# Trade and Economic Relations between The Caribbean Community (CARICOM) and The Central American Common Market (CACM)[*]

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# Trade and Economic Relationships between CARICOM and Central America

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This paper assesses the feasibility of a potential Free Trade Agreement (FTA) between CARICOM and the Central American Common Market (CACM) against the background of the current trade policy environment in the Western Hemisphere and the uncertainty created by the recently aborted Seattle WTO Ministerial. The history of trade and economic relations between the two blocs is outlined and the difficulties experienced in forging closer economic ties are analysed. The feasibility of an FTA between CARICOM and the CACM is appraised on two fronts. First, the nature of the trading relationship (an FTA vs. a broad co-operative agreement) between both sub-blocs is considered and second, the configuration of CACM countries with which CARICOM should negotiate an FTA is discussed. The study employs Marshallian based measures of trade creation and trade diversion to evaluate the potential net benefits of an FTA between CARICOM and the CACM in the context of the wider Free Trade Area of the Americas. The preliminary results of the study indicate that any FTA between CARