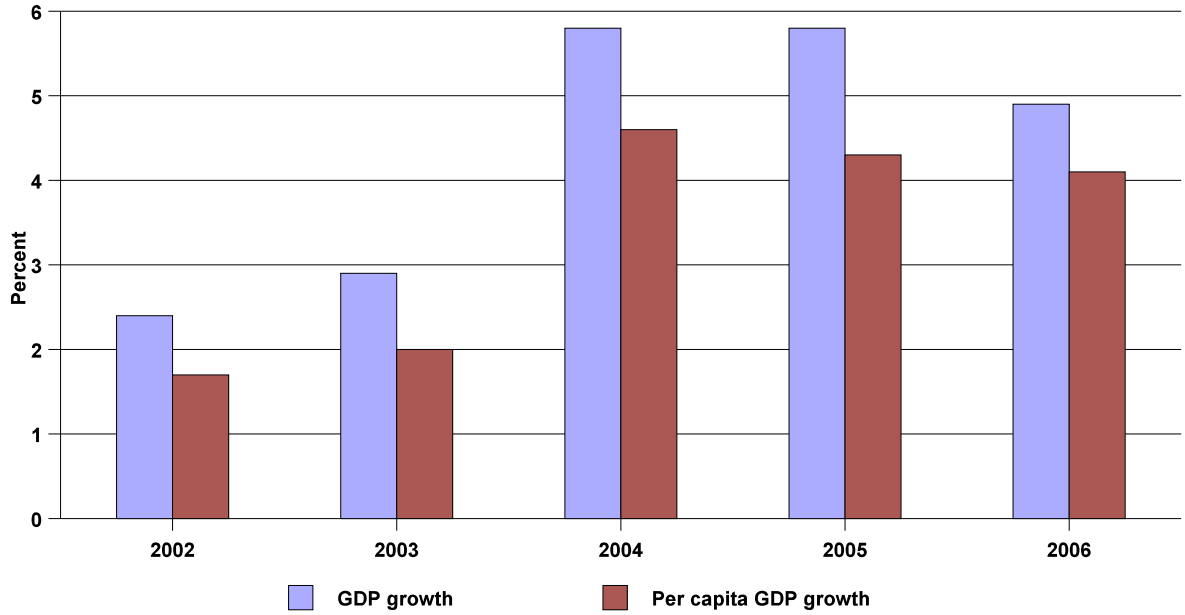
Economic and Social Development[1]

St. Lucia: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	928	975	1,058	1,153	1,245	298,351
GDP p.c., purchasing power parity ($)	5,830	6,068	6,513	6,997	7,499	8,059
Remittances (% of GDP)	0.3	0.3	0.3	0.2	0.2	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.

St. Lucia: Growth of GDP and per capita GDP



Source: World Development Indicators. See appendix D for sources and definitions.

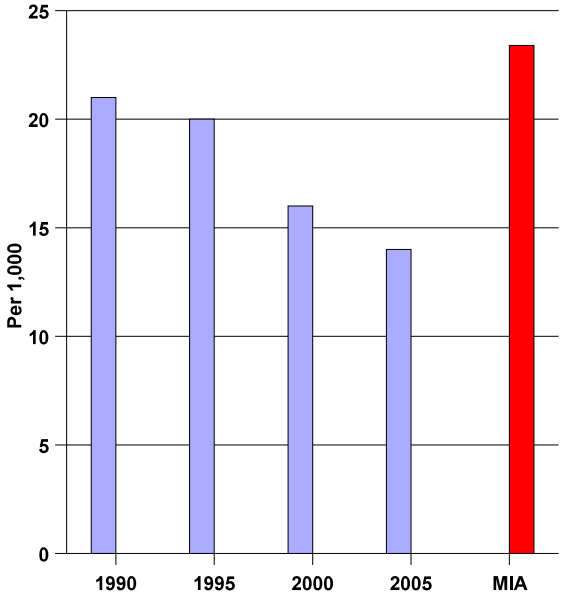
[1] See chap. 2 for cross-country comparisons.

St. Lucia: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	166	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	74	70
Literacy rate, total (%, 2001)	90	90
Population with access to improved sanitation facilities (%, 2004)	89	62
Population with access to improved water source (%, 2004)	98	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Lucia: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA= Middle income average for 2005.

St. Lucia is a small, open, tourism-based economy that is classified by the World Bank as an upper-middle-income economy. Driven by tourism and related construction, GDP growth has been relatively strong, exceeding 5 percent in 2004 and 2005. The 2007 GDP growth rate, though, is expected to decline as a result of dampened growth in the tourism sector and damage from Hurricane Dean to banana production and other agricultural production. The island is one of the most disaster-prone countries in the region, subject to natural hazards such as hurricanes and volcanic activity. According to official data, remittances account for 0.2 percent of GDP, although a 2001 United Kingdom government survey estimated that remittances accounted for 6.3 percent.

The government of St. Lucia is one of the most effective and stable in the Eastern Caribbean region. Although its public debt is high by global standards, at about 65 percent relative to GDP, it is one of the lowest in the region. The main factor in this high debt level is government expenditures on health costs and an increasingly aging population.

St. Lucia ranked 72nd out of 177 countries in the United Nations 2007–08 human development index,[2] placing St. Lucia in the "medium human development" category. With a literacy rate exceeding 90 percent, St. Lucia's social indicators are comparable with or exceed the average for middle-income countries. In addition, the infant mortality rate has steadily declined since 1990. Despite the relatively strong social indicators, unemployment and poverty rates still remain high. A 2006 poverty assessment report found that the poverty rate, estimated at 29 percent in 2005–6, has increased in recent years, although the rate of indigence and overall inequality has declined. The report also found that poverty was primarily in the rural areas, due in part to the continued decline of the banana sector. In addition, crime rates have increased in

[2] See app. D for a definition of the human development index.

recent years. The government has placed an emphasis on improving health and education services in order to combat the incidence of poverty.

Despite the banana sector's decline, it remains important, as it is a significant source of direct and indirect employment and a source of export earnings. Consequently, the sector's decline poses substantial challenges to the country's social development in terms of employment and social cohesion. High levels of unemployment and underemployment (the 2002 estimate for the rate of youth unemployment was 37 percent and 12 percent for adult unemployment) have contributed to an increase in the informal sector; an IMF study estimated informal sector activity at more than 40 percent of GDP.

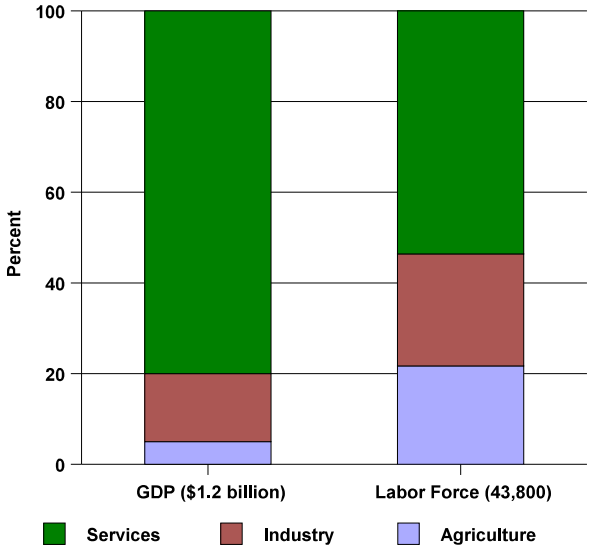
Domestic Economy

St. Lucia: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2006)	2.3	4.3
Labor force participation rate, total (%, 2006)	72	73
Gross fixed capital formation (% of GDP, 2003)	21	25
Agricultural land (% of land area, 2003)	33	35
Irrigated land (% of cropland, 2003)	17	18
Fixed line and mobile phone subscribers (per 1,000 people, 2002)	411	587
Number of ports and terminals	3	na
Paved roads (% of total, 2000)	5	na
Category 1 and 2 airports, 2007	1	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Lucia: Output and employment by sector



Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition data based on 2005 estimate; GDP data based on 2006 estimate; labor force composition based on 2002 estimate; labor force data based on 2001 estimate.

The services sector contributes approximately 80 percent to GDP, followed by the industrial sector with about 15 percent, and the remainder contributed by the agricultural sector. Although the country's economy was once highly dependent on the banana industry, St. Lucia's economy is now based primarily on tourism, followed distantly by agriculture (banana production), small-scale manufacturing, and construction (infrastructure projects and tourism-related facilities). As a result of EU changes in its preference programs, continued erosion of trade preferences, and increasing competition from other suppliers, particularly Latin American countries, the banana industry in St. Lucia has continued to decline. To counter this trend and to diversify the economy, the government has focused on expanding the tourism sector. It has encouraged investment in the tourism sector, such as the development of large-scale resorts. It has also encouraged investment in financial services, particularly offshore banking.

St. Lucia's main service industries are tourism and offshore banking. The United States is the main market for tourism services. It took several years for the tourism industry to rebound after the September 11, 2001 attacks. Weakening performance in the sector in 2006 and 2007 has been attributed to U.S. passport requirements, inadequate marketing in North America, and inadequate airline services. A recent increase in marketing in the United States and the opening of direct flights from New York, Manchester, and Bridgetown, Barbados may increase tourism revenue. Other services sector activities include wholesale and retail trade, banking and insurance, and communications. Health services trade has also been identified as a potential growth sector for St. Lucia. One such company, Le Sport, has already established a health spa in St. Lucia, which caters to the EU market, particularly the United Kingdom and Germany.

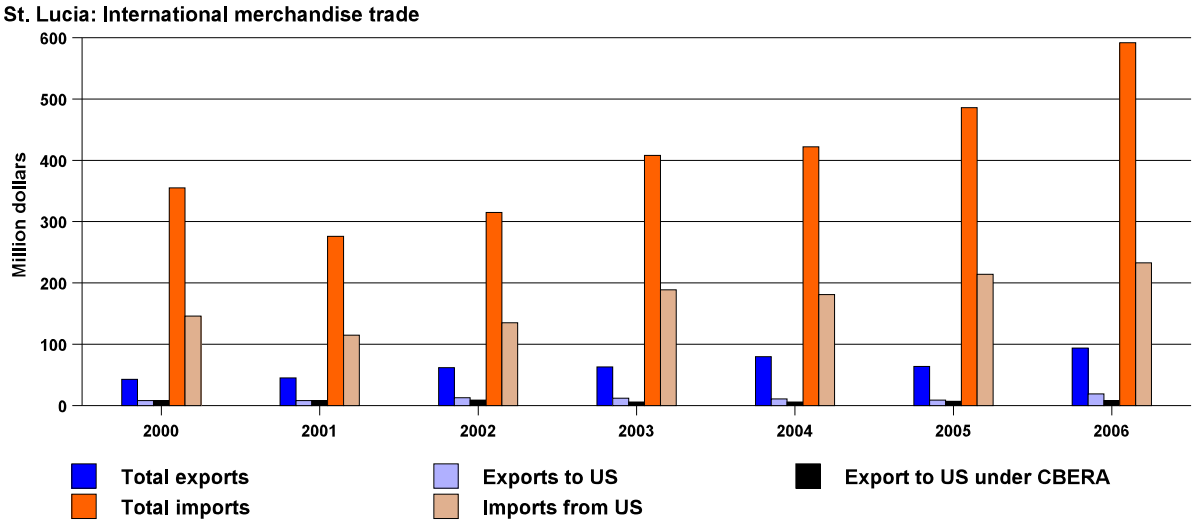
St. Lucia's manufacturing sector is relatively diverse in comparison to other countries in the region. Its main industries include electronic component assembly, textiles and apparel, beverages, corrugated cardboard boxes, and lime and coconut processing. The electronic components assembly industry, conducted primarily in the industrial free zones, is geared primarily for export to the United States and Europe. The country's small size and difficulty in attaining economies of scale, however, hamper the sector's competitiveness.

St. Lucia's main agricultural products are bananas, coconuts, vegetables, citrus fruit, root crops, and cocoa. In addition to the constraints mentioned above, the banana industry suffered from a plant disease in 2005 and hurricanes in 2004 and 2007 (Hurricanes Ivan and Dean). Other agricultural and processed food products are produced primarily for the domestic market. Within the agricultural sector, the government is encouraging diversification into alternative crops such as cocoa, mangoes, and avocados. Aside from its beaches and forests, other natural resources include minerals (pumice), mineral springs, and geothermal potential.

The country has modern telecommunications links, reliable electricity, modern banking facilities, and a well-educated workforce. In addition, St. Lucia has two main commercial, multifunctional seaports that provide loading and unloading facilities and bulk cargo storage. Liberalization of the telecommunications sector and increased competition in the sector have contributed to expansion of various investment opportunities and growth in the services sector, such as the development of third-party call centers. The government's efforts to improve roads, communications, water supply, sewage, and port facilities have contributed to the improvement of St. Lucia's economy. In the 2007 National Development Plan, the government focused on large-scale investment in tourism-related infrastructure.

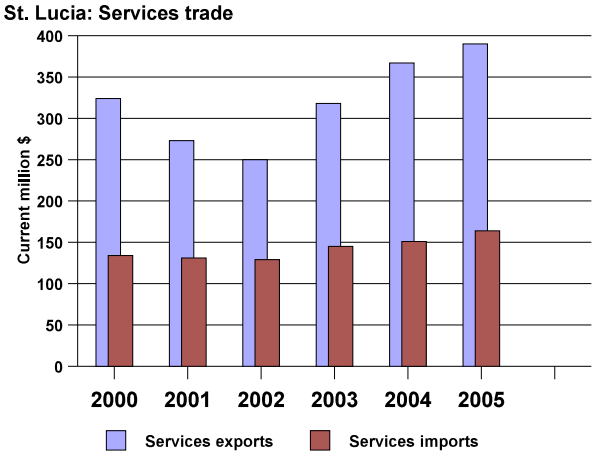
A 2007 World Bank competitiveness study into the export services, tourism, and food-processing sectors found that St. Lucia's main competitive advantages included the availability of English-speaking labor and relatively low wage rates relative to the level of education. Its main competitive disadvantages were the limited availability of technical and skilled labor, the small number of direct flights to the United States and Europe, and high construction costs.

International Integration[3]

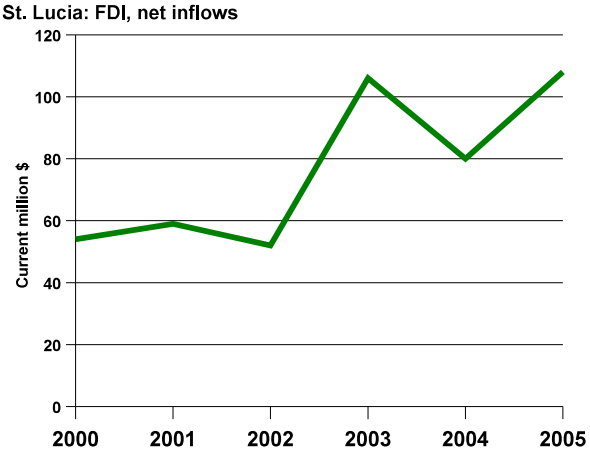


Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on St. Lucia's data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[3] See chap. 2 for country membership in international and regional institutions.

St. Lucia: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	20.6
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	34.6
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	33.3
Exports of goods and services (% relative to GDP, 2004)	60
Imports of goods and services (% relative to GDP, 2004)	70
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.307
Number of products exported (world value = 260, calculated at 3-digit SITC level)	179
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	8.9
Agricultural goods	14.8
Non-agricultural goods	8.0
Official development assistance ($ million, 2005)	11
Total debt service (% of exports of goods, services, and income, 2005)	7

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Lucia's exports to the United States represent approximately 20 percent of its total exports. St. Lucia is eligible for preferential access to the U.S. market under the original CBERA, CBTPA, and GSP. In 2007, the value of U.S. imports from St. Lucia was $27 million, of which $9 million was under the CBERA program. The main products exported to the United States include electrical machinery and parts, petroleum and energy-related products, and chemicals. St. Lucia's CBERA utilization rate is approximately 35 percent. The main exports to the United States under the CBERA program were electrical machinery and parts (box 4.7) and processed food. In 2007, the value of St. Lucia's imports from the United States was $155 million. The main products imported from the United States include steel, machinery and parts, meat, jewelry, paper, and furniture.

St. Lucia's total goods and services trade relative to GDP is almost 130 percent. St. Lucia had merchandise trade deficits between 2000 and 2006. St. Lucia's main export products include bananas, clothing, cocoa, vegetables, fruits, and coconut oil. Its main export markets are France, the United States, and the United Kingdom. St. Lucia's main import products are food, manufactured goods, machinery and transportation equipment, chemicals, and fuels. Its leading import sources are the United States, Trinidad and Tobago, Italy, France, Venezuela, the United Kingdom, and the Netherlands.

Between 2000 and 2005 St. Lucia maintained a services trade surplus, which has increased steadily since 2002. Tourism is St. Lucia's main source of foreign exchange. Though volatile as a result of its small size, St. Lucia's net FDI inflows increased between 2000 and 2005. Although much of the investment into St. Lucia is in the tourism sector, one of the most significant foreign investments was Hess Oil's investment in a petroleum storage and transshipment terminal. Other sectors receiving foreign investment include electronic component assembly and food and beverages. As a member of the OECS and part of the Eastern Caribbean Currency Union, St. Lucia pegs its currency to the U.S. dollar.

Box 4.7 Electronics Assembly in St. Lucia: Lower Assembly Costs and Tax Holidays Attract Investment

In recent years, St. Lucia has increased its exports of advanced technology (AT) products[1] to the United States. Four assembly operations account for the bulk of U.S. imports of AT products from St. Lucia. One is a locally backed shelter operation,[2] and three are affiliated with U.S. manufacturers. U.S. imports of AT products from these four companies grew from $4.6 million to $12.8 million during 1989–2007 and accounted for over one-half of total U.S. imports from St. Lucia in 2007.

RCD Components, based in Manchester, New Hampshire, was the first foreign company to establish an assembly plant in St. Lucia in 1979.[3] In order to compete globally, RCD needed to broaden its production capacity and reduce manufacturing costs. The alternatives to assembly in St. Lucia were to import the entire product from China or to use contract assembly in Mexico. RCD selected St. Lucia because it is English-speaking, has close proximity to the United States, has relatively low labor rates, has a good education system, and the government of St. Lucia offered a tax holiday for companies establishing assembly plants on the island.

RCD assembles wire-wound resistors in St. Lucia.[4] The type of resistors assembled in St. Lucia has evolved from a high-volume, commodity-grade product to a lower-volume, higher-technology product because "Chinese competition is taking away most of the commodity grade business." Mr. Michael Arcidy, President of RCD, reported that the transition to higher-technology components is a major challenge for the St. Lucia operation. He suggested that the governments of the United States and St. Lucia could encourage additional investment in the island by negotiating a treaty to eliminate double taxation. Without such a treaty, "were any St. Lucian company to declare a dividend, the American owners would be taxed as ordinary income instead of the much more favorable rates (15%) that are available elsewhere."

Although electronics assembly is quite small in the overall picture of U.S.-Caribbean trade, the sector has provided important sources of employment in St. Lucia and might offer opportunities for other small island nations in the Caribbean.

[1] AT products are defined here as articles classified in chapters 84, 85, and 90 of the Harmonized System. These articles include electrical and nonelectrical machinery and equipment and medical and measuring instruments.

[2] Shelter operations provide the land, building, utilities, managers, and employees for foreign companies contracting out assembly services. The foreign company provides the components to be assembled and the machinery. The shelter company also provides customs clearance and other administrative functions.

[3] All information regarding RCD Components in this and the following paragraphs is based on information provided by Mr. Michael Arcidy, President, RCD Components, in an e-mail to Commission staff, February 29, 2008.

[4] Other leading AT products assembled in St. Lucia in 2006 included television antenna reflectors (North American Assemblies), variable resistors and thermometers (Honeywell Sensing and Controls), and connectors for optical fibers (Data Delay St. Lucia, Ltd.).

Sources

Brenzel, Logan, and Elsie Le Franc. "Opportunities and Challenges for Expanding Trade in Health Services in the English-speaking Caribbean." Prepared for the Conference on the Caribbean: A 20/20 Vision, June 7, 2007. *http://siteresources.worldbank.org/INTOECS/Resources/Brenzel-LeFrancPaper.pdf*.

Caribbean-Central American Action. "St. Lucia." *Caribbean-Central America Profile 2008*. JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

Caribbean Development Bank. *Trade Adjustment and Povery in Saint Lucia 2005/06, Volume I: Main Report*, June 2007. *www.caribank.org/publications.nsf/Poverty%20Index?OpenPage*.

CIA. "The World Factbook: St. Lucia," December 13, 2007. *www.cia.gov*.

IMF. *St. Lucia: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 08/67, February 2008.

———. *St. Lucia: 2005 Article IV Consultation—Staff Report*. IMF Country Report No. 06/325, September 2006.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

U.S. Department of State. "Background Note: Saint Lucia," December 2007. *www.state.gov*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2007. *www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file373_13752.pdf*.

World Bank Group, Multilateral Investment Agency. *Snapshot Caribbean: Benchmarking FDI Competitiveness in Caribbean Countries*, June 2007.

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Policy Review, Report by the Secretariat, Saint Lucia*. WT/TPR/S/190/LCA, October 1, 2007.

———. *Trade Policy Review, Report by Saint Lucia*. WT/TPR/G/190/LCA, October 1, 2007.

———. *Trade Profiles 2007*. WTO Publications, 2007.

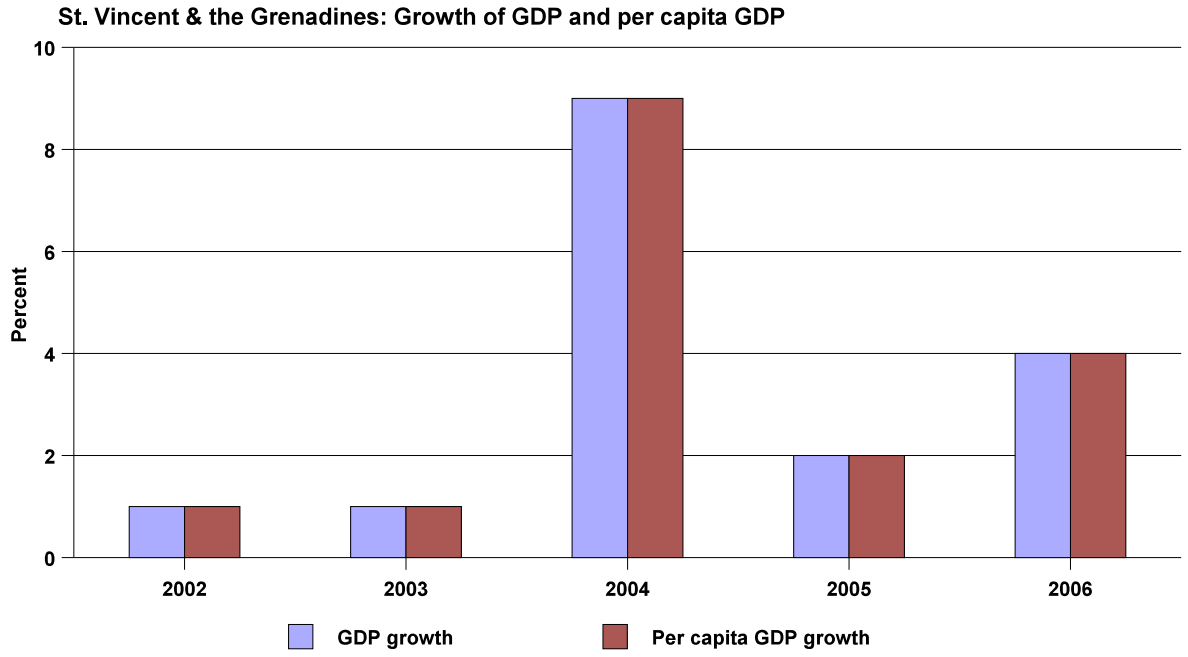
ST. VINCENT & THE GRENADINES

Economic and Social Development[1]

St. Vincent & the Grenadines: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	641	664	743	782	838	298,351
GDP p.c., purchasing power parity ($)	5,470	5,634	6,274	6,571	7,007	8,059
Remittances (% of GDP)	1.0	1.0	1.0	1.0	1.0	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

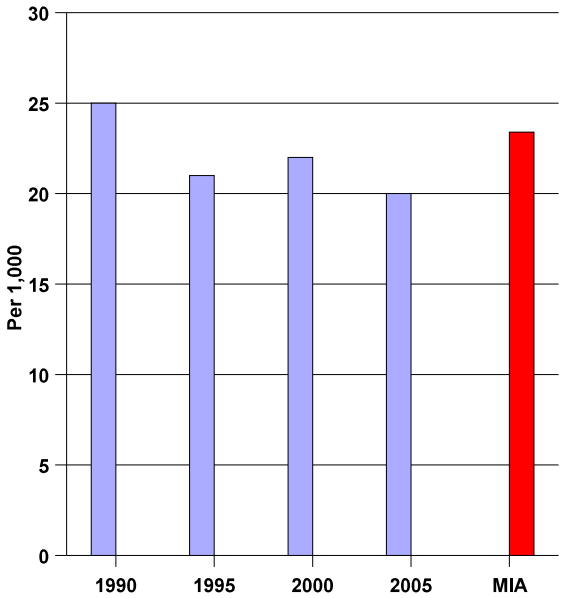
[1] For additional information provided by the Embassy of St. Vincent and the Grenadines, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Vincent & the Grenadines: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2006)	120	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	72	70
Literacy rate, total (%)	na	90
Population with access to improved sanitation facilities (%)	na	62
Population with access to improved water source (%)	96	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

St. Vincent & the Gren: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

St. Vincent and the Grenadines, an archipelago of 32 islands and keys, is classified by the World Bank as an upper-middle-income economy. Services, primarily tourism, are the leading economic activity in St. Vincent and the Grenadines. Following the economic downturn that adversely affected tourism in the Caribbean region after the September 11, 2001 terrorist attacks, economic activity in St. Vincent and the Grenadines rebounded in 2004 as a result of a revival of tourism, and has continued through 2007 at a somewhat slower rate. Unlike neighboring Grenada, there was limited damage in St. Vincent and the Grenadines from the September 2004 landfall of Hurricane Ivan. Grenada's increased demand for imports of food, construction materials, and transport services boosted economic activity in St. Vincent and the Grenadines. Recent economic activity has accelerated as strong performance in the construction and tourism sectors has counterbalanced a contraction in agricultural production and slow growth in manufacturing. Recent economic growth was also boosted as a result of infrastructure construction in St. Vincent and the Grenadines, which was one of the venues for the March–April 2007 Cricket World Cup.

With a per capita GDP of $7,007 in 2006, St. Vincent and the Grenadines ranks as the poorest country in the Organization of Eastern Caribbean States. Two 2005 World Bank reports cited poverty rates between 33 and 38 percent. Overall unemployment was estimated at 20 percent, with youth unemployment at almost 40 percent. St. Vincent and the Grenadines' social indicators are comparable with the middle-income averages. St. Vincent and the Grenadines ranked 92nd out of 177 countries on the United Nations 2007–08 human development index,[2] placing it in the "medium human development" category of countries.

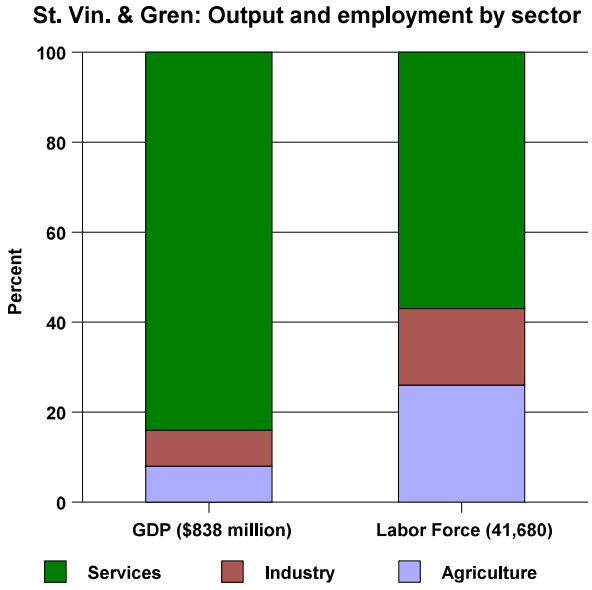
[2] See app. D for a definition of the human development index.

Domestic Economy

St. Vincent & the Grenadines: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	4	4.3
Labor force participation rate, total (%, 2006)	73	73
Gross fixed capital formation (% of GDP)	39	25
Agricultural land (% of land area, 2003)	41	35
Irrigated land (% of cropland, 2003)	73	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	782	587
Number of ports and terminals, 2007	1	na
Paved roads (% of total, 2006)	70	na
Category 1 and 2 airports, 2007	0	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."



Source: WTO, TPR, Report by the Secretariat. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition based on 2001 data. Labor force data based on 1991 data. Labor force composition based on 1980 data.

St. Vincent and the Grenadines is primarily a tourism-based economy. Services currently account for more than 80 percent of the GDP of St. Vincent and the Grenadines. Tourism (including tourism-related activities) is by far the leading component of the services sector, and its contribution to the economy of St. Vincent and the Grenadines continues to increase. In 2001, tourism displaced banana exports as the foreign exchange-earning activity in St. Vincent and the Grenadines. The tourism sector of St. Vincent and the Grenadines caters to both cruise ship arrivals and yachting visitors. Development of major tourist resorts and the 2004–05 filming of the motion picture *Pirates of the Caribbean: The Curse of the Black Pearl* on location in St. Vincent were the sources of a significant economic upturn in 2004. Offshore services are a small but increasingly visible component of the economy. St. Vincent and the Grenadines are home to an increasing number of registered international business corporations, international trusts, and offshore banks and in recent years has adopted international regulatory standards to become a more attractive offshore financial center.

Agriculture accounted for about 8 percent of GDP in 2001. The role of agricultural production, particularly banana exports, has declined significantly in recent years. Bananas have long been the largest export crop of St. Vincent and the Grenadines, but banana exports to the EU market have been declining under the terms of EU market access. Banana production in St. Vincent and the Grenadines also has declined as a result of labor shortages, because of low agricultural-sector wages (relative to wages paid in the tourism sector), bad weather, and lower output that is reportedly due to the reduced use of fertilizer and pesticides required by

the islands' adherence to the "Fairtrade" sustainable development production standards.[3] Nonbanana production has increased in recent years to diversify the agricultural sector, including mangoes, avocados, and plantains exported mainly to Barbados, sweet potatoes, hot peppers, and taro exported to the United States and other markets.

Manufacturing activity in St. Vincent and the Grenadines has suffered from a lack of international competitiveness due in large part to high energy costs in the archipelago. In recent years, the government of St. Vincent and the Grenadines has undertaken measures to reorient the economy away from production based on import substitution to one based on competitive export development. Efforts have focused on incentives to promote services exports, microcredit programs for small and medium enterprises, investment incentives, and improvements in the country's physical infrastructure, including construction of roads, ports, public utilities, and low-income homes.

The government's economic strategy includes continuing the diversification of the agricultural sector with a focus on increased processing of agricultural products. Ongoing investment in the tourism sector is aimed at diversifying the range of services offered and increasing the contribution of tourism to the country's development. For fiscal year 2007, the government of St. Vincent and the Grenadines budgeted $24.6 million for capital expenditures, with about 45 percent of that amount coming from foreign grants and the remainder financed domestically through the current account surplus and domestic financing.

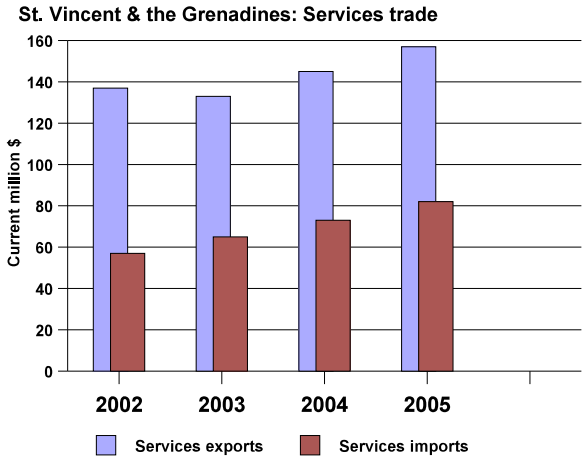
International Integration[4]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

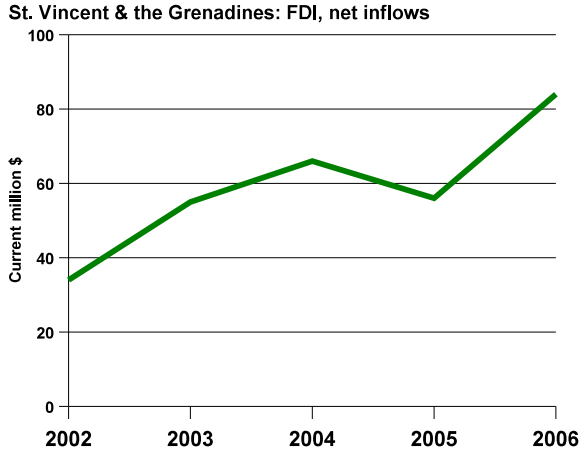
Note: Values are based on St. Vincent & the Grenadines' data, and represent gross figures.

[3] "Fairtrade" is a voluntary international certification and labeling system designed to allow consumers to identify goods produced in developing countries that ensure that their small farmer producers are paid fairly for their products and agree to enforce specific labor and environmental standards. Additional information is available at the Fairtrade Labeling Organization International website, http://www.fairtrade.net/home.html.

[4] See chap. 2 for country membership in international and regional institutions.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

St. Vincent & the Grenadines: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	5.0
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	21.2
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	0
Exports of goods and services (% relative to GDP, 2005)	44
Imports of goods and services (% relative to GDP, 2005)	65
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.349
Number of products exported (world value = 260, calculated at 3-digit SITC level)	27
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	9.8
Agricultural goods	15.6
Non-agricultural goods	8.9
Official development assistance ($ million, 2005)	4.9
Total debt service (% of exports of goods, services, and income, 2005)	11
Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions. *Note:* MRY=most recent year for which data are available; na = "not available."	

St. Vincent and the Grenadines' exports to the United States represent about 5 percent of its total exports. St. Vincent and the Grenadines is eligible for preferential access to the U.S. market under the original CBERA and GSP programs, but not CBTPA. In 2007, the value of U.S. imports from St. Vincent and the Grenadines was $1.4 million, of which about $295,000 was under the CBERA program. The main products exported to the United States included flour and meal, yellowfin tuna, and certain roots and tubers. The CBERA utilization rate for St. Vincent and the Grenadines is 21 percent. The main exports to the United States under the CBERA program were roots and tubers, electrical inductors, and plums and prunes. In 2007, St. Vincent and the Grenadines' imports from the United States were valued at $67 million. The main products imported from the United States included wheat, frozen chicken cuts, and rice.

Total goods and services trade was almost 110 percent relative to GDP in 2005. Merchandise trade plays a diminishing role in the economy of St. Vincent and the Grenadines. The islands posted a merchandise trade deficit between 2000 and 2006. The main export products of St. Vincent and the Grenadines include bananas, taro, and arrowroot starch. Its main export markets are France, Greece, and Italy. The main import products of St. Vincent and the Grenadines are food products, machinery and equipment, chemicals and fertilizers, minerals, and fuels. Its main import suppliers are Singapore, Trinidad and Tobago, and the United States.

St. Vincent has traditionally posted a current account deficit largely reflecting the deficit in merchandise trade. That deficit has been financed mainly by inflows of official capital for public-sector infrastructure projects and by tourism-sector-related FDI. Net direct investment in St. Vincent and the Grenadines rose from $66 million in 2004 (a record high at that time) to more than $84 million in 2006. FDI in the Grenadines surged in 2004 with the completion of construction of a luxury tourist resort on Canouan Island that will share the property with luxury villa developments that opened in 2006 with villa list prices starting at $1 to 2 million. Other luxury villas properties have recently opened on Carriacou Island. As a member of the OECS and part of the Eastern Caribbean Currency Union, St. Vincent and the Grenadines pegs its currency to the U.S. dollar.

Sources

Caribbean Development Bank. "St. Vincent and the Grenadines." *CDB Annual Economic Review 2006*. *http://www.caribank.org*.

CIA. "The World Factbook: Saint Vincent and the Grenadines." December 13, 2007.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*. *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

World Bank. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. *A Time to Choose: Caribbean Development in the 21st Century*. Report No. 31725-LAC, April 26, 2005.

———. *Organization of Eastern Caribbean States: Towards a New Agenda for Growth*. Report No. 13863-LAC, April 7, 2005.

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

———. *Country Overviews, 2006–09 Country Assistance Strategy*. *http://siteresources.worldbank.org/INTOECS/Resources/OECSCAS_06_09.Final.pdf*.

WTO. *TPR, Report by the Secretariat: Saint Vincent and the Grenadines*. WT/TPR/S/190/VCT, October 1, 2007.

———. *TPR, Report by Saint Vincent and the Grenadines: Saint Vincent and the Grenadines*. WT/TPR/G/190/VCT, October 1, 2007.

———. *Trade Profiles 2007*. WTO Publications, 2007.

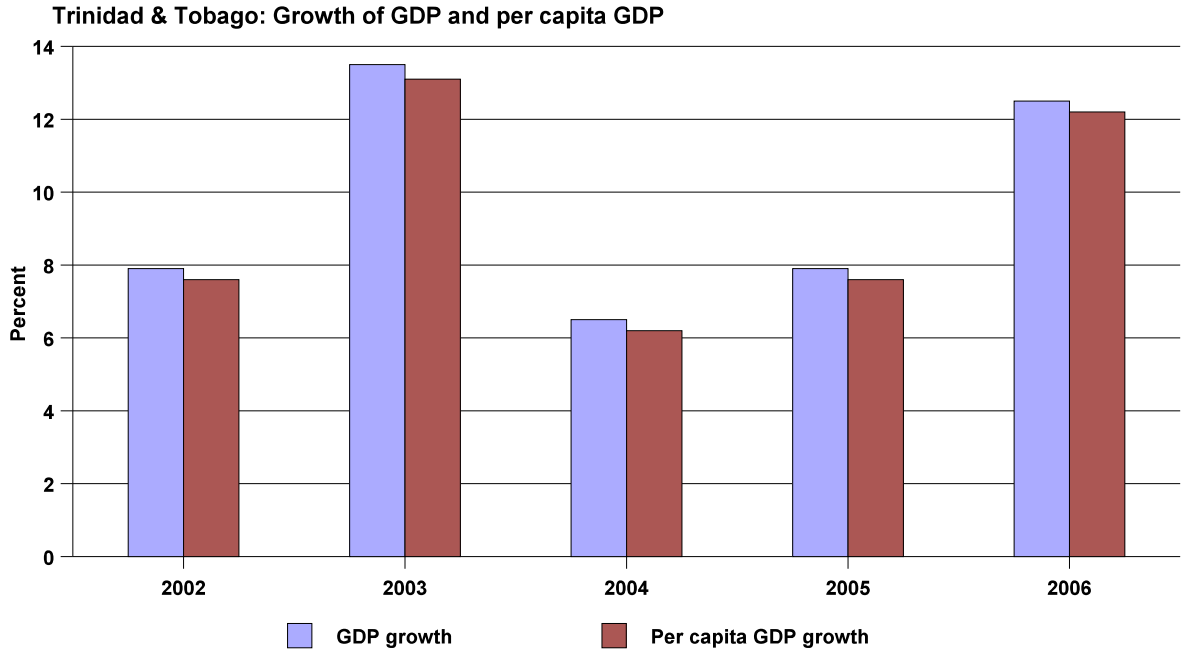
TRINIDAD & TOBAGO

Economic and Social Development[1]

Trinidad & Tobago: Selected economic development indicators						
	2002	2003	2004	2005	2006	Middle income average, 2006
GDP, purchasing power parity ($ million)	13,670	15,825	17,303	19,233	22,271	298,351
GDP p.c., purchasing power parity ($)	10,571	12,199	13,296	14,735	17,016	8,059
Remittances (% of GDP)	0.9	0.8	0.7	0.5	0.4	1.5

Sources: World Development Indicators. See appendix D for sources and definitions.

Note: na = "not available"; p.c. = per capita.



Source: World Development Indicators. See appendix D for sources and definitions.

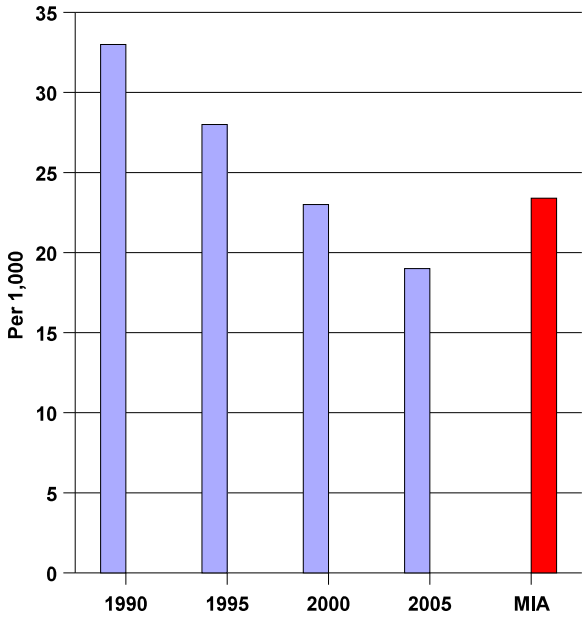
[1] For additional information provided by Her Excellency Marina A. Valere, Ambassador of the Republic of Trinidad and Tobago to the United States, see chap. 5 of this report. See chap. 2 for cross-country comparisons.

Trinidad & Tobago: Selected social development indicators		
	MRY (2000–07)	Middle income average, 2006
Population (thousands, 2007)	1,309	32,183
Population below poverty line (%)	na	na
Poverty headcount ratio at $1 per day (PPP, % of population)	na	na
Life expectancy at birth, 2005	70	70
Literacy rate, total (%, 2003)	99	90
Population with access to improved sanitation facilities (%, 2004)	100	62
Population with access to improved water source (%, 2004)	91	83

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Trinidad & Tobago: Under-5 mortality rate



Source: World Development Indicators. See appendix D for sources and definitions.

Note: MIA = Middle income average for 2005.

Trinidad and Tobago consists of two islands off the coast of Venezuela and is the largest economy in the English-speaking Caribbean. The country is classified as a high-income economy by the World Bank and recorded positive economic growth for 15 consecutive years from 1993 to 2007. Trinidad and Tobago has become one of the most prosperous countries in the Caribbean; in approximately five years, Trinidad and Tobago has doubled its GDP per capita. The country's economic performance is highly correlated with changes in the global prices of energy, especially petroleum and natural gas, both of which have experienced substantial growth in recent years. In addition to high prices for oil and gas, this growth has also been supported by tight monetary and restrained fiscal policies. A major government strategy is "Vision 2020," which seeks to achieve developed country status by the year 2020. The goals of Vision 2020 include increased economic diversification, increased employment, and reduced poverty.

Trinidad and Tobago is the leading Caribbean producer of oil and gas and the world's leader in exports of methanol and ammonia from a single site. As the country's oil fields matured and crude petroleum production declined,[2] the economy successfully shifted from one based on petroleum to one based on natural gas production. In addition to exports in the form of liquified natural gas, gas production is used to promote and fuel industries such as steel and as a feedstock in industries such as methanol, ammonia, and urea. Success in these endeavors has made Trinidad and Tobago the world's leading exporter of methanol and ammonia.

As a result of sustained economic growth and good governance, Trinidad and Tobago's social indicators are comparable with or exceed middle-income averages. Trinidad and Tobago ranked 59th out of 177 countries in the United Nations 2007–08 human development index,[3] placing Trinidad and Tobago in the "high human

[2] It is estimated that Trinidad and Tobago's oil and gas reserves could be depleted in approximately 20 years.

[3] See app. D for a definition of the human development index.

development" category. Since 1990, the infant mortality rate has declined by almost 50 percent. The government is devoting increasing resources to education in its Vision 2020 plans. Despite economic growth that has centered on capital-intensive sectors, the unemployment rate has declined from more than 20 percent in the late 1980s to less than 7 percent in 2006. In addition, the rapid increase in capital-intensive industries has raised labor productivity.

Despite the high rates of economic growth, so-called "pockets of poverty" still persist in some areas of the country. Income inequality is, in general, lower than in many South American countries. According to the Economist Intelligence Unit, the wealthiest 10 percent of the population earns 30 percent of the total income, whereas the poorest 10 percent earns 2 percent of total income.

Domestic Economy

Trinidad & Tobago: Selected domestic economy indicators		
	MRY (2000–07)	Middle income average, 2006
Inflation (%, 2005)	6.9	4.3
Labor force participation rate, total (%, 2006)	67	73
Gross fixed capital formation (% of GDP, 2004)	20	25
Agricultural land (% of land area, 2003)	26	35
Irrigated land (% of cropland, 2003)	3	18
Fixed line and mobile phone subscribers (per 1,000 people, 2005)	861	587
Number of ports and terminals	3	na
Paved roads (% of total)	na	na
Category 1 and 2 airports, 2007	2	na

Sources: World Development Indicators; CIA World Factbook. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Trin. & Tobago: Output and employment by sector

Source: CIA World Factbook. See appendix D for sources and definitions. Data for most recent year available from source.

Note: GDP composition, GDP, and labor force data based on 2007 estimates; labor force composition based on 2006 estimate.

The industrial sector accounts for more than 60 percent of GDP, followed by the services sector with almost 40 percent, and the agricultural sector with less than 1 percent. The Trinidad and Tobago economy is dominated by energy production. Trinidad and Tobago's main natural resources are petroleum and natural gas, and its main manufacturing industries, many of which are closely tied to the petroleum and gas industries, include refined petroleum and gas products, asphalt, and petrochemicals. Trinidad and Tobago has used its energy resources to develop downstream industries including petrochemicals (such as methanol, ammonia, urea), fertilizers, iron and steel, and aluminum. The petrochemicals sector has continued to grow, spurred by the growth in natural gas production necessary to fuel new industrial plants (box 4.8); five of the world's largest methanol plants are located in central Trinidad. In December 2005, the fourth Atlantic

liquified natural gas (LNG) "train"[4] began production; this increase in capacity has made it among the largest LNG trains in the world. Approximately one-half of Trinidad and Tobago's gas output is transformed into LNG. Trinidad and Tobago is a leading global LNG producer and the single largest U.S. supplier of LNG, supplying about two-thirds of U.S. imports. Recently emerging industries in the sector include aluminum, ethylene, and propylene.

Expansion of energy production has contributed to growth in other industries such as construction, transport, and distribution. Food, beverages, and tobacco have also contributed to manufacturing sector growth. In addition to promoting energy-intensive industries, the government is attempting to promote links between the energy industry and other sectors of the domestic economy by encouraging use of local suppliers of goods and services. Nonpetroleum manufacturing includes iron and steel, cement, food processing and beverages, wood and paper products, printing and publishing, and cotton textiles.

One of Trinidad and Tobago's main services industries is tourism. Tourism, which is primarily located in Tobago, is expanding. Most arrivals are from the United States, the United Kingdom, and other Caribbean countries. The sector plays an important role in the economy, though not as important as in other Caribbean countries. The government is also targeting financial services, telecommunications, and transport services for expansion.

The agricultural sector's role in the economy has been declining in recent years. Despite its minimal contribution to GDP, the agricultural sector is responsible for substantial employment is some rural areas. Trinidad and Tobago's main agricultural products include cocoa, rice, citrus, coffee, vegetables, and poultry; most production is geared toward the domestic market. Due to declining international competitiveness, the state sugar mill closed in 2007, ending commercial sugar production in Trinidad and Tobago.

Many nonenergy domestic industries lack the necessary competitiveness to participate in the global economy. Consequently, the government is seeking to diversify the economy, and has targeted industries such as fish and fish processing, merchant marine, music and entertainment, film, food and beverages, and print and packaging. Longer-term ambitions include transforming the country into a knowledge-based economy and a regional economic hub that is fully integrated into the Latin American economy.

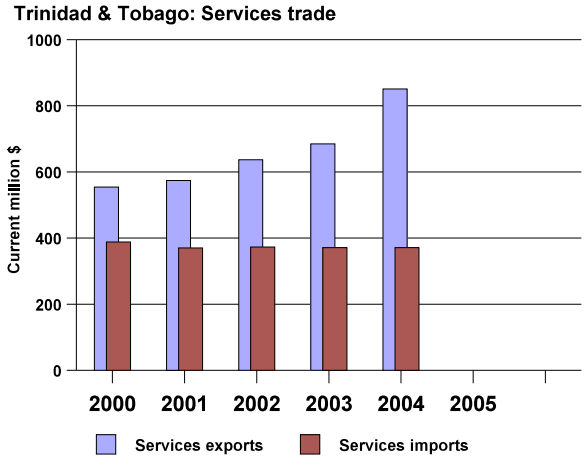
In general, Trinidad and Tobago's infrastructure is adequate and comparable to regional standards. Improvement of the country's infrastructure is a government priority, and plans to upgrade the road network and expand the Crown Point airport are under way. Telecommunications services are considered reliable, though relatively expensive despite partial liberalization in 2005. The three main ports are Port of Spain and Point Lisas in Trinidad, and Scarborough in Tobago. Although facilities at Port of Spain have been upgraded, port congestion remains a concern. In 2005, the U.S. Department of Transportation's Federal Aviation Administration upgraded the country to Category 1 status, allowing airlines to expand services to the United States.

[4] "An LNG train is the term used to describe the liquification and purification facilities of an LNG plant." Wikipedia, "LNG train," *www.wikipedia.org* (assessed May 3, 2008).

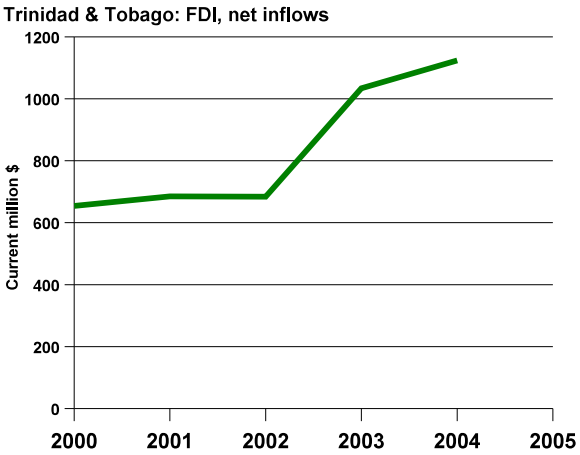
International Integration[5]

Sources: WITS; DataWeb. See appendix D for sources and definitions.

Note: Values are based on Trinidad & Tobago's data, and represent gross figures.



Source: World Development Indicators. See appendix D for sources and definitions.



Source: World Development Indicators. See appendix D for sources and definitions.

[5] See chap. 2 for country membership in international and regional institutions.

Trinidad & Tobago: Selected international integration indicators, MRY (2000–07)	
Merchandise exports to the United States (% of total exports, 2006)	58.1
CBERA utilization rate (% of total exports to the U.S. entering under program, 2007)	31.8
CBERA utilization rate (% of total apparel exports to the U.S. entering under program, 2007)	64.3
Exports of goods and services (% relative to GDP, 2004)	58
Imports of goods and services (% relative to GDP, 2004)	46
Export concentration indicators, 2005	
Herfindahl-Hirschmann index (world value = 0.067, lower value implies more diversification)	0.383
Number of products exported (world value = 260, calculated at 3-digit SITC level)	172
MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %)	7.8
Agricultural goods	15.8
Non-agricultural goods	6.6
Official development assistance ($ million, 2005)	-2
Total debt service (% of exports of goods, services, and income, 2004)	5

Sources: DataWeb; World Development Indicators; UNCTAD Handbook of Statistics Online; WTO; WITS. See appendix D for sources and definitions.

Note: MRY=most recent year for which data are available; na = "not available."

Trinidad and Tobago's exports to the United States represent more than 58 percent of its total exports. Trinidad and Tobago is eligible for preferential access to the U.S. market under the original CBERA, CBTPA, and GSP. In 2007, the value of U.S. imports from Trinidad and Tobago was $9.3 billion, of which $2.9 billion was under the CBERA program. The main products exported to the United States include petroleum and related products, representing approximately 50 percent, and chemicals, representing approximately 26 percent. Trinidad and Tobago's CBERA utilization rate in 2007 was more than 30 percent. The leading exports under the CBERA program were petroleum and related products, chemicals (methanol), and fish (tuna). Recent investments by U.S. companies (e.g., Starkist and Bumble Bee) in Trinidad and Tobago have resulted in increased exports of tuna to the United States. Trinidad and Tobago has become the largest exporter under CBERA. In 2007, most exports were concentrated in petroleum- and natural-gas-based products. Recent investments in ethanol dehydration plants (e.g., EthylChem's investment in Trinidad) have increased production and export of ethanol to the United States. Ethanol exports to the United States enter free of duty under quota under the original CBERA program. In 2007, Trinidad and Tobago's imports from the United States were $1.7 billion. The main products imported from the United States include machinery parts, petroleum, wheat and corn, and electrical machinery and parts.

Trinidad and Tobago's total goods and services trade relative to GDP exceeded 100 percent in 2004. Driven by energy sector growth, Trinidad and Tobago has experienced rapidly increasing merchandise exports and steady merchandise import growth, resulting in rapidly increasing merchandise trade balance surpluses. Trinidad and Tobago's main export commodities include petroleum and petroleum products, LNG, methanol, ammonia, urea, steel products, beverages, cereal and cereal products, sugar, cocoa, coffee, citrus fruit, vegetables, and flowers. Its main export markets include the United States, Spain, and Jamaica. Its main imports include mineral fuels, lubricants, machinery, transportation equipment, manufactured goods, food, live animals, and grain. Its main import sources are the United States, Brazil, Venezuela, Gabon, and Colombia.

Trinidad and Tobago has consistently posted a services trade surplus, which has been growing in recent years. Tourism is the main source of services exports, though there has been some increase in financial services (especially insurance services) and transport services (as shown above). Trinidad and Tobago has a favorable business environment and has earned a reputation as an excellent, low-risk investment destination for international business. The main foreign investment sources include the United States, the United Kingdom, Germany, India, and Canada. Net FDI inflows increased sharply in 2003, with steady growth in 2004. Trinidad and Tobago is the leading oil and gas producer in the CBERA region, and much of the country's FDI is directed toward oil, gas, and petrochemical production. Despite increases in investment relative to GDP, FDI is relatively low compared to some other Caribbean countries. The country's currency is the Trinidad and Tobago dollar, and it has a floating exchange rate regime.

The government's main trade policy objective is to position the country as a major manufacturing base, shipping services center, and financial hub in the Americas. The government is promoting downstream industries within the energy sector, as well as expansion of services trade, especially tourism. The government is also encouraging the growth of nontraditional industries such as fish, flowers, aromatic bitters, sugar confectionary, shandy, rum, and flavored waters.

Box 4.8 Plastics Industry in Trinidad and Tobago: Government Success in Downstream Diversification

Trinidad and Tobago has leveraged its abundant natural gas supplies into the base for a downstream chemicals and plastics industry. Two companies exemplify this effort—Century Eslon and Westlake Chemical Corporation. Century Eslon chose Trinidad in 1965 because of the availability of skilled labor, good infrastructure and port facilities, favorable energy costs, and tax incentives on new plant upgrades. Today, Century Eslon is one of the Caribbean's leading manufacturers and providers of quality plastic construction and industrial packaging products.[1] Although the company's principal operation is in manufacturing and distribution of plastic pipes and associated plastic hardware, it also markets a wide range of associated products for the water and electrical industries. The locally owned company was founded in 1965 to produce and distribute plastic pipes and other items.

Century Eslon's production and primary distribution activities have grown rapidly in recent years. The firm has expanded into a network of distribution centers in nine other Caribbean countries (Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname), with a workforce of 200 employees in Trinidad and 50 employees elsewhere. Century Eslon services the entire Caribbean region and continues to expand into the Central American and South American markets. A wide range of products is manufactured in Trinidad for distribution across the CBERA region, including polyvinyl chloride (PVC) pipes and fittings, polyethylene tubing, rainwater guttering, electrical conduit and cable networks, pails and beverage crates, and water tanks. The firm is also a distributor of a wide range of products, including solvent cement for PVC, brass valves, water heaters and pumps, fittings for waterworks, and many other items.

Westlake Chemical Corporation, Houston, TX, entered into a memorandum of understanding with the Republic of Trinidad and Tobago in April 2006 to develop an ethane-based ethylene feedstock production facility and associated polyethylene plastic resin plant, each the first to be built in Trinidad and Tobago.[2] The $1.9 billion project[3] is scheduled to come onstream in 2011 to satisfy growing demand for polyethylene in the Americas. Westlake would take a majority stake in the project, while the government of Trinidad and Tobago would provide ethane feedstock derived from indigenous natural gas and take up to a 30 percent stake in the project. Westlake would realize significant natural gas feedstock cost savings in Trinidad compared to domestic gas used in its U.S. polyethylene operations. Trinidad and Tobago reportedly would benefit significantly through sales of natural gas and other energy inputs for plant operations, together with project management and employment opportunities.

In addition to its 30 percent ownership stake and revenues from the sale of gas and other production inputs, the government of Trinidad and Tobago anticipates other indirect benefits. For example, the project would diversify the energy sector in the country and promote linkages between the nonpetroleum and petroleum sectors of the economy. The government anticipates significant job and wealth generation and new skills development for the people of Trinidad and Tobago.

Sources: Century Eslon, Ltd. Web site. *http://www.centuryeslon.com* (accessed February 23, 2008); Westlake Chemical Corporation Web site, *http://www.westlakechemicalcorporation.com* (accessed February 26, 2008).

[1] Commission staff e-mail correspondence and phone interviews with Mr. Sam Baldeo, Manager, Century Eslon Ltd., Trinidad and Tobago, February 7-26 and March 3, 2008.

[2] Commission staff telephone interviews with Mr. David R. Hanson, Media Relations, Westlake Chemical Corporation, January 11 and February 26, 2008; Mr. Steven Bender, Vice President, Chief Financial Officer, and Treasurer, Westlake Chemical Corporation, March 3, 2008.

[3] Commission staff e-mail correspondence from Dr. Edgar L. Mohundro, BASF FINA Petrochemicals LP, Port Arthur, TX. March 3, 2008.

Sources

Caribbean-Central American Action. "Trinidad and Tobago." *Caribbean-Central America Profile 2008*. JTZ Publishing, *http://www.c-caa.org/news_reports/publications.html*.

CIA. "The World Factbook: Trinidad and Tobago," December 13, 2007. *www.cia.gov*.

EIU. *Country Profile 2007: Trinidad and Tobago*, 2007. *www.eiu.com*.

Ethanol Producer Magazine. "Ethanol Dehydration Facility To Be Build in Trinidad," December 2006. *www.ethanolproducer.com* (accessed March 15, 2008).

Fish INFOnetwork Market Report. "Fish INFOnetwork Market Report on Tuna," August 2006. *www.eurofish.dk* (accessed March 17, 2008).

Inter-American Development Bank. *IDB Country Strategy with Trinidad and Tobago (2004–2007)*. September 2004.

IMF. *Trinidad and Tobago: 2007 Article IV Consultation—Staff Report*. IMF Country Report No. 08/36, January 2008.

Rojas-Suarez, Liliana, and Carlos Elias, eds. *Policy Perspectives for Trinidad and Tobago: From Growth to Prosperity*. Inter-American Bank, Special Publications on Development No. 1, 2006.

UNCTAD. *UNCTAD Handbook of Statistics 2006-07*, *http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=8612* (accessed February 2008).

United States Trade Representative's Office. *Seventeenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*. December 31, 2007.

U.S. Department of State. "Background Note: Trinidad and Tobago," November 2007. *www.state.gov*.

USITC. DataWeb (data compiled from U.S. Department of Commerce statistics). *www.usitc.gov* (accessed March 2008).

Valere, Marina A., ambassador to the United States from the Republic of Trinidad and Tobago, testimony before the U.S. International Trade Commission in connection with Inv. No. 332-496, January 29, 2008.

World Bank. "Trinidad and Tobago Country Brief," September 2007. *www.worldbank.org*.

———. *Data & Statistics: World Development Indicators Online*. *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20398986~menuPK:64133163~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html* (accessed February–March 2008).

———. "Data & Statistics: Country Classification." *www.worldbank.org* (accessed March 2008).

WTO. *Trade Policy Review, Trinidad and Tobago, Report by the Secretariat, Revision*. WT/TPR/S/151/Rev.1, October 12, 2005.

———. *Trade Profiles 2007*. WTO Publications, 2007.

CHAPTER 5
Summary of Positions of Interested Parties[1]

Government of Barbados[2]

In his testimony, Barbados' ambassador to the United States, Michael King, expressed concern about three bills introduced in the U.S. Senate that would target Barbados as a tax haven and an "offshore secrecy" jurisdiction. He noted that the United States and Barbados signed a tax information exchange agreement (TIEA) in 1984, making it one of the earliest agreements of its kind engaging the United States and a foreign country. He also noted that a double taxation agreement (DTA) had been signed in 1984 between the United States and Barbados. Although Barbados was listed in a 1998 OECD report on uncooperative tax havens, he said it had been removed from the list in 2002, without the need for legislation in Barbados. The ambassador listed 11 ways in which Barbados maintains transparency in its financial sector, which he said is an indication of the propriety of its tax and regulatory framework. He also noted that, in December 2004, Barbados entered into a revised protocol with the United States altering the tax treaty, which includes changes that were desired by the United States. The ambassador also described two 2003 studies (by the IMF and the Caribbean Financial Action Task Force) that reported that Barbados is not a tax haven. Barbados also filed a written submission that explains why Barbados believes that it is being improperly targeted as a tax haven by the United States.

Government of the Federation of St. Kitts and Nevis[3]

In his hearing testimony, the Federation of St. Kitts and Nevis' ambassador to the United States, Izben Williams, addressed three main issues: (1) a national adaptation strategy to the new EU sugar regime, (2) the country's public debt and vulnerability, and (3) improving St. Kitts and Nevis' investment climate. He also noted the importance of identifying and supporting a regional perspective regarding the development challenges to the Caribbean region.

---

[1] This chapter of the report summarizes the testimony presented at the Commission's hearing and in written submissions filed with the Commission during this investigation. In many instances, the chapter reflects only the principal points made by the particular party. The views expressed in the summarized materials should be considered to be those of the submitting parties and not necessarily the Commission. In preparing this summary, Commission staff did not attempt to confirm the accuracy of or otherwise correct information summarized. For the full text of hearing testimony and written submissions, see entries associated with Investigation No. 332-496 at the Commission's Electronic Docket Information System (*http://searchapp.usitc.gov/edis3/app*).

[2] His Excellency Michael I. King, ambassador of Barbados to the United States, testimony before the U.S. International Trade Commission, January 29, 2008, and written submission, February 5, 2008. For more information on the Government of Barbados see *http://www.barbados.gov.bb*.

[3] His Excellency Dr. Izben Cordinal Williams, ambassador of the Federation of St. Kitts and Nevis to the United States, testimony before the U.S. International Trade Commission, January 29, 2008. For more information on the Government of the Federation of St. Kitts and Nevis see *http://www.gov.kn*.

He said that, in mid-2005, St. Kitts and Nevis stopped commercial production of sugar in response to the EU Sugar Protocol, which decreased the intervention price of sugar in the EU by 36 percent. He added that the sugar industry had directly employed 10 percent of the country's workforce and the lack of economic diversity had produced vulnerability. In response, St. Kitts and Nevis put forth a national adaptation strategy to transform its economy, emphasizing industries such as tourism, financial services, and information and communication technology. He also noted several retraining programs have been implemented to increase the skill level of the workforce.

To increase international competitiveness, he said St. Kitts and Nevis has begun to focus on macroeconomic policies to reduce vulnerability and facilitate investment, social policies to support economic development, and policies to promote environmentally sustainable development. He indicated that the ailing sugar industry and posthurricane infrastructure restoration costs have resulted in a public debt totaling 190 percent of GDP, and that the resulting high debt-servicing costs have led the government to pursue debt restructuring and reduction policies, and the diversification of its national debt portfolio. He noted that St. Kitts and Nevis, with the assistance of USAID, recently established an investment promotion agency, or "one-stop shop," to increase FDI, especially in the tourism sector. The country is also undertaking efforts to modernize its investment incentive regime and reduce the costs of doing business.

Government of St. Vincent and the Grenadines[4]

According to a written submission filed by La Celia A. Prince, chargé d'affaires, Embassy of St. Vincent and the Grenadines, the country, as one of the smallest in the Caribbean, is trying, in conjunction with other small-country members of the Organization of Eastern Caribbean States (OECS) to form an economic union. Ms. Prince indicated that the OECS is trying to implement a regional approach to the development and marketing of products and services to take advantage of economies of scale, and is also proposing free movement of labor. She also stated that regional organizations may help St. Vincent and the Grenadines attract FDI and diversify away from its major industries of bananas and tourism. She noted recent and expected continued growth in tourism, agriculture, agro-processing, light manufacturing, international financial services, and ICT. She also stated that after two positive reports, in 1998, the county was removed from a list of countries labeled as uncooperative tax havens.

The submission stated that St. Vincent and the Grenadines welcomes the trade benefits of CBERA and CBTPA, but "there has been little to no significant benefit to the country's economy under this trading arrangement" since items with preferential treatment, mainly in the energy and apparel sectors, are not "within the production capabilities" of St. Vincent and the Grenadines. According to her submission, only a few countries in CARICOM have benefitted from CBERA/CBTPA, and those benefits have eroded with the implementation of NAFTA. She stated St. Vincent and the Grenadines would like to see CBTPA continued and expanded to include services.

---

[4] La Celia A. Prince, chargé d'affaires, Embassy of St. Vincent and the Grenadines, written submission, February 5, 2008. For more information on the Government of St. Vincent and the Grenadines see *http://www.gov.vc/govt*.

Ms. Prince also identified other factors as impediments to growth in St. Vincent and the Grenadines for which it could use assistance from the United States. These impediments include its large public debt burden; security costs related to the trade in illicit small arms; the reintegration of criminal deportees from the United States; and the lack of manpower for negotiating in areas such as technical and financial assistance, aid for trade, and research and development. She also indicated that global warming and natural disasters increase the country's vulnerability.

Government of the Republic of Trinidad and Tobago[5]

In testimony and a written submission, the Republic of Trinidad and Tobago's ambassador to the United States, Marina Valere addressed three main points: (1) recent economic developments in Trinidad and Tobago, (2) Trinidad and Tobago-U.S. trade relations, and (3) the future commercial relationship of Trinidad and Tobago with the United States. Ambassador Valere noted that Trinidad and Tobago's main trade policy objective is to position itself as a major manufacturing, transshipment, and financial hub in the Americas. She said that continuing trade liberalization will further promote economic development, and that trade regimes that take into account size and development are crucial to Trinidad and Tobago's growth and sustainable development. She added that this "is because, despite its economic progress, stable democracy and developmental goals, the country is still a small and vulnerable economy very much susceptible to exogenous shocks in the external economic environment."

The ambassador noted that Trinidad and Tobago is the largest economy in the English-speaking Caribbean. She said that it is the world's leader in exports of methanol and ammonia from a single site, as well as a key player in the LNG market. Trinidad and Tobago has recorded positive economic growth for 15 consecutive years from 1993 to 2007. She said that the government is promoting downstream industries within the energy sector, and the expansion of its services trade. She stated that it is encouraging the growth of nontraditional industries such as tourism, fish, flowers, aromatic bitters, sugar confectionery, shandy,[6] rum, and flavored waters.

The ambassador indicated that energy exports have been growing, and that there has also been some growth in the tourism sector. The energy sector's exports provide over 75 percent of Trinidad and Tobago's foreign exchange earnings. Also, Trinidad and Tobago supplies about 70 percent of the U.S. requirement for LNG and also produces large amounts of ammonia, methanol, and urea. As a result, in recent years, U.S. firms have invested more than $1 billion, mostly in the energy sector, and several agreements have been signed to promote investment security and economic stability. However, Ambassador Valere stated, FDI in the energy sector has not had a significant impact on total employment since the sector is capital intensive. Therefore, the government has been trying to promote downstream industries to "maximize the multiplier effect and value added, through the creation of linkages between the energy sector and the rest of the economy." Five large

[5] Her Excellency Marina A. Valere, ambassador of the Republic of Trinidad and Tobago, testimony before the U.S. International Trade Commission, January 29, 2008, and written submission, February 5, 2008. For more information on the Government of the Republic of Trinidad and Tobago see *http://www.gov.tt*.

[6] Shandy is a beer flavored with lemonade or another soft drink or soda water. *Wikipedia*, "Shandy," *www.wikipedia.org* (accessed May 2, 2008).

projects are set to come online in the short term. Revenue from the energy sector has also been used to create the CARICOM Petroleum Fund to assist CARICOM member states with high energy costs.

Ambassador Valere said that Trinidad and Tobago has become the largest exporter under CBERA, with most exports concentrated in four petroleum-based products in 2007. Surplus energy-sector revenues are being used to diversify the economy and to expand and improve infrastructure. Also, CBERA has helped to increase investment in the country's nontraditional sectors. Between 2000 and 2007, the United States accounted for 43.6 to 69.7 percent of Trinidad and Tobago's exports. Exports to the United States under CBERA totaled $3.7 billion in 2006. These imports under CBERA constituted 43.7 percent of Trinidad and Tobago's exports into the United States in 2006, an increase of 34.5 percent from 2005. She added that 30 percent entered under CBTPA provisions. When CBTPA provisions went into effect in 2001, the percentage of Trinidad and Tobago's exports to the United States receiving preferential treatment doubled.

The ambassador stated that although CBERA has been helpful, Trinidad and Tobago needs a more predictable trading arrangement with the United States, since the products currently receiving preferential treatment are limited, and the advantages afforded Trinidad and Tobago from preferential trade treatment have eroded with progressive U.S. market liberalization. She said duty-free access under GSP allow for uncertainty and can erode Trinidad and Tobago's margin of preference. Predictable trading arrangements should include products such as methanol; urea; ammonia-direct-reduced iron; iron and steel products; aluminum and aluminum-related products; urea and ammonium nitrate melamine; ethanol; ethylene, polyethylene, and derived products; LNG; propylene, polypropylene, and derived products; petroleum products; ethylene dichloride; polyvinyl chloride; and information technology-derived products and services. In addition, Trinidad and Tobago is seeking duty-free access to the United States for goods packaged in Trinidad and Tobago.

Government of Antigua and Barbuda[7]

The written submission of Deborah Mae Lovell, ambassador of Antigua and Barbuda to the United States, raised the following issues: (1) the country has a one-dimensional economy, heavily dependent on tourism for employment and economic development; (2) powerful hurricanes destroy infrastructure, and recovery can take many years; (3) the country has extremely limited arable land and natural resources, limiting alternative production capabilities; and (4) the financial services industry, especially gambling and betting services, plays an important role in the economy. According to the submission, the United States is not fulfilling its WTO obligations under the GATS. Furthermore, the submission states that United States' actions harm Caribbean development, as they create uncertainty with respect to "what the United States is willing to share," weaken small countries' confidence in the United States with respect to international trade, and bring into question the United States' commitment to bilateral economic cooperation.

[7] Her Excellency Deborah Mae Lovell, ambassador of Antigua and Barbuda to the United States, written submission, February 4, 2008. For more information on the Government of Antigua and Barbuda see *http://www.ab.gov.ag*.

Government of the Republic of Haiti[8]

In his testimony, the Republic of Haiti's ambassador to the United States, Raymond Joseph, described the government of Haiti's desire for the United States to "take another look" at HOPE and put into place an expanded HOPE that would last for 10 years. Haiti is halfway through the three-year term of HOPE, and at present has added only 5,600 jobs, just more than one-quarter of the 20,000 jobs it expected from HOPE. Furthermore, these jobs are at factories that were already existing before enactment of HOPE; they were created through new investments. Haiti would like to see an enhanced HOPE enacted that would reduce uncertainty for investors.

Government of the Commonwealth of The Bahamas[9]

In a written submission, C.A. Smith, the Commonwealth of The Bahamas' ambassador, stated that The Bahamas are a service-oriented economy dominated by tourism (40 percent of GDP over the last five years) and financial services (15 percent of GDP over the last five years). The United States is its largest trading partner, recently accounting for 84 percent of its imports and 63 percent of its exports (mainly seafood, plastics, and polystyrene products). In 2004, approximately $637 million of exports from The Bahamas were given preferential treatment from CBI. Most FDI in The Bahamas is from the United States and is concentrated in tourism sector facilities.

He noted that the country's tourism industry is highly dependent on economic conditions in the countries from which tourists originate. Fifty percent of tourists are from the United States, and the industry has been affected by the United States' Western Hemisphere Travel Initiative. The depreciation of the U.S. and Bahamian dollars is expected to increase the number of tourists from other countries.

The submission also indicated that the financial services landscape in The Bahamas is characterized by a favorable tax regime and legislative environment. In 2000, legislation was enacted to bring The Bahamas' regulatory and supervisory regime on par with the best international financial standards and practices. Also, the government of The Bahamas intends to introduce an excise tax regime in the near future, as excise taxes are normally outside the scope of international trade negotiations.

The Bahamas would like to see continued duty-free access to the United States from the Caribbean, and would like an early decision regarding this due to the importance of investment in the economic development of the archipelago. Further, The Bahamas supports CARICOM's position that CBTPA should be included in CBERA and extended to all member states of CARICOM.

---

[8] His Excellency Raymond Alcide Joseph, ambassador of the Republic of Haiti to the United States, testimony before the U.S. International Trade Commission, January 29, 2008. For more information on the Government of Republic of Haiti see *http://www.haiti.org*.

[9] His Excellency C.A. Smith, ambassador of the Commonwealth of The Bahamas, written submission, February 5, 2008. For more information on the Government of the Commonwealth of The Bahamas see *http://www.bahamas.gov.bs*.

Government of Jamaica[10]

In testimony and a written submission, representatives of the government of Jamaica raised the issue of debt sustainability, stating that Jamaica's trade in goods and services is greater than its GDP, and that more than 60 cents of every foreign trade dollar earned goes to paying its foreign debt. They further indicated that twenty percent of Jamaica's exports are shipped to the United States, yet growth in such exports has been modest since 1984. The largest export under CBI is ethanol, and Jamaica plans to increase its production of ethanol from domestic sugarcane feedstock. Food and beverages have also been large CBI exports, and are considered areas for export growth. Bauxite and alumina are the most important non-CBI exports from Jamaica. They noted that imports from the United States have increased greatly since 1984, reflecting Jamaica's trade liberalization, but that "liberalization does not lead to growth and development." The representative stated that this may indicate that the United States is benefitting more than Jamaica from CBI. Furthermore, she said Jamaica's high labor standards and wages have hurt its international competitiveness.

They indicated that Jamaica welcomes an enhanced CBI addressing trade in goods and services. Although Jamaica maintains a trade deficit in goods with the United States, it has a trade surplus in services, with tourism the leading foreign exchange earner. Skilled professionals such as nurses and teachers are being "exported" to the United States as well, negatively affecting development. Although 60 percent of Jamaica's remittances come from the United States, remittances should not be considered a source of financing development. Instead, Jamaica desires to foster job creation through the strengthening of direct investment. The strengthening of trade and investment is part of Jamaica's long-range development plan, which focuses on regional development.

To increase its international competitiveness and production, Jamaica needs supply-side assistance and increased U.S. market access. For example, Jamaican textiles have had a difficult time maintaining a presence in the U.S. market. After NAFTA's implementation in 1994, the textile industry moved away from Jamaica, before NAFTA parity was enacted in 2000, and today, only three companies remain. Jamaica is seeking to develop an apparel industry to serve the haute couture market and the United States could provide assistance to young Jamaican designers.

Jamaica is also incurring increased security costs, which harm Jamaica's international competitiveness. These costs are being incurred in Jamaica's attempt to curtail the importation of illicit small arms, most of which originate in the United States. It welcomes the CARICOM/U.S. initiative combating arms trafficking, and hopes the United States will take measures at its ports to reduce the export of small arms.

The Consulate of Jamaica also submitted two documents that had been submitted to CARICOM conferences in 2007 regarding educational exchanges between Jamaica and the Commonwealth of Virginia.

---

[10] The Honorable Marcia Thomas, senior director, Foreign Trade, Minister of Foreign Affairs and Trade, Embassy of Jamaica, testimony before the U.S. International Trade Commission, January 29, 2008, and written submission, February 5, 2008; and Beryl Walters-Riley, consul for Jamaica in Virginia, Consulate of Jamaica, written submission, January 14, 2008. For more information on the Government of Jamaica see *http://www.jis.gov.jm*.

The posthearing submission included a document by the Jamaica Confederation of Trade Unions (JCTU). This document detailed challenges faced by Jamaican producers in exporting to the United States and ways in which the United States could mitigate some of these difficulties. One suggestion is U.S.-provided training on the technical standards and requirements for Caribbean food exports to the United States. It also mentions that exporters and consumers have been negatively impacted by subsidies to U.S. producers, particularly in the sugar industry. JCTU stated that the United States could assist with capacity building in the following areas: establishing a pest-risk analysis unit, providing training in pest-risk analysis and pest identification, and establishing a seed-health testing program.

The JCTU document notes that greater investment from the United States is needed in the services sector, and suggests that the United States could provide assistance in the following areas:

- developing physical infrastructure;
- providing assistance in the structural transformation of critical industries, economic activities and/or diversification;
- enhancing economic linkages among the productive sectors of the economy including manufacturing, agriculture, tourism, and services, with consideration of the following approaches: access to credit, competitiveness, poverty reduction (safety net for poor and displaced workers), and environmental sustainability.

Organization of American States (OAS)[11]

In testimony, witnesses Jose Miguel Insula, Secretary General of the OAS, and Pamela Coke-Hamilton, of the OAS Department of Trade, Tourism, and Competitiveness, noted the benefits realized by Caribbean countries through CBERA/CBTPA over the past two decades, and said that CBI has allowed several Caribbean countries to engage in export diversification. They expressed concern, however, over the difficulties these countries continue to face, stating that "[A]ll these economies are characterized by, inter alia, open economies, high dependence on external tariffs, high input costs, dependence upon very few export markets, low competitiveness, economic rigidity with high adjustment costs, difficulties in attracting foreign investment, lack of adequate market access opportunities to place their few export products, and high transport and transit costs."[12]

The OAS strongly supports the renewal of CBTPA, and suggested that it be expanded to address areas, such as trade in services (particularly financial), that play a key role in many Caribbean countries. The witnesses noted that "remittances constitute a major component of the foreign exchange earnings of many Caribbean countries" and suggested expanding CBTPA to include provisions for the establishment of local banks within the United States to "accept deposits and make the transfers back to their home countries." They also

[11] His Excellency Jose Miguel Insula, secretary general, Organization of American States; and Pamela Coke-Hamilton, director of the Department of Trade, Tourism, and Competitiveness, Organization of American States; testimony before the U.S. International Trade Commission, January 29, 2008. For more information on the OAS see *http://www.oas.org/*.

[12] USITC hearing transcript, 14.

mentioned that promoting health tourism would encourage economic growth, with the added benefit of "addressing the corollary issues of the loss of health care personnel due to low pay and recruitment from major cities in the U.S., the U.K. and elsewhere." They stated that while the liberalization of trade in services could also be addressed in a TIFA between the United States and CARICOM nations, they recommend that the issue be addressed in an expanded CBTPA.

They summarized their position by stating, "The role of the CBI in expanding the economic development and expansion of the countries of Central America and the Caribbean cannot and ought not to be minimized. There is full agreement that the CBI has been an indispensable tool in helping to transform economies, promote stability, enhance democracy, and create opportunities for sustained economic growth and development. There is also, however, a concurrence of views on the need for this vitally important mechanism to adjust to address the changing needs that have occurred in the last two decades and half since the inception of the first CBI Act."

Caribbean Community Secretariat (CARICOM)[13]

CARICOM representatives stated, "a new Caribbean/U.S. partnership should be developed on the basis of a comprehensive program of trade and development designed to accelerate the pace of development while promoting stability and the preservation of the democratic tradition of the region."

To accomplish this, they suggested: (1) locking in CBTPA preferences under permanent legislation, (2) extending these preferences to all CBERA beneficiary countries, (3) broadening the categories of products eligible for preferential access to U.S. markets "by including services which have emerged as a major sector in many of the economies of the region," and (4) revising rules of origin to be more flexible, thereby further strengthening the "cumulation principle." They also suggested that because of comparative disadvantages and structural weaknesses in the region, CARICOM countries be afforded certain flexibilities in implementing a new trade relationship with the United States including the following:

- the exclusion of extremely sensitive sectors from liberalization;
- long transition periods for certain aspects of an agreement;
- capacity-building assistance to allow regional industries to capitalize on export opportunities (this assistance must include training and technical assistance to address SPS requirements and other U.S. technical regulations and standards, as well as a very significant development component, including infrastructure financing and other aid for trade assistance); and
- special arrangements to encourage all four services modes of supply.

[13] His Excellency Irwin LaRocque, assistant secretary general, Trade and Economic Integration, CARICOM; testimony before the U.S. International Trade Commission, January 29, 2008; and Maurice Odle, economic advisor to the secretary-general, written submission, January 22, 2008. For more information on CARICOM see *http://www.caricom.org*.

Regarding the potential for a reciprocal trade agreement between the United States and CARICOM nations, the CARICOM representatives stated that, while such an arrangement is a long-term goal of Caribbean nations, they do not yet have the capacity to enter into such an agreement. Impediments include the adjustment costs that would be associated with entering into a reciprocal trade agreement, given that several CARICOM countries rely on tariffs to generate revenue.

Regarding cumulation rules, they explained that under CBERA and CBTPA, rules of origin require a certain percentage value added by the beneficiary country, with cumulation between beneficiary countries allowed. For products in the textile sector, however, the rules are more stringent and favor manufacturers using U.S. fabric. They noted that "[r]elaxation of the rules to allow the use of fabric from all CBERA beneficiary countries, as against the use of fabric from the U.S. only, would facilitate production and exports by CARICOM countries."

CARICOM representatives said that the main constraint to growth for small and medium enterprises is "inadequate financing access to traditional banking sources largely due to unacceptable collateral." CARICOM representatives expressed support for "the creation and/or support of specialized credit agencies and a development fund which can be contributed to by donors such as the USA and other sources with a built-in revolving loan concept for sustainability." Additionally, "other issues that affect the SMEs reaching their potential have to do with the capacity constraints which they face in terms of familiarity with the technologies, including ICT, and modern marketing strategies. Though efforts at training and other human resource development measures have been recommended and adopted from time to time, it is clear that much more targeted initiatives are necessary to make the leap into the competitive production that the region needs."

CARICOM representatives summarized their position by stating that "it will be important for the United States to become fully engaged in the region through the conclusion of a comprehensive trade and development pact if it is to achieve the twin goals of accelerating the pace of Caribbean development while protecting its own interests. The truth is that, despite differences, given their geopolitical proximity, Caribbean and U.S. interests are mutually intertwined."

Berliner, Corcoran & Rowe LLP[14]

In a written submission, Bruce Zagaris of Berliner, Corcoran & Rowe, LLP, stated that CBERA and the foreign aid program under the Reagan administration "were important in engaging the region in export diversification," but that the effects of CBERA have recently been diminished due to the impact of other trade agreements between Caribbean countries and the United States and the EU. Mr. Zagaris argued for the extension and expansion of benefits under CBTPA, suggesting that CBERA be expanded to "include more products and especially to embrace services." Mr. Zagaris also emphasized the need for an investment component to stimulate U.S. investment in the Caribbean. He also noted that Caribbean

[14] Bruce Zagaris, Berliner, Corcoran & Rowe, LLP, written submission, February 15, 2008. For information on Berliner, Corcoran & Rowe, LLP see *http://www.bcr-dc.com*.

economies have become increasingly reliant on services, notably tourism, financial services, information technology, and entertainment and culture.

Mr. Zagaris listed several ways in which U.S. policy could facilitate growth in financial services in Caribbean countries such as negotiating income tax treaties with Caribbean jurisdictions. He noted that Bermuda was an exception to the U.S. policy of not negotiating tax treaties with countries that did not possess fully developed income tax systems. He also stated that while encouraging the Caribbean diaspora to engage in their home countries has been a stated goal of both Bush administrations, "U.S. tax laws make it difficult to obtain deductions when [contributing] to Caribbean entities." He proposed that the U.S. government allow, on a reciprocal basis, for "Americans making contributions to the Caribbean jurisdiction to deduct such contributions from U.S. taxes," emulating the provisions of the U.S.-Mexico tax treaty. Alternatively, he suggested that "the Congress can provide such deductions by statute to Caribbean jurisdictions whose tax and charitable laws are appropriate." Finally, he stated that U.S. anti-money laundering policies "have blocked or made very difficult and expensive efforts by Caribbean nationals to make remittances to their families." He suggested that "new technologies, including card-based payment systems and other networks such as automated clearinghouses (ACH) must be developed to strengthen financial access, reduce the cost of sending remittances, and increase the security of transfers."

Mr. Zagaris also stressed the importance of other services, most notably tourism and entertainment, to Caribbean countries. He stated, "the U.S. should extend CBERA to travel and tourism," and should consider concluding bilateral tourism agreements. Regarding the entertainment sector, Mr. Zagaris stated that "the new EPA between the EC and CARIFORUM gives the EC investors an advantage over the United States," and suggested that CBERA include provisions for entertainment and culture. He also proposed measures that the United States could take to address education, legal services and infrastructure, and cross-border gaming. Regarding education, he suggested that "the U.S. and state governments should facilitate more extensive uses of educational exchanges as an engine of growth." To continue to strengthen the legal framework in the Caribbean regions, he proposed that the United States continue to expand collaboration with the Caribbean region, building on such provisions as that by USAID in 1985 contributing to the Caribbean Justice Improvement Project and by the U.S. Congress promoting the Caribbean Law Initiative. Mr. Zagaris noted that Caribbean countries have been monitoring the response of the United States to the WTO ruling on cross-border gaming with Antigua and Barbuda, and stated that "unless the U.S. keeps its international trade obligations vis-à-vis Caribbean jurisdictions, it will be more difficult to persuade Caribbean jurisdictions to liberalize their own laws and deepen their own trade and investment commitments. The U.S. must either legalize Internet gaming or criminalize and prosecute those U.S. sectors, such as pari-mutuel betting, for which Congress has carved out exemptions."

Finally, Mr. Zagaris stated that "renewing and expanding the CBERA and CBTPA is good economic and foreign policy. By increasing commercial ties with our neighbors, we will give our own businesses and those of our neighbors important opportunities that will have positive multiplier effects to build prosperity and good relations."

Caribbean Association of Indigenous Banks, Inc. (CAIB)[15]

In a written submission, Patricia Hamilton, Chief Executive Officer of the Caribbean Association of Indigenous Banks, detailed the role of U.S. Correspondent Banks in the Caribbean region, noting that the actions of these banks can have large consequences for the regional economy. According to her submission, although Caribbean central banks insist on compliance with the highest international standards, they are threatened by the possible withdrawal of U.S. Correspondent Banks; and she noted changes in the regulatory environment resulting from the Patriot Act. She stated, "Every contraction of the services of U.S. Correspondent Banks results in a marked, negative impact upon the indigenous banking industry of the Caribbean region, and by direct extension upon the growth and development of the Caribbean's economy." She stated, "CAIB advocates for recognition by regulators of the negative (and, we believe,) unintended impact recent AMUCTF [Anti-Money Laundering and Counter-Terrorism Financing] Act regulations and compliance requirements have had on our industry."

CBI Sugar Group[16]

The CBI Sugar Group's written submission explained the historic economic and cultural importance of the sugar industry to the Caribbean nations exporting sugar. According to CBI Sugar Group's statement, these nations face new challenges in maintaining the sugar industry in light of the EU's recent restructuring of its sugar regime, and rely more than ever on access to the U.S. sugar market.

CBI Sugar Group said that the sugar industry in these nations is undergoing a restructuring process to address these new challenges. As part of this process, new products and revenue sources, particularly ethanol, as well as bagasse[17] for electricity co-generation, rum, and specialty sugar products are being added. Based on this restructuring, the CBI Sugar Group states that, "The CBERA provisions allowing duty-free access to the U.S. market are absolutely critical to the success of the Caribbean ethanol industry."

The submission highlighted the noneconomic importance of the sugar industry in several of these countries, noting that the closure of the sugar industry in some instances took with it health and community services provided by the industry. The submission concluded, "All available means to maintain and hopefully increase access to the United States must be explored. One such proposal that is worth serious consideration would be to provide that any shortfall in TRQ deliveries by a Caribbean country would be reallocated only among other Caribbean countries."

---

[15] Patricia Hamilton, Chief Executive Officer, CAIB, written submission, February 1, 2008. For information on CAIB see *http://www.caibinc.info*.

[16] Paul Ryberg, counsel to the CBI Sugar Group, written submission, February 5, 2008.

[17] Bagasse is the remaining biomass after sugarcane stalks are crushed to extract juice. *Wikipedia*, "Bagasse," *www.wikipedia.org* (accessed May 2, 2008).

Caribbean-Central American Action (CCAA)[18]

In their written submission and hearing testimony, CCAA representatives raised concerns about the challenges posed to Caribbean Basin nations by the International Ship & Port Facility Security (ISPS) Code and the U.S. legislation on maritime security, enacted in the Maritime Transportation Security Act (MTSA) of 2002. They stated, "[a]lthough the majority of the larger Caribbean ports have initially complied with the ISPS security code, many of the smaller economies in the region lack the resources necessary to sustain the level of security necessary for compliance. Further, with the recent passage of scan all legislation, there is concern that the region is being split into the 'haves and have-nots.' We believe that the United States must support the countries of the Caribbean as they attempt to fulfill U.S. and international security codes that govern trade."[19]

They recognized the positive impact that the CBI has had in promoting nontraditional exports from Caribbean nations; however, they noted that many countries are not able to take advantage of the provisions laid out in CBI. CCAA believes these countries would greatly benefit from the expansion of current trade preferences to include "services, investment, and other trade-related subjects." They added that, because of their CAFTA-DR membership, the Dominican Republic should not be included in negotiations toward a GATS Article V agreement in liberalizing trade in services. They stated support for extending the HOPE Act to benefit the Haitian textile and apparel industry. Although they support the extension of textile and apparel provisions for the Caribbean region under CBTPA, they said such preferences are of minimal value to most Caribbean nations and should not "substitute for more substantial measures."

They stated that the only Caribbean nation for which CCAA recommends that the United States consider an FTA at this time is Haiti; they propose that Haiti be considered for membership in the CAFTA-DR agreement. Due to the long-term nature of the economic partnership agreements (EPAs) between Caribbean nations and the EU and their potential adverse effects on U.S. exports, CCAA suggests "a mechanism under which [CARICOM's] members would take appropriate action when U.S. exports are displaced or threatened with displacement from CARIFORUM[20] markets as a result of preferences granted to the European Union. This would be a case-by-case review. The usual remedy would be to reduce MFN duties."

They also requested that the ITC address the issue of WTO compliance of any trade preference agreement, and that it consider "a high-level consultation mechanism to prevent unintended consequences of U.S. policy initiatives on the Caribbean," such as the effects of U.S. decisions regarding internet gambling on Antigua and Barbuda. They urged the United States and Caribbean nations to work together to ensure that a multiyear WTO

---

[18] Manuel Rosales, President and chief executive officer, CCAA; and Stephen Lande, president, Manchester Trade, and Trustee, CCAA; testimony before the U.S. International Trade Commission, January 29, 2008; and Anton Edmunds, executive director and chief operating officer, CCAA, written submission, January 16, 2008. For information on CCAA see *http://www.c-caa.org*.

[19] USITC hearing transcript, 221-222.

[20] CARIFORUM consists of the 16 Caribbean countries that are also African, Caribbean, and Pacific Group of States (ACP) members. The ACP Group was formed when the first Lomé Convention was signed with the European Economic Community (EEC) in 1975 and encompasses 78 states. CARIFORUM includes all CARICOM members except Montserrat and also includes Cuba and the Dominican Republic.

waiver for CBI preference programs is granted. Finally, they emphasized the need for technical assistance, stating, "We would hope the mandate of the USITC allows it to examine how the U.S. will be able to provide regional as opposed to bilateral assistance and to make long-term commitments to enable the region to compete globally."

Caribbean Hotel Association (CHA)[21]

In their testimony, Caribbean Hotel Association representatives underscored the importance of the U.S. market for tourism in the Caribbean and recognized the challenges that currently face the tourism sector. To enable the tourism industry to continue contributing to regional growth and development, they proposed the following:

- initiatives to lower the cost of tourism-related inputs sourced extraregionally;
- human resource development programs and hospitality-service training initiatives;
- employee job attachments and training and apprenticeship arrangements, if necessary, including mutual recognition agreements for tourism-related qualifications and credentials;
- technical and financial assistance for regional- and local-level projects, such as: capacity building for adapting to and mitigating the effects of climate change, capacity building for environmental management within the tourism sector, and internet marketing strategies for micro, small and medium-sized tourism enterprises, including accommodation, tour and entertainment entities; and
- regular dialogue, information sharing, and consultation between U.S. and Caribbean delegations to, among other things, exchange information on best practices and to consult on issues of concern pertaining to tourism between the United States and the Caribbean region.

Caribbean Regional Negotiating Machinery (CRNM)[22]

In a written submission, Richard Bernal of the CRNM, stated that CARICOM supports the continuation and expansion of CBERA/CBTPA preferences, as well as the ongoing U.S. effort to obtain a WTO waiver for CBERA. He requested that as Congress seeks to extend and update CBERA, it take into account the diminishing benefits to CARICOM countries under CBERA as a result of ongoing U.S. market liberalization and FTAs with former CBI beneficiary countries. He also noted that not all CBERA countries are eligible for CBTPA,

---

[21] Peter Odle, president, CHA, and Alec Sanguinetti, director general and chief executive officer, CHA, testimony before the U.S. International Trade Commission, January 29, 2008; and written submission, February 1, 2008. For information on CHA see *http://www.caribbeanhotelassociation.com*.

[22] Ambassador Richard Bernal, director general, CRNM, written submission, January 29, 2008. For information on CRNM see *http://www.crnm.org*.

and that CBERA benefits are limited to trade in merchandise, while many of the beneficiary countries rely heavily on the export of services.

The CRNM supports locking in permanent CBTPA preferences and extending these preferences to all CBERA beneficiaries. Mr. Bernal also noted that CARICOM members would benefit from more flexible rules of origin for exports to the United States.

Andrea M. Ewart, PC[23]

In her testimony, Andrea Ewart, a consultant on Customs and Trade Law, recommended that U.S. policy in the CARICOM region encourage regional integration and the development of a new framework for U.S.-CARICOM trade relations. To support regional integration, Ms. Ewart suggested "focusing on providing increased political support, financial resources, and technical assistance to facilitate the progress of regional integration in the Caribbean."[24]

Regarding the framework of U.S.-CARICOM trade relations, Ms. Ewart suggested improving CBERA by expanding the list of qualifying products, simplifying and restructuring the rules of origin to encourage the development of trade and investment ties among current beneficiaries, and addressing the SPS issues that present barriers to Caribbean exports. Additionally, she proposed that a framework be established for moving U.S.-CARICOM trade relations to a reciprocal basis.

GeoNet Ethanol LLC[25]

In testimony, Brent Baker of GeoNet, a company that operates an ethanol dehydration business in the U.S. Virgin Islands, noted several benefits of the CBI, including the following:

- increased standard of living in CBI beneficiaries,
- support for the viability of the United States' "third border,"
- the provision of additional high-value goods for consumers in the United States,
- increased trade between CBI beneficiaries and suppliers of raw materials, and
- in the case of ethyl alcohol used for domestic motor fuel, the provision of an ecologically friendly renewable fuel that helps reduce the United States' dependence on fossil fuels.

---

[23] Andrea M. Ewart, PC, testimony before the U.S. International Trade Commission, January 29, 2008. For more information on Andrea M. Ewart, PC, see *http://www.developtradelaw.com*.

[24] USITC hearing transcript, 207.

[25] Brent Baker, chief executive officer, GeoNet Ethanol LLC, testimony before the U.S. International Trade Commission, January 29, 2008.

He said GeoNet encourages trade within the region of the CBI countries and strongly supports the continuation of the benefits afforded by CBI.

Halcrow, Inc.[26]

In hearing testimony, Halcrow representatives stated "there exists a very delicate balance between the economic stability and growth of the region and the maritime security and customs procedures they implement."

They noted that "the international maritime security requirements as outlined within the International Ship and Port Facility Security Code (ISPS) and the U.S. maritime security requirements as stipulated by the Maritime Transportation and Security Act (MTSA), which are being implemented not only in U.S. ports but also around the world, would have a significant impact on the economic development of the Caribbean region should any of those countries not be in compliance." They stated that many Caribbean countries rely heavily on tourism (particularly cruises) as well as traded goods transported by ship, and that the burden imposed by these new strict security requirements will fall on the vessels and their operators if a vessel has passed through a noncompliant port.

They also emphasized the need for trade facilitation reforms, and the importance of cooperation between Caribbean nations, stating, "[w]e feel it is imperative that CARICOM adopt a regionwide approach that fosters harmonization of security and customs guidelines and creates a Caribbean wide interpretation of ISPS, similar to MTSA, EC, and ASEAN." They added "we believe there needs to be a standardized and integrated approach to port and customs security through a sustainable Caribbean standard for International Ship and Port Facility Security Code (ISPS) and the World Customs Organization (WCO) regulations similar to the U.S., European, and Asian models." They suggested that "through a regional organization, a phased program be launched leading to self-sustained security programs and investments" with support from other stakeholders.

Inter-American Development Bank (IDB)[27]

The Inter-American Development Bank submitted a posthearing report of its recent activities in the region and a copy of its investigation, "Caribbean Region: Review of Economic Growth and Development." The report emphasizes the importance of regional integration for Caribbean nations and describes the IDB's strategy to "help Caribbean countries transform their regional integration process into an effective instrument of global integration, competitiveness, and economic growth." This strategy involves two main areas of focus. First, the IDB will strive for full intraregional market liberalization, while

[26] John Saylor, director, Federal Programs, Maritime Services, Halcrow, and Alan Westerman, senior maritime security specialist, Halcrow, testimony before the U.S. International Trade Commission, January 29, 2008, and written submission, January 11, 2008. For more information on Halcrow, Inc. see *http://www.halcrow.com*.

[27] Dora Currea, manager, Country Department Caribbean Group, Inter-American Development Bank, written submission, February 3, 2008. For more information on the IDB see *http://www.idbgroup.org*.

effectively managing the distributional risks of liberalization. This will involve the following:

- eliminating remaining restrictions to the free flow of goods, services, capital, and people within the Caribbean Single Market Economy (CSME);
- aligning regional and global agendas;
- moving from protection to adjustment support; and
- facilitating private-sector development within a more open trading environment.

Secondly, the bank aims to improve CARICOM's social and economic infrastructure in critical areas of development, supporting horizontal cooperation initiatives that benefit all productive sectors. Specifically, the Bank suggests five areas of regional cooperation in which it could provide support: information and communications technology, energy, disaster risk management, statistics, and management of the integration process.

Inter-American Investment Corporation (IIC)[28]

The IIC submitted written materials describing some of its recent activities in the Caribbean region, including loans and financial services to companies in several Caribbean nations.

Jefferson Waterman International[29]

In a written submission, Maureen Smith, senior vice president at Jefferson Waterman, suggested "that the Commission look at ways that expanded cumulation ["covering a wider rage of countries and sectors"] might help Caribbean countries to develop new industries that will expand the Caribbean standard of living.[30]" Specifically, she requested that the Commission investigate the potential impact of the following:

- elimination of product and volume restrictions on cumulation in the CAFTA–DR agreement;
- inclusion of cumulation provisions in agreements with Panama, Colombia, and Peru; and
- improved cumulation provisions in the HOPE Act that would not rely on a value-added approach and would provide clear incentives for use of hemispheric inputs.

---

[28] Jacques Rogozinski, general manager, Inter-American Investment Corporation, written submission, February 1, 2008. For more information on the IIC see *http://www.iic.int*.

[29] Maureen Smith, senior vice president, Jefferson Waterman International, testimony before the U.S. International Trade Commission, January 29, 2008. For more information on Jefferson Waterman International see *http://www.jwidc.com*.

[30] USITC hearing transcript, 198.

She added that "a failure to fully examine the potential benefits of a wider cumulation strategy in promoting trade, investment, and economic development in the Caribbean Basin would deny U.S. policy makers the information they need to assess one of the most promising future options for U.S. trade policy in the hemisphere."

Mercosur Consulting Group, Ltd.[31]

In a written submission, Thomas O'Keefe, president of Mercosur Consulting Group, stressed the importance of following through on projects aimed at building trade capacity in Caribbean nations. He recommended that "all U.S. trade-related assistance to the Eastern Caribbean be designed in such a way as to encourage not only economic but also political integration as well," and suggested that a feasibility study by the ITC or another appropriate agency examine the possibility "of turning the sovereign states of the OECS into a free zone similar to what exists in St. Maarten."

National Coalition on Caribbean Affairs (NCOCA)[32]

In written submissions, representatives of NCOCA emphasized the importance of U.S.-CARICOM trade to the Caribbean community and recommended that a new CBI/CBTPA be enacted to "facilitate and expand U.S.-CARICOM trading opportunities." They noted that the vast majority of imports from the CARICOM region are from Trinidad and Tobago, and emphasized the need to promote and expand export opportunities for the other Caribbean nations which, excluding Trinidad and Tobago, run a trade deficit with the United States. NCOCA added that some of the difficulties faced by these countries in expanding their exports may be related to health, food-safety and shipping standards, and requested that the impact of these factors be examined in closer detail. Additionally, the submissions emphasized the need for improved capacity building and technical assistance with bureaucratic procedures to increase the ease of doing business in CARICOM. They also noted the importance of the diaspora and remittance flows to CARICOM countries and suggested that "a diaspora program built on the Peace Corps and Fulbright models can be used to deepen Caribbean outreach under the new CBI/CBTPA, whereby active and retired diaspora professionals could fill skilled labor shortages in Caribbean countries."

The submissions also emphasized the importance of the tourism industry in the Caribbean economy, as well as noting possible negative social and environmental effects of an expanding tourism sector. They stated that "the freedom of foreign investors to repatriate profits is a prerequisite for investment in an industry that is dependent on foreign capital which typically flows in with concessions that considerably reduce and sometimes eliminate taxes on profits. From this perspective, foreign investors in the Caribbean tourist industry and their foreign suppliers of food, equipment, and services appear to benefit far more than the local economy."

---

[31] Thomas Andrew O'Keefe, president, Mercusor Consulting Group, written submission, January 18, 2008. For more information on Mercusor Consulting Group see *http://www.mercosurconsulting.net*.

[32] Dr. C. Kenrick Hunte, President, NCOCA, written submission, February 2, 2008; Dr. Ransford W. Palmer, chairman, NCOCA, written submission, February 1, 2008. For more information on NCOCA see *http://www.ncoca.org*.

National Council of Textile Organizations (NCTO)[33]

In a written submission, Cass Johnson, president of The National Council of Textile Organizations, stated that he recognized the beneficial impact of CBTPA preferences in the textile and apparel sectors of beneficiary countries and supported current provisions being extended. He noted the positive impact that such preferences have had not only on Caribbean nations, but on U.S. yarn exports to the region. Because of the benefit for U.S. jobs and production, he stated, "we are opposed to any proposals that would allow third-party countries, through cumulation or other schemes, to take advantage of this trade." Additionally, he requested that the United States "aggressively prosecute China's illegal trade activities, including currency manipulation and subsidies" to ensure the continued ability of Caribbean nations and the United States to benefit from CBTPA preferences.

Trade, Aid and Security Coalition (TASC); Business Coalition for Capacity Building, LLC (BCCB)[34]

In hearing testimony, Katrin Khulman, the president of Trade, Aid and Security Coalition (TASC) and executive director of the Business Coalition for Capacity Building (BCCB), recognized the positive impact that trade preferences under CBTPA have had on Caribbean countries, but emphasized the need to renew this agreement either permanently (subject to countries' compliance with eligibility requirements), or for a substantial length of time in order to reduce uncertainty for investors. She stated that TASC and BCCB also advocate relaxing the rules of origin restrictions for apparel in order to allow Caribbean countries to remain competitive in light of increased competition from China and other low-cost suppliers in Asia. Similarly, she suggested building on the Haiti HOPE Act by extending the preferences afforded under it (ideally permanently) and relaxing its rules of origin requirements.

In addition to extending trade preferences with Caribbean countries, she suggested that the United States expand aid to these countries to help improve capacity in trade facilitation, trade in services, intellectual property rights (IPR), environment, and SPS requirements and to help countries better meet international standards. She emphasized that Haiti in particular is in need of infrastructure to modernize port facilities and to equip manufacturers to enhance existing production. She also noted that trade capacity building can also encourage export diversification, and that "the United States provides relatively generous trade capacity-building assistance to the CAFTA countries, which already dominate the region's trade. We should now scale up capacity-building assistance for the other, smaller, countries in the region, which are still struggling to achieve some level of sustainable economic development."

---

[33] Cass Johnson, president NCTO, written submission, February 5, 2008. For more information on NCTO see *http://www.ncto.org*.

[34] Katrin Kuhlman, president, TASC, and executive director, BCCB, testimony before the U.S. International Trade Commission, January 29, 2008. For more information on TASC, see *http://www.tradeaidsecuritycoalition.org*. For more information on BCCB, see *http://www.bccb.info/*.

APPENDIX A
Request Letter from Committee on Ways and Means

CHARLES B. RANGEL, NEW YORK,
CHAIRMAN

FORTNEY PETE STARK, CALIFORNIA
SANDER M. LEVIN, MICHIGAN
JIM McDERMOTT, WASHINGTON
JOHN LEWIS, GEORGIA
RICHARD E. NEAL, MASSACHUSETTS
MICHAEL R. McNULTY, NEW YORK
JOHN S. TANNER, TENNESSEE
XAVIER BECERRA, CALIFORNIA
LLOYD DOGGETT, TEXAS
EARL POMEROY, NORTH DAKOTA
STEPHANIE TUBBS JONES, OHIO
MIKE THOMPSON, CALIFORNIA
JOHN B. LARSON, CONNECTICUT
RAHM EMANUEL, ILLINOIS
EARL BLUMENAUER, OREGON
RON KIND, WISCONSIN
BILL PASCRELL, Jr., NEW JERSEY
SHELLEY BERKLEY, NEVADA
JOSEPH CROWLEY, NEW YORK
CHRIS VAN HOLLEN, MARYLAND
KENDRICK MEEK, FLORIDA
ALLYSON Y. SCHWARTZ, PENNSYLVANIA
ARTUR DAVIS, ALABAMA

JANICE MAYS,
CHIEF COUNSEL AND STAFF DIRECTOR

Congress of the United States
U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS
1102 LONGWORTH HOUSE OFFICE BUILDING
(202) 225-3625
Washington, DC 20515-6348
http://waysandmeans.house.gov

JIM McCRERY, LOUISIANA
WALLY HERGER, CALIFORNIA
DAVE CAMP, MICHIGAN
JIM RAMSTAD, MINNESOTA
SAM JOHNSON, TEXAS
PHIL ENGLISH, PENNSYLVANIA
JERRY WELLER, ILLINOIS
KENNY C. HULSHOF, MISSOURI
RON LEWIS, KENTUCKY
KEVIN BRADY, TEXAS
THOMAS M. REYNOLDS, NEW YORK
PAUL RYAN, WISCONSIN
ERIC CANTOR, VIRGINIA
JOHN LINDER, GEORGIA
DEVIN NUNES, CALIFORNIA
PAT TIBERI, OHIO
JON PORTER, NEVADA

BRETT LOPER,
MINORITY STAFF DIRECTOR

DOCKET NUMBER 2576
Office of the Secretary
Int'l Trade Commission

November 1, 2007

ER- NOV 7 2007 -096

RECEIVED
NOV 7 2007
OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

The Honorable Daniel R. Pearson
Chairman
United States International Trade Commission
500 E Street, N.W.
Washington, D.C. 20436

Dear Mr. Chairman:

The Caribbean Basin Economic Recovery Act (CBERA) went into effect on January 1, 1984, with the intention of aiding the development of the Caribbean region. CBERA, and its successor, the Caribbean Basin Trade Preferences Act (CBTPA) have been great successes, but CBTPA will expire on September 30, 2008. Now the time has come to move to the next step in the development of the Caribbean region.

Caribbean economic development is important not only for humanitarian and political reasons, but because these countries are long-time economic partners of the United States. Despite the many successes of CBERA, though, parts of the region still lack the economic development that would enable a wider population of the CBERA countries to compete globally and become strong economic and political partners for the United States.

The United States should be engaged in the region through trade, tax, investment and development policies that help the region (and especially the disadvantaged populations of the region) both in the short-term and over the next 25 years and provide new opportunities for American workers, farmers and businesses. A short-term policy would be one that would build on the goods and services that economies in the Caribbean can currently produce, while a longer term policy is one that would look to expand the breadth of goods and services provided from the Caribbean, even if that process takes more than a decade.

To decide upon the best policy, we need to examine past successes and failures of the region's economic growth in order to aid the Caribbean countries in establishing and reaching attainable goals. There are companies in the Caribbean that have found creative ways to use the region's strengths (e.g., its dynamic population and natural resources) to overcome its constraints (small populations and surface areas) and compete successfully in the global market. Those companies' successes may suggest ways that U.S. policy can best assist the region.

Therefore, on behalf of the Committee on Ways and Means of the United States House of Representatives, under the authority of section 332(g) of the Tariff Act of 1930, I request that the Commission institute a fact-finding investigation to provide a report containing information that will assist the Committee in identifying the ways that U.S. trade and aid policy can most help the Caribbean Basin.

The overall objective of this report is to review economic growth and development in the Caribbean region. In preparing the report, the Commission should (1) provide an in-depth description of current level of economic development in the Caribbean basin, and (2) identify possible future development strategies.

1) The Current Level of Caribbean Economic Development

This section should provide an overview of the current level of economic development in the Caribbean, at the regional level and the country level. To the extent possible, the regional level overview should include:

- Data on standard indicators of economic development in the Caribbean region;
- Data relating to the importance of trade, especially with the United States, in the economies of countries in the region; and
- Data on the extent of utilization of CBERA preferences, including the textile and apparel provisions.

The country level overview should include country profiles of the 18 non-DR-CAFTA CBERA countries. For each country, the report should provide the following information to the extent possible:

- Identify the major industries/sectors, by output, exports, employment, and wages and also indicate the extent to which people in each country live in economic conditions below poverty levels;
- Identify the division of output, employment, and exports between agriculture, services and manufacturing;
- Identify the industries/sectors (if any) that have been particularly successful in attracting investment, creating jobs and exports, and raising the standard of living for a broad portion of the population. The Commission may, if it finds it feasible, include brief case studies of successful industries that have been able to compete globally despite small size or capacity constraints, with an eye toward identifying what enabled these smaller industries to be successful; and

- Identify the non-trade-related factors that have had major impacts on the country's economic development?

2) Overview of Economic Literature on Potential Caribbean Development

This section should summarize the literature assessing the direction of future Caribbean development, and in particular, articles that address the following:

- Economic development policies that have been tried in the Caribbean, including how these policies have fared, the extent to which progress reached a broad portion of the population, the role of International Financial Institutions, and the major impediments to further economic development in the region today;

- The importance of trade liberalization and subsequent trade growth to progress in economic development;

- The extent to which trade growth allowed goods and services providers in CBERA countries to move to production that yields higher value-added per worker and/or higher wages for workers, and whether there is evidence that trade growth has contributed to poverty reduction, to faster economic growth, or other aspects of economic development;

- The industries/sectors that may show greatest promise for output, job and export creation in the Caribbean, based either on the success of those industries/sectors in other Caribbean countries or the success of those industries/sectors in other world regions with similar national economic characteristics. Identify (1) industries/sectors that bring widespread benefits, (2) smaller industries/sectors that are globally competitive, (3) the potential for a hub-and-spoke system in the region, and (4) industries/sectors that are non-traditional in the region;

- The extent to which Caribbean goods and services industries/sectors compete in the global economy against other countries' goods and services, as well as the major impediments to the global competitiveness of Caribbean goods and services;

- The extent to which agreements such as NAFTA, the Uruguay Round, the International Technology Agreement, and CAFTA have affected Caribbean trade with the United States;

- Countries that have benefitted from CBERA preferences, and from CBERA textile and apparel preferences in particular. Describe the extent to which these preferences 1) allowed these countries to move into production that yields higher value-added per worker and/or higher wages, and 2) attracted industries other than apparel and textiles;

- The extent of loans and other financial support provided by the Inter-American Development Bank and The World Bank;

- Types of policies that might encourage a wider use of the CBERA program;

- Ways that U.S. trade policy, including through preference programs and trade expansion, as well as economic aid (e.g., financial aid for training, technical assistance, etc.) as part of a coordinated policy, might strengthen the ability of the region to compete globally in terms of increasing output, employment, and exports;

- Identify ways that U.S. trade policy liberalization, special tax preference programs, and/or economic aid might help Caribbean countries to develop new industries that will improve the Caribbean standard of living; and

- Identify U.S. investment or services trade liberalization policies that could assist the Caribbean region, if those policies will benefit a broad base of the populations of the affected countries.

The Commission is requested to deliver the combined study no later than 6 months from receipt of this letter.

Sincerely,

Charles B. Rangel
Chairman

APPENDIX B
Federal Register Notice

CALIFORNIA

Alameda County

Berkeley High School Campus Historic District, 1980 Allston Way, Berkeley, 07001350.
Hagemann Ranch Historic District, 455 Olivina Ave., Livermore, 07001351.

Monterey County

Carmel Vally Road—Boronda Road Eucalyptus Tree Row, Carmel Valley Rd. & Boronda Rd., Carmel Valley, 07001352.

San Bernardino County

Bono's Restaurant and Deli, 15395 Foothill Blvd., Fontana, 07001353.

COLORADO

Rio Blanco County.

Pyramid Guard Station, Co. Rd. 8, Yampa, 07001354.

CONNECTICUT

Fairfield County

Tod's Point Historic District, Tod's Driftway, Greenwich, 07001355.

DISTRICT OF COLUMBIA

District of Columbia

Washington Navy Yard (Boundary Increase), Generally bounded by M St., Anacostia Rd., Isaac Hull Ave. & 2nd St. SE., Washington, 07001356.

FLORIDA

Hamilton County

Jennings High School, 1291 Florida St., Jennings, 07001357.

IOWA

Polk County

Baker—DeVotie—Hollingsworth Block (Boundary Increase), 516–526 E. Grand Ave., Des Moines, 07001358.

Woodbury County

Sioux City Linseed Oil Works, 210 Court St., Sioux City, 07001359.

MASSACHUSETTS

Hampshire County

Ross Farm, (Underground Railroad in Massachusetts MPS). 123 Meadow St., Northampton, 07001360.

Plymouth County

East Rochester Church and Cemetery Historic District, 355 County Rd., Rochester, 07001361.

Worcester County

Whitmore, Enoch, House, (Underground Railroad in Massachusetts MPS). 12 Daniels Ln., Ashburnham, 07001362.

MONTANA

Chouteau County

First National Bank of Geraldine, 311 Main St., Geraldine, 07001363.

Madison County

Ferris—Hermsmeyer—Fenton, 144 Duncan District Rd., Sheridan, 07001364.

NEW YORK

Greene County

Allan Teator Road Stone Arch Bridge, Allan Teator Rd., West Durham, 07001365.
Croswell—Parsons Paper Mill Ruin, NY 144, New Baltimore, 07001366.
Hervey Street Road Stone Arch Bridge, Hervey Street Rd., & Hervey Street-Sunside Rd., Hervey Street, 07001367.
Shady Glen Road Stone Arch Bridge, Shady Glen Rd. at Stone Bridge Rd., Cornwallville, 07001368.

Rensselaer County

Clark—Dearstyne—Miller Inn, 11–13 Forbes Ave., Rensselaer, 07001369.

Schoharie County

Livingstonville Community Church, 1667 Hauverville Rd., Livingstonville, 07001370

NORTH CAROLINA

Davidson County

Erlanger Mill Village Historic District, Roughly bounded by Winston Rd., Short, 7th, Hames, Second Rainbow, Park Circle, & Olympia Sts., Lexington, 07001371.

Durham County

Trinity Historic District (Boundary Increase II), (Durham MRA), 209–215 N. Gregson St., Durham, 07001372.

Franklin County

Vann, Aldridge H., House, 115 N. Main St., Franklinton, 07001373.

Gaston County

Central School, 317 Washington Ave., Bessemer City, 07001374.

Harnett County

Melvin, Dr. Wayman C. House, 6386 NC 217, Linden, 07001375.

Lincoln County

Reinhardt—Craig House, Kiln and Pottery Shop, 3171 Cat Square Rd., Vale, 07001376.

OREGON

Multnomah County

Bowman, John and Ellen, House, (Architecture of Ellis F. Lawrence MPS), 1719 NE. Knott St., Portland, 07001377.
Kern, Grace, House, 1740 SW. West Point Ct., Portland, 07001378

PENNSYLVANIA

Bucks County

Springtown Historic District, Main St. between Drifting Dr. & Springtown Hill Rd. (Springfield Township), Springtown, 07001379.

Somerset County

Shade Furnace Archaeological District, (Iron and Steel Resources of Pennsylvania MPS), Address Restricted, Reitz, 07001380.

RHODE ISLAND

Providence County

Weybosset Mills Complex, Dike, Oak, Magnolia, Agnes & Troy Sts., Providence, 07001381.

TENNESSEE

Bradley County

Cleveland to Charleston Concrete Highway, Market & Water Sts., Charleston, 07001382.

TEXAS

Dallas County

Greenway Parks Historic District, (Historic Residential Suburbs in the United States, 1830–1960 MPS) Bounded by W. Mockingbird Ln., W. University Blvd., Inwood & N. Dallas Tollway., Dallas, 07001383.

Harris County

Texas State Hotel, 720 Fannin, Houston, 07001384.

WASHINGTON

Pierce County

Lord—Heuston House, 2902 N. Cedar St., Tacoma, 07001385.
Manley—Thompson Ford Agency, 1302–1306 Fawcett Ave., Tacoma, 07001386.

Skamania County

Underwood, Edward and Isabelle, Farm—Five Oaks Farm, 851 Orchard Ln., Underwood, 07001387.

WISCONSIN

Fond Du Lac County

Brandon Village Hall and Library, 117 E. Main St., Brandon, 07001388.

[FR Doc. E7–24294 Filed 12–14–07; 8:45 am]

BILLING CODE 4312–51–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–496]

Caribbean Region: Review of Economic Growth and Development

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

SUMMARY: Following receipt of a request on November 7, 2007, from the Committee on Ways and Means of the U.S. House of Representatives pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission instituted investigation No. 332–496, *Caribbean Region: Review of Economic Growth and Development.*

DATES:

January 16, 2008: Deadline for filing requests to appear at the public hearing.

January 22, 2008: Deadline for filing pre-hearing briefs and statements.

January 29, 2008: Public hearing.

February 5, 2008: Deadline for filing post-hearing briefs and statements and all other written submissions.

May 7, 2008: Transmittal of Commission report to Committee on Ways and Means.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street SW., Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://www.usitc.gov/secretary/edis.htm.*

FOR FURTHER INFORMATION CONTACT: Project leaders Walker Pollard (202–205–3228 or *walker.pollard@usitc.gov*) or Nannette Christ (202–205–3263 or *nannette.christ@usitc.gov*) for information specific to this investigation. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091 or *william.gearhart@usitc.gov*). The media should contact Margaret O'Laughlin, Office of External Relations (202–205–1819 or *margaret.olaughlin@usitc.gov*). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202–205–1810. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

Background: As requested by the Committee, the Commission will conduct an investigation under section 332(g) of the Tariff Act of 1930 and prepare a report that provides (1) an in-depth description of the current level of economic development in the Caribbean basin, and (2) an overview of the economic literature on potential Caribbean development.

The Committee requested that the Commission institute a fact-finding investigation to provide a report containing information that will assist the Committee in identifying the ways that U.S. trade and aid policy can most help the Caribbean Basin. The Committee noted that the Caribbean Basin Trade Partnership Act (CBTPA) will expire on September 30, 2008 (ending temporary trade preferences for imports of apparel, petroleum and petroleum products, and several other products not otherwise eligible for preferences under the Caribbean Basin Economic Recovery Act (CBERA)). In its request letter, the Committee noted the importance of economic development in the Caribbean region, and also noted that, despite many successes, parts of the region still lack the economic development that will allow a wider population in CBERA countries to compete globally and become strong economic and political partners for the United States. The Committee expressed a need, in deciding on the best policy moving forward, to examine past successes and failures of the region's economic growth. The letter further notes that there are companies in the Caribbean that have found creative ways to use the region's strengths to overcome its constraints and compete successfully in the global market, and that their success may suggest ways that U.S. policy can best assist the region.

Current level of Caribbean economic development. With respect to the current level of Caribbean economic development, the report will provide an overview of the current level of economic development in the Caribbean, at the regional level and the country level. To the extent possible, the regional level overview will include:

- Data on standard indicators of economic development in the Caribbean region;
- Data relating to the importance of trade, especially with the United States, in the economies of countries in the region; and
- Data on the extent of utilization of CBERA preferences, including the textile and apparel provisions.

The country level overview will include country profiles of the 18 non-DR–CAFTA CBERA countries. For each country, the Commission in the report will, to the extent possible, seek to:

- Identify the major industries/sectors, by output, exports, employment, and wages and also indicate the extent to which people in each country live in economic conditions below poverty levels;
- Identify the division of output, employment, and exports between agriculture, services, and manufacturing;
- Identify the industries/sectors (if any) that have been particularly successful in attracting investment, creating jobs and exports, and raising the standard of living for a broad portion of the population. The Commission will, if it finds it feasible, include brief case studies of successful industries that have been able to compete globally despite small size or capacity constraints, with an eye toward identifying what enabled these smaller industries to be successful; and
- Identify the non-trade-related factors that have had major impacts on the country's economic development.

Overview of economic literature on potential Caribbean development. The report will also summarize the literature assessing the direction of future Caribbean development, and in particular, articles that address the following:

- Economic development policies that have been tried in the Caribbean, including how these policies have fared, the extent to which progress reached a broad portion of the population, the role of international financial institutions, and the major impediments to further economic development in the region today;
- The importance of trade liberalization and subsequent trade growth to progress in economic development;
- The extent to which trade growth allowed goods and services providers in CBERA countries to move to production that yields higher value-added per worker and/or higher wages for workers, and whether there is evidence that trade growth has contributed to poverty reduction, faster economic growth, or other aspects of economic development;
- The industries/sectors that may show promise for output, job, and export creation in the Caribbean, based either on the success of those industries/sectors in other Caribbean countries or the success of those industries/sectors in other world regions with similar national economic characteristics. Identify (1) industries/sectors that bring widespread benefits, (2) smaller industries/sectors that are globally competitive, (3) the potential for a hub-and-spoke system in the region, and (4) industries/sectors that are non-traditional in the region;
- The extent to which Caribbean goods and services industries/sectors compete in the global economy against other countries' goods and services, as well as the major impediments to the global competitiveness of Caribbean goods and services.
- The extent to which agreements such as NAFTA, the Uruguay Round, the International Technology Agreement, and CAFTA have affected Caribbean trade with the United States.
- Countries that have benefited from CBERA preferences, and from CBERA textile and apparel preferences in particular. Describe the extent to which these preferences (1) allowed these countries to move into production that yields higher value-added per worker and/or higher wages, and (2) attracted

industries other than apparel and textiles;

• The extent of loans and other financial support provided by the Inter-American Development Bank and the World Bank;

• Types of policies that might encourage a wider use of the CBERA program.

• Ways that U.S. trade policy, including through preference programs and trade expansion, as well as economic aid (e.g., financial aid for training, technical assistance, etc.) as part of a coordinated policy, might strengthen the ability of the region to compete globally in terms of increasing output, employment, and exports.

• Identify ways that U.S. trade policy liberalization, special tax preference programs, and/or economic aid might help Caribbean countries to develop new industries that will improve the Caribbean standard of living.

• Identify U.S. investment or services trade liberalization policies that could assist the Caribbean region, if those policies will benefit a broad base of the populations of the affected countries.

As requested by the Committee, the Commission will provide its report by May 7, 2008.

Public Hearing: A public hearing in connection with this investigation will be held at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC, beginning at 9:30 a.m. on January 29, 2008. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., January 16, 2008, in accordance with the requirements in the ''Submissions'' section below. All pre-hearing briefs and statements should be filed not later than 5:15 p.m., January 22, 2008, and all post-hearing briefs and statements should be filed not later than 5:15 p.m., February 5, 2008. In the event that, as of the close of business on January 16, 2008, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant may call the Secretary to the Commission (202–205–2000) after January 16, 2008, for information concerning whether the hearing will be held.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements concerning this investigation. All written submissions should be addressed to the Secretary, and should be received not later than 5:15 p.m., February 5, 2008. All written submissions must conform with the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8). Section 201.8 requires that a signed original (or a copy so designated) and fourteen (14) copies of each document be filed. In the event that confidential treatment of a document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, *http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf*). Persons with questions regarding electronic filing should contact the Secretary (202–205–2000).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the *Commission's Rules of Practice and Procedure* (19 CFR. 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the ''confidential'' or ''non-confidential'' version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available for inspection by interested parties.

Committee staff has indicated that the Committee intends to make the Commission's report available to the public in its entirety, and has asked that the Commission not include any confidential business information or national security classified information in the report that the Commission sends to the Committee. Any confidential business information received by the Commission in this investigation and used in preparing this report will not be published in a manner that would reveal the operations of the firm supplying the information.

By order of the Commission.

Issued: December 11, 2007.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7–24287 Filed 12–14–07; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[USITC SE–07–028]

Government in the Sunshine Act Meeting Notice

AGENCY HOLDING THE MEETING: United States International Trade Commission.

TIME AND DATE: December 19, 2007 at 11 a.m.

PLACE: Room 101, 500 E Street SW., Washington, DC 20436, Telephone: (202) 205–2000.

STATUS: Open to the public.

Matters To Be Considered

1. Agenda for future meetings: none.
2. Minutes.
3. Ratification List.
4. Inv. Nos. 701–TA–453 and 731–TA–1136–1137 (Preliminary) (Sodium Nitrite from China and Germany)—briefing and vote. (The Commission is currently scheduled to transmit its determinations to the Secretary of Commerce on or before December 26, 2007; Commissioners' opinions are currently scheduled to be transmitted to the Secretary of Commerce on or before January 3, 2008.)
5. Outstanding action jackets:
   (1). Document No. GC–07–225 (Administrative matter).
   (2). Document No. GC–07–232 (Proposed rulemaking in regard to section 337 investigations under 19 CFR parts 201 and 210).

In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

By order of the Commission.

Issued: December 12, 2007.

William R. Bishop,

Hearings and Meetings Coordinator.

[FR Doc. E7–24429 Filed 12–14–07; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

[OMB Number 1121–0292]

Bureau of Justice Statistics; Agency Information Collection Activities: Existing Collection; Comments Requested

ACTION: 30-Day Notice of Information Collection Under Review: Survey of Sexual Violence.

The Department of Justice (DOJ), Bureau of Justice Statistics (BJS) will be submitting the following information collection request to the Office of

APPENDIX C
Hearing Calendar

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	Caribbean Region: Review of Economic Growth and Development
Inv. No.:	332-496
Date and Time:	January 29, 2008 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

INTERNATIONAL ORGANIZATION APPEARANCES:

Organization of American States Washington, D.C.

His Excellency José Miguel Insulza, **Secretary General of the Organization of American States**

Pamela Coke-Hamilton, Director of the Department of Trade, Tourism, and Competitiveness, Organization of American States

Caribbean Community Secretariat ("CARICOM")
Turkeyen Greater Georgetown, Guyana

His Excellency Irwin LaRocque, **Assistant Secretary General, Trade and Economic Integration**

David Hales, Programme Manager, External Economic and Trade Relations

David Lord, Deputy Programme Manager, External Economic and Trade Relations

Desmond Simon, Senior Project Officer, Economic and Development Policy and Research

EMBASSY APPEARANCES:

Embassy of Barbados
Washington, D.C.

His Excellency Michael I. King, Ambassador of Barbados to the United States

Embassy of St. Kitts and Nevis Washington, D.C.

His Excellency Dr. Izben Cordinal Williams, Ambassador of St. Kitts and Nevis to the United States

Embassy of the Republic of Trinidad and Tobago
Washington, D.C.

Her Excellency Marina A. Valère, Ambassador of the Republic of Trinidad and Tobago to the United States

Embassy of Jamaica
Washington, D.C.

The Honorable Marcia Thomas, Senior Director, Foreign Trade, Ministry of Foreign Affairs and Trade

Embassy of the Republic of Haiti
Washington, D.C.

His Excellency Raymond Alcide Joseph, Ambassador of the Republic of Haiti to the United States

ORGANIZATION AND WITNESS:

Halcrow, Inc.
Tampa, FL

Alan H. Westerman, Senior Maritime Security Specialist

John Saylor, Director, Federal Programs, Maritime Services

Otto Reich Associates, LLC
Washington, D.C.
on behalf of

GeoNet Ethanol LLC

Brent Baker, Chief Executive Officer, GeoNet Ethanol LLC

Damian Merlo, Vice President, Otto Reich Associates, LLC

Trade, Aid and Security Coalition ("TASC")
Business Coalition for Capacity Building, LLC ("BCCB")
Washington, D.C.

Katrin Kuhlmann, President

Jefferson Waterman International
Washington, D.C.

Maureen R. Smith, Senior Vice President

Andrea M. Ewart, P.C.
Washington, D.C.

Andrea M. Ewart, Trade Lawyer and Consultant

ORGANIZATION AND WITNESS:

Caribbean Hotel Association
San Juan, Puerto Rico

Peter J. Odle, President

Alec Sanguinetti, Director General and Chief Executive Officer

Caribbean-Central American Action ("CCAA")
Washington, D.C.

Manuel Rosales, President and CEO, CCAA

Stephen Lande, Trustee, CCAA *and* President, Manchester Trade Ltd.

-END-

APPENDIX D
Country Profiles Tables and Figures—Data Sources and Notes

Appendix D

Country Profiles Tables and Figures—Data Sources and Notes

Table D.1 provides the data sources and definitions for standard indicators and standard sources. For certain country profiles, data were unavailable from the standard sources. As these sources vary based on the country, the alternate sources are identified in the tables and figures, but not included in this table. In addition, certain country profile tables provide, where available and applicable, the average for middle income economies for comparative purposes. These data were sourced from the World Development Indicators (WDI). According to the World Bank, "Economies are divided according to 2006 GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, $905 or less; lower middle income, $906–$3,595; upper middle income, $3,596–$11,115; and high income, $11,116 or more."[1] The middle income countries is an aggregate of the lower-middle-income and the upper-middle-income classifications and includes 96 countries. Most country profiles provide the country's rank in the human development index. "The HDI—human development index—is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living. Health is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US$)."[2]

For consistency of data presented in chapters 2 and 4, U.S. import data in the country profiles and CBERA utilization rates (chapter 4) are based on c.i.f. values sourced from the USITC's DataWeb, as similar data in chapter 2 are based on c.i.f. value sourced from the World Bank's WITS database.

---

[1] World Bank, "Country Classification." *http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20420458~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html*, (accessed Feb. 27, 2008). GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.

[2] UNDP, "What is the human development index (HDI)?" *http://hdr.undp.org/en/statistics/indices/hdi/question,68,en.html* (accessed March 24, 2008).

Table D.1 Country Profiles Tables and Figures — Data Sources and Notes

Table or figure name	Indicator	Source	Definition
Selected economic development indicators	GDP, purchasing power parity ($ million)	WDI [GDP, PPP (current international $)] or CIA World Factbook	WDI: PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars. CIA: This entry gives the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries. The measure is difficult to compute, as a US dollar value has to be assigned to all goods and services in the country regardless of whether these goods and services have a direct equivalent in the United States (for example, the value of an ox-cart or non-US military equipment); as a result, PPP estimates for some countries are based on a small and sometimes different set of goods and services. In addition, many countries do not formally participate in the World Bank's PPP project that calculates these measures, so the resulting GDP estimates for these countries may lack precision. For many developing countries, PPP-based GDP measures are multiples of the official exchange rate (OER) measure. The difference between the OER- and PPP-denominated GDP values for most of the wealthy industrialized countries are generally much smaller. Note: The middle-income average is a simple average of the 81 countries with available data in WDI for 2006. Due to differences in methodology, the WDI data and CIA data may not be comparable. The majority of CIA Factbook GDP PPP data are estimates.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected economic development indicators	GDP p.c., purchasing power parity ($)	WDI [GDP per capita, PPP (current international $)] or CIA World Factbook	WDI: GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current international dollars. CIA: This entry shows GDP on a purchasing power parity basis divided by population as of 1 July for the same year. Note: Due to differences in methodology, the WDI data and CIA data may not be comparable. The majority of CIA Factbook GDP PPP per capita data are estimates.
Selected economic development indicators	Remittance (% of GDP)	WDI [Workers' remittances and compensation of employees, received (% of GDP)]	Workers' remittances and compensation of employees comprise current transfers by migrant workers and wages and salaries earned by nonresident workers. Workers' remittances are classified as current private transfers from migrant workers who are residents of the host country to recipients in their country of origin. They include only transfers made by workers who have been living in the host country for more than a year, irrespective of their immigration status. Compensation of employees is the income of migrants who have lived in the host country for less than a year. Migrants' transfers are defined as the net worth of migrants who are expected to remain in the host country for more than one year that is transferred from one country to another at the time of migration.
Growth of GDP and per capita GDP	GDP growth	WDI [GDP growth (annual %)]	Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Growth of GDP and per capita GDP	Per capita GDP growth	WDI [GDP per capita growth (annual %)]	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.
Selected social development indicators	Population	WDI [Population, total]	Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The middle-income average is a simple average of the 95 countries with available data in WDI for 2006.
Selected social development indicators	Population below poverty line (%)	CIA World Factbook	National estimates of the percentage of the population falling below the poverty line are based on surveys of sub-groups, with the results weighted by the number of people in each group. Definitions of poverty vary considerably among nations. For example, rich nations generally employ more generous standards of poverty than poor nations.
Selected social development indicators	Poverty headcount ratio at $1 per day (PPP, % of population)	WDI [Poverty headcount ratio at $1 per day (PPP, % of population)]	Population below $1 a day is the percentage of the population living on less than $1.08 a day at 1993 international prices. As a result of revisions in PPP exchange rates, poverty rates cannot be compared with poverty rates reported previously for individual countries. Data showing as 2.0 signifies a poverty rate of less than 2.0 percent.
Selected social development indicators	Life expectancy at birth	WDI [Life expectancy at birth, total (years)]	Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected social development indicators	Literacy rate, total, (%)	CIA World Factbook	This entry includes a definition of literacy and Census Bureau percentages for the total population, males, and females. There are no universal definitions and standards of literacy. Unless otherwise specified, all rates are based on the most common definition - the ability to read and write at a specified age. Detailing the standards that individual countries use to assess the ability to read and write is beyond the scope of the Factbook. Information on literacy, while not a perfect measure of educational results, is probably the most easily available and valid for international comparisons. Low levels of literacy, and education in general, can impede the economic development of a country in the current rapidly changing, technology-driven world. Note: slightly different definitions may be used for different countries; see source data.
Selected social development indicators	Population with access to improved sanitation facilities (%)	WDI [Improved sanitation facilities (% of population with access)]	Access to improved sanitation facilities refers to the percentage of the population with at least adequate access to excreta disposal facilities that can effectively prevent human, animal, and insect contact with excreta. Improved facilities range from simple but protected pit latrines to flush toilets with a sewerage connection. To be effective, facilities must be correctly constructed and properly maintained.
Selected social development indicators	Population with access to improved water source (%)	WDI [Improved water source (% of population with access)]	Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 liters a person a day from a source within one kilometer of the dwelling.
Under-5 mortality rate	Under-5 mortality rate	WDI [Mortality rate, under-5 (per 1,000)]	Under-5 mortality rate is the probability that a newborn baby will die before reaching age five, if subject to current age-specific mortality rates. The probability is expressed as a rate per 1,000. The middle-income average is a weighted (by population) average of the 90 countries with available data in WDI for 2006.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected domestic economy indicators	Inflation (%)	WDI [Inflation, consumer prices (annual %)]	Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a fixed basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used. The middle-income average is a weighted (by GDP) average of the 53 countries with available data in WDI for 2006.
Selected domestic economy indicators	Labor force participation rate, total (% of total population ages 15–64)	WDI [Labor force participation rate, total (% of total population ages 15-64)]	Labor force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labor for the production of goods and services during a specified period.
Selected domestic economy indicators	Gross fixed capital formation (% of GDP)	WDI [Gross fixed capital formation (% of GDP)]	Gross fixed capital formation (formerly gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. According to the 1993 SNA, net acquisitions of valuables are also considered capital formation.
Selected domestic economy indicators	Agricultural land (% of land area)	WDI [Agricultural land (% of land area)]	Agricultural land refers to the share of land area that is arable, under permanent crops, and under permanent pastures. Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded. Land under permanent crops is land cultivated with crops that occupy the land for long periods and need not be replanted after each harvest, such as cocoa, coffee, and rubber. This category includes land under flowering shrubs, fruit trees, nut trees, and vines, but excludes land under trees grown for wood or timber. Permanent pasture is land used for five or more years for forage, including natural and cultivated crops.
Selected domestic economy indicators	Irrigated land (% of cropland)	WDI [Irrigated land (% of cropland)]	Irrigated land refers to areas purposely provided with water, including land irrigated by controlled flooding. Cropland refers to arable land and permanent cropland.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected domestic economy indicators	Fixed line and mobile phone subscribers (per 1,000 people)	WDI [Fixed line and mobile phone subscribers (per 1,000 people)]	Fixed lines are telephone mainlines connecting a customer's equipment to the public switched telephone network. Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network.
Selected domestic economy indicators	Number of ports and terminals	CIA World Factbook	This entry lists major ports and terminals primarily on the basis of the amount of cargo tonnage shipped through the facilities on an annual basis. In some instances, the number of containers handled or ship visits were also considered.
Selected domestic economy indicators	Paved roads, (% of total)	CIA World Factbook	This entry gives the total length of the road network and includes the length of the paved and unpaved portions. Staff calculations.
Selected domestic economy indicators	Category 1 and 2 airports	CIA World Factbook	This entry gives the total number of airports with paved runways (concrete or asphalt surfaces) by length. For airports with more than one runway, only the longest runway is included according to the following five groups - (1) over 3,047 m, (2) 2,438 to 3,047 m, (3) 1,524 to 2,437 m, (4) 914 to 1,523 m, and (5) under 914 m. Only airports with usable runways are included in this listing. Not all airports have facilities for refueling, maintenance, or air traffic control. Note: Includes only runways in category (1) or (2)—greater than 2,437 m. Airports in categories 3, 4, & 5 were not included in the count.
Employment and output by sector	Employment by sector	CIA World Factbook [Labor force; and Labor force, by occupation]	Total labor force: This entry contains the total labor force figure. Percent: This entry lists the percentage distribution of the labor force by occupation. The distribution will total less than 100 percent if the data are incomplete. Note: total value and percent allocation are not always of the same year. See source for year.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Employment and output by sector	Output by sector	CIA World Factbook [GDP (purchasing power parity); and GDP - composition by sector]	GDP: This entry gives the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries. The measure is difficult to compute, as a US dollar value has to be assigned to all goods and services in the country regardless of whether these goods and services have a direct equivalent in the United States (for example, the value of an ox-cart or non-US military equipment); as a result, PPP estimates for some countries are based on a small and sometimes different set of goods and services. In addition, many countries do not formally participate in the World Bank's PPP project that calculates these measures, so the resulting GDP estimates for these countries may lack precision. For many developing countries, PPP-based GDP measures are multiples of the official exchange rate (OER) measure. The difference between the OER- and PPP-denominated GDP values for most of the weathly industrialized countries are generally much smaller. Percent: This entry gives the percentage contribution of agriculture, industry, and services to total GDP. The distribution will total less than 100 percent if the data are incomplete. Note: total value and percent allocation are not always of the same year. See source for year.
International merchandise trade	U.S. imports under CBERA	Department of Commerce (DataWeb)	Imports for consumption entering under the CBERA program.
International merchandise trade	Total and U.S.–country merchandise trade	WITS	Merchandise imports and exports. Reporter (country) data are used if available for all years from 2002–06. Otherwise, partner data are used.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Services trade	Services exports	WDI [Service exports, BoP, current US$)]	Services (previously nonfactor services) refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. International transactions in services are defined by the IMF's Balance of Payments Manual (1993), but definitions may nevertheless vary among reporting economies. Data are in current U.S. dollars.
Services trade	Services imports	WDI [Service imports, BoP, current US$)]	Services (previously nonfactor services) refer to economic output of intangible commodities that may be produced, transferred, and consumed at the same time. International transactions in services are defined by the IMF's Balance of Payments Manual (1993), but definitions may nevertheless vary among reporting economies. Data are in current U.S. dollars.
FDI, net inflows	Foreign direct investment	WDI [Foreign direct investment, net (BoP, current US$)]	Foreign direct investment is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows total net, that is, net FDI in the reporting economy from foreign sources less net FDI by the reporting economy to the rest of the world. Data are in current U.S. dollars.
Selected international integration indicators	Exports to United States (% of total exports)	WITS	Merchandise exports. Reporter (country) data are used if available for 2005 or 2006. Otherwise, partner data are used. [Exports to the US / Exports to the World]; c.i.f. value.
Selected international integration indicators	CBERA utilization rate: total (%)	Department of Commerce (DataWeb)	Imports for consumption; staff calculations. [U.S. imports under CBERA provisions from covered CBERA country / Total U.S. imports from the covered CBERA country]; c.i.f. value.
Selected international integration indicators	CBERA utilization rate: apparel (%)	Department of Commerce (DataWeb)	Imports for consumption; staff calculations. [U.S. imports of apparel (HTS chapters 61 and 62) under CBERA provisions from covered CBERA country / Total U.S. imports of apparel (HTS chapters 61 and 62) from covered CBERA country]; c.i.f. value.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected international integration indicators	Exports of goods and services (% of GDP)	WDI [Exports of goods and services (% of GDP)]	Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labor and property income (formerly called factor services) as well as transfer payments.
Selected international integration indicators	Imports of goods and services (% of GDP)	WDI [Imports of goods and services (% of GDP)]	Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labor and property income (formerly called factor services) as well as transfer payments.
Selected international integration indicators	Export concentration indicator: Herfindahl-Hirschmann index	UNCTAD Handbook of Statistics on line [Concentration Index]	The Herfindahl-Hirschmann index is a measure of the degree of market concentration. It has been normalized to obtain values ranking from 0 to 1 (maximum concentration). Values closer to 1 imply more concentration (less diversification). World value is 0.067
Selected international integration indicators	Export concentration indicator: number of products exported	UNCTAD Handbook of Statistics on line [Number of products]	The number of products exported and imported is calculated at three-digit SITC, Revision 3 level; the table includes only those products whose value, when exported or imported, exceeds $100,000 or 0.3 per cent of a country's total exports. World value is 260.
Selected international integration indicators	MFN tariffs, total, applied 2006 (simple average of ad-valorem duties, %) • Agricultural goods • Non-agricultural goods	WTO country profile	Simple average of MFN applied duties.

Table D.1–*Continued*

Table or figure name	Indicator	Source	Definition
Selected international integration indicators	Official development assistance ($million)	WDI [Official development assistance and official aid (current US$)]	Net official development assistance consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in part I of the DAC list of recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). Net official aid refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC list of recipients: more advanced countries of Central and Eastern Europe, the countries of the former Soviet Union, and certain advanced developing countries and territories. Official aid is provided under terms and conditions similar to those for ODA. Data are in current U.S. dollars.
Selected international integration indicators	Total debt service (%)	WDI [Total debt service (% of exports of goods, services and income)]	Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Exports of goods and services includes income and workers' remittances.
Sources: As noted.			

APPENDIX E
Merchandise Trade Tables

Table E.1 Leading U.S. imports from covered CBERA countries, 2000–07

HTS number	Description	2000	2001	2002	2003	2004	2005	2006	2007	Leading CBERA supplier
		(million dollars)								
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	2,162.2	1,679.5	1,535.9	1,898.3	2,730.4	4,899.4	4,594.0	4,493.1	Aruba
2711	Petroleum gases and other gaseous hydrocarbons	576.7	627.0	673.8	2,006.9	2,864.1	3,517.8	3,121.2	3,445.6	Trinidad and Tobago
2814	Ammonia, anhydrous or in aqueous solution	384.1	454.8	379.9	777.0	1,028.4	1,366.6	1,279.6	1,387.6	Trinidad and Tobago
2709	Petroleum oils and oils from bituminous minerals, crude	218.5	346.3	622.7	791.4	893.8	1,169.7	1,778.8	1,341.7	Trinidad and Tobago
2905	Acyclic alcohols and their halogenated, sulfonated, nitrated or nitrosated derivatives	248.9	316.7	253.8	374.7	508.7	783.8	1,122.0	1,106.3	Trinidad and Tobago
7203	Spongy ferrous products from direct reduction of ore and products in lumps, pellets etc.; iron, at least 99.94% (wt.) pure, in lumps, pellets etc.	7.0	22.5	28.7	43.7	97.2	72.2	70.7	359.7	Jamaica
2207	Ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength	32.4	41.1	37.7	54.6	60.7	90.8	218.0	273.2	Jamaica
2818	Artificial corundum, whether or not chemically defined; aluminum oxide; aluminum hydroxide	62.1	62.1	55.5	77.5	15.5	40.1	63.0	260.7	Haiti
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	201.4	157.1	126.4	138.9	160.7	189.4	269.6	232.1	Trinidad and Tobago
3102	Mineral or chemical fertilizers, nitrogenous	35.8	51.9	48.8	64.5	73.4	114.3	93.9	175.1	Trinidad and Tobago
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	39.1	42.1	61.7	110.9	129.8	174.9	142.4	162.6	Haiti
2606	Aluminum ores and concentrates	67.5	90.9	88.0	90.1	85.1	98.1	96.9	147.4	Jamaica
3903	Polymers of styrene, in primary forms	53.8	68.5	65.7	85.5	92.2	116.0	131.6	141.9	Bahamas
0306	Crustaceans, live, frsh, chilled, frzn etc.; crustaceans, in shell, cookd by stm or boilng watr; flours, meals, & pellets of crustaceans, hum consumpt	206.1	200.3	178.1	205.5	178.3	161.1	148.7	133.3	Bahamas
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat without bones; fish livers and roes, fresh or chilled	64.3	64.5	74.3	83.6	84.9	86.4	113.0	105.4	Panama
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	37.5	26.0	19.4	23.1	29.3	35.2	42.9	49.0	Haiti
7213	Bars and rods of iron or nonalloy steel, hot-rolled, in irregularly wound coils	75.5	88.8	92.5	36.7	114.5	45.9	55.7	46.0	Trinidad and Tobago
2902	Cyclic hydrocarbons	122.3	50.3	12.2	15.4	18.9	34.1	37.5	39.9	British Virgin Islands
2203	Beer made from malt	14.6	12.5	13.7	17.7	19.0	33.8	38.8	39.1	Jamaica
7112	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap containing precious metal principally use for recovery	0.8	4.8	7.5	7.3	10.1	9.0	10.9	38.6	Trinidad and Tobago
	Other	1,753.9	1,338.0	1,238.7	1,281.2	1,309.9	1,469.9	1,536.6	1,345.1	
	Total	6,364.4	5,745.6	5,615.1	8,184.6	10,504.9	14,508.5	14,965.5	15,323.5	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E.2 Leading U.S. imports under CBERA from covered CBERA countries, 2000–07

HTS number	Description	2000	2001	2002	2003	2004	2005	2006	2007	Leading CBERA supplier
		(million dollars)								
2709	Petroleum oils and oils from bituminous minerals, crude	0.0	267.0	611.7	770.0	834.1	1,109.1	1,724.8	1,341.7	Trinidad and Tobago
2905	Acyclic alcohols and their halogenated, sulfonated, nitrated or nitrosated derivatives	246.9	315.4	252.2	373.2	500.3	769.1	1,110.2	1,076.7	Trinidad and Tobago
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	0.0	100.0	266.9	254.5	394.1	938.4	931.8	424.1	Trinidad and Tobago
2207	Ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength	32.4	41.0	37.7	54.6	58.7	90.8	218.0	273.2	Jamaica
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	1.7	125.5	111.3	127.6	134.9	159.8	254.3	230.7	Haiti
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted	0.1	18.6	41.1	56.6	57.2	95.8	87.9	141.8	Haiti
3903	Polymers of styrene, in primary forms	53.8	68.3	65.7	85.5	90.1	109.8	124.9	136.3	Bahamas
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (no swimwear), not knitted or crocheted	0.2	17.0	14.8	18.7	24.4	34.7	42.2	48.8	Haiti
0807	Melons (including watermelons) and papayas (papaws), fresh	16.3	12.4	21.4	18.9	22.9	25.7	32.8	29.2	Belize
2009	fruit juices nt fortified w vit or minls (incl grape must) & vegetable juices, unfermentd & nt containg add spirit, whet or nt containg added sweeteng	23.1	22.7	13.5	12.1	14.2	19.5	19.2	20.7	Belize
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	0.0	0.1	5.9	14.8	18.5	20.6	20.3	16.5	Trinidad and Tobago
0714	Cassava (manioc), arrowroot, salep, jerusalem artichokes, sweet potatoes and similar roots etc. (high starch etc. content), fresh or dried; sago pith	8.9	11.8	13.2	11.9	12.4	14.5	13.6	15.2	Jamaica
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	9.8	5.2	8.3	6.3	9.1	13.3	13.8	14.8	Haiti
6105	Men's or boys' shirts, knitted or crocheted	0.4	10.0	5.7	9.3	6.7	8.0	3.4	14.8	Haiti
1701	Cane or beet sugar and chemically pure sucrose, in solid form	38.5	40.2	36.3	30.5	26.7	23.6	15.7	12.2	Panama
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes and similar articles, knitted or crocheted	1.4	41.8	39.6	22.5	13.4	14.2	12.3	10.0	Jamaica
2202	Waters, including mineral waters and aerated waters, containing added sweetening or flavored, and other nonalcoholic beverages nesoi	1.7	2.2	5.7	7.9	7.7	8.3	6.9	9.5	Panama
6107	Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted	1.1	4.8	8.5	8.8	7.0	8.0	9.4	8.7	Jamaica
8529	Parts for television, radio and radar apparatus (of headings 8525 to 8528)	7.7	7.1	7.3	4.7	10.2	4.9	6.5	8.0	St. Lucia
6211	Track suits, ski-suits and swimwear, not knitted or crocheted	0.1	13.8	15.2	17.1	14.7	14.6	12.9	7.4	Belize
	Other	294.7	316.8	296.7	237.3	163.0	139.1	112.0	102.6	
	Total	738.9	1,441.6	1,878.5	2,142.8	2,420.4	3,621.5	4,773.2	3,942.8	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table E.3 Leading U.S. exports to covered CBERA countries, 2000–07

HS number	Description	2000	2001	2002	2003	2004	2005	2006	2007	Leading CBERA market
		(million dollars)								
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils.	667.7	646.3	764.8	1,200.6	1,289.2	1,968.3	2,725.4	3,872.7	Panama
9802	Exports of articles donated for relief or charity, nesoi; imports of articles exported and returned, advanced or improved abroad,except under warranty	71.5	105.9	166.4	163.3	198.0	238.3	269.3	335.1	Jamaica
7113	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal.	119.9	138.3	187.6	206.2	229.0	256.8	281.1	308.9	Netherlands Antilles
8431	Parts of machinery of headings 8425 to 8430 covering derricks, fork-lift trucks, conveyers, self-propelled bulldozers, graders, snowplows, etc..	159.3	255.3	271.4	212.0	188.3	185.9	189.5	256.1	Trinidad and Tobago
8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception.	107.7	122.7	152.5	131.1	68.0	116.6	107.7	251.2	Haiti
8802	Aircraft, powered (for example, helicopters, airplanes); spacecraft (including satellites) and spacecraft launch vehicles.	496.5	67.2	333.2	257.9	205.2	178.5	244.0	241.6	Panama
3004	Medicaments (except vaccines etc., bandages or pharmaceuticals), of products (mixed or not) for therapeutic etc. uses, in dosage or retail sale form.	86.5	120.6	104.6	122.2	132.7	175.2	146.7	233.2	Panama
7116	Articles of natural or cultured pearls, precious or semiprecious stones (natural, synthetic or reconstructed).	56.2	66.8	100.3	108.0	110.3	233.5	250.2	216.1	Netherlands Antilles
8703	Motor cars and other motor vehicles designed to transport people (other than public-transport type), including station wagons and racing cars.	145.6	113.5	118.2	129.7	124.0	149.4	179.5	198.2	Panama
1001	Wheat and meslin.	89.2	95.9	91.4	104.3	125.6	114.7	118.0	169.9	Jamaica
1006	Rice.	88.0	71.5	93.7	120.7	113.1	140.4	149.2	164.0	Haiti
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing and processing coded data, nesoi.	149.6	125.8	114.9	101.5	104.5	134.5	185.7	154.3	Panama
1005	Corn (maize).	64.5	63.8	75.7	73.8	78.1	72.8	98.8	134.2	Panama
2815	Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium.	50.8	61.8	65.3	50.6	56.2	116.3	131.5	124.6	Jamaica
8429	Self-propelled bulldozers, angledozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.	41.0	38.1	21.8	20.7	25.0	50.1	86.7	122.5	Panama
0207	Meat and edible offal of poultry (chickens, ducks, geese, turkeys and guineas), fresh, chilled or frozen..	74.3	69.1	56.9	62.1	63.7	76.1	80.7	105.8	Haiti
9403	Furniture, nesoi (other than seats, medical, surgical, dental or veterinary furniture) and parts thereof.	81.3	58.2	58.2	60.9	61.7	72.8	82.0	98.4	Bahamas
2902	Cyclic hydrocarbons.	26.4	25.4	21.2	17.6	52.2	55.4	79.7	89.1	Bahamas
8704	Motor vehicles for the transport of goods.	49.0	37.0	32.8	34.6	31.5	48.5	56.1	88.4	Panama
2304	Soybean oilcake and other solid residues resulting from the extraction of soy bean oil, whether or not ground or in the form of pellets.	35.7	42.1	43.0	54.3	39.4	43.5	59.6	87.1	Panama
	Other..	4,865.3	4,767.0	4,296.9	4,579.7	4,723.2	5,796.2	6,924.4	7,374.7	
	Total.	7,525.8	7,092.4	7,170.9	7,812.0	8,018.8	10,224.0	12,445.8	14,626.0	

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX F
Development Tables

Table F.1 Annual real GDP growth, 2000–06

Country/country grouping	2000	2001	2002	2003	2004	2005	2006
				(*Percent*)			
High income CBERA countries							
Antigua and Barbuda	3.3	0.4	2.5	5.2	7.2	5.3	8.0
Aruba	3.7	-0.7	-2.6	1.6	-1.5[a]	2.4[a]	na
Bahamas	5.0	-2.0	0.7	0.0[a]	3.0[a]	3.7[a]	4.0[a]
Barbados	na	na	-2.8[a]	2.2[a]	2.3[a]	4.1[a]	3.5[a]
Netherlands Antilles	na	na	0.0[a]	0.5[a]	1.0	na	na
Trinidad and Tobago	6.1	4.1	7.9	13.5	6.5	7.9	12.5
United States	*3.7*	*0.8*	*1.6*	*2.7*	*4.2*	*3.2*	*3.3*
High-income-country average (World)	*3.8*	*1.2*	*1.4*	*2.1*	*3.3*	*2.7*	*3.0*
Upper-middle-income CBERA countries							
Belize	12.3	4.9	5.1	9.3	4.6	3.1	4.0
Dominica	0.7	-3.8	-4.0	2.2	6.4	3.4	4.1
Grenada	7.6	-4.9	1.5	7.5	-4.1	1.5	6.5
Panama	2.7	0.6	2.2	4.2	7.5	6.9	8.1
St. Kitts and Nevis	2.8	2.0	0.9	0.8	8.8	4.1	4.6
St. Lucia	5.0	-5.5	2.4	3.0	5.8	5.8	4.9
St. Vincent and the Grenadines	2.0	-0.1	1.4	1.5	9.1	2.2	4.1
Upper-middle-income average (World)	*4.9*	*0.7*	*1.2*	*3.2*	*6.6*	*5.0*	*5.6*
Lower-middle-income CBERA countries							
Guyana	-1.4	2.2	1.1	-1.0	3.3	-2.2	4.8
Jamaica	0.6	1.4	1.6	2.7	1.1	1.8	2.7
Lower-middle-income average (World)	*6.3*	*5.7*	*6.8*	*7.4*	*8.3*	*8.0*	*8.8*
Low-income CBERA countries							
Haiti	0.4	-1.0	-0.3	0.4	-3.5	1.8	2.3
Low-income country average (World)	*4.0*	*4.7*	*3.5*	*7.0*	*7.4*	*8.0*	*8.0*
Least developed countries: UN classification average	*4.4*	*5.6*	*4.7*	*4.6*	*6.7*	*7.0*	*6.8*
Heavily indebted poor countries (HIPC) average	*3.1*	*4.4*	*3.0*	*3.6*	*5.2*	*5.0*	*5.9*

Source: The World Bank, *World Development Indicators*, and CIA, *World Factbook*.

Note: Data not available for the British Virgin Islands and Montserrat.

[a] CIA Estimate.

Table F.2 Selected examples of recent development bank funding areas

Country	Development bank		
	World Bank	Inter-American Development Bank	Caribbean Development Bank
Antigua & Barbuda	• None recently approved	• Not in database	• Education • Transportation & communication • Manufacturing • Housing • Agriculture, forestry, & fishing
Aruba	• None recently approved	• Not in database	• Not in table
Bahamas	• None recently approved	• Natural risks preventive management • Masterplan for coastal zone management	• Water • Transportation & communication • Manufacturing • Agriculture, forestry, & fishing • Tourism
Barbados	• Human resources development	• There were no projects approved above $1 million.	• Transportation & communication • Education • Tourism • Manufacturing • Agriculture, forestry, & fishing
Belize	• Roads and municipal drainage • Statistics grant	• Macroeconomic and public financial sector reform program	• Transportation & communication • Power & energy • Agriculture, forestry, & fishing • Water • Education
British Virgin Islands	• Not in database	• Not in database	• Transportation & communication • Manufacturing • Power & energy • Agriculture, forestry, & fishing • Housing
Dominica	• Economic recovery support • Growth and social protection	• Not in database	• Agriculture, forestry, & fishing • Education • Transportation & communication • Housing • Manufacturing
Grenada	• Emergency recovery and disaster management • Forest biodiversity conservation • HIV/AIDS prevention and control • OECS education development • Public sector modernization	• Not in database	• Transportation & communication • Agriculture, forestry, & fishing • Education • Housing • Manufacturing

Table F.2–*Continued*

Country	Development bank		
	World Bank	Inter-American Development Bank	Caribbean Development Bank
Guyana	• HIV/AIDS prevention and control • Poverty reduction and public management • Poverty reduction support • Public sector technical assistance • Statistical development	• Support for competitiveness program • Modernization of the justice administration system • Transport infrastructure rehabilitation program • Georgetown solid waste management • Citizen security program	• Manufacturing • Transportation & communication • Agriculture, forestry, & fishing • Sea defense • Water
Haiti	• Economic governance reform • Education • Electricity • Emergency recovery and disaster management • Environment conservation • Rural water and sanitation • Transport and territorial development	• Financial sector reform support program • Rehabilitation of the electricity distribution system in Port-au-Prince • Rural supply chain development program • Rural water and sanitation program • Supplement II to the transport infrastructure rehabilitation program • Support for human resource management in public sector	• Not in table
Jamaica	• Bank restructuring and debt management • Early childhood development • HIV/AIDS prevention and control • Inner city basic services • National community development • Secondary education reform • Social safety net	• First Global Bank Limited	• Manufacturing • Transportation & communication • Agriculture, forestry, & fishing • Education • Housing
Montserrat	• None recently approved	• Not in database	• Transportation & communication • Manufacturing • Agriculture, forestry, & fishing • Power & energy • Education
Netherlands Antilles	• None recently approved	• Not in database	• Not in table
Panama	• Basic education • First competitiveness and public finance management • Land administration • Public policy reform	• Investment climate and trade adjustment • Multiphase PPP road infrastructure for competitiveness program • Panama City and Bay of Panama sanitation project	• Not in table

Table F.2–*Continued*

Country	Development bank		
	World Bank	Inter-American Development Bank	Caribbean Development Bank
Panama–*Con.*	• Rural productivity • Social protection • Water and sanitation in low-income communities	• Rural electrification program • Sustainable development for Chiriqui region phase I • Comprehensive security program • Management strengthening of the maritime authority of Panama • Investment climate and trade adjustment program	• Not in table
St. Kitts & Nevis	• Education development • Emergency recovery • HIV/AIDS prevention and control	• Not in database	• Transportation & communication • Education • Power & energy • Housing • Health & sanitation
St. Lucia	• Disaster management • Education development • Emergency recovery • HIV/AIDS prevention and control • OECS skills for inclusive growth • Water supply infrastructure	• Not in database	• Transportation & communication • Education • Agriculture, forestry, & fishing • Manufacturing • Water
St. Vincent & the Grenadines	• Climate change enabling activity • Emergency recovery • HIV/AIDS prevention and control • OECS education development	• Not in database	• Transportation & communication • Education • Power & energy • Manufacturing • Agriculture, forestry, & fishing
Trinidad & Tobago	• HIV/AIDS prevention and control	• E-government and knowledge brokering program	• Transportation & communication • Mining • Agriculture, forestry, & fishing • Manufacturing • Education

Sources: World Bank, Projects & Operations database, Country lending summaries, *www.worldbank.org* (accessed March 21, 2008); Inter-American Development Bank, *Annual Report 2006*, "Table IV Statement of Approved Operation (above $1 million), 2006," *www.iadb.org* (accessed March 22, 2008); Caribbean Development Bank, *Annual Report 2006*, Part VI, "Distribution of loans, contingent loans, equity and grants approved (net) by country and by sector—1970–2006 ($'000)," Appendix II-D.

Notes: "None recently approved" = no projects approved between 2000–2007; this includes countries with active projects that were initiated prior to 2000 and countries for which no projects were identified in the database or source table. "Not in database" or "Not in table" = country not included in the database or table list. World Bank projects do not include dropped projects and listed alphabetically. Selected CDB sectors include only leading 5 sectors by value and listed by value.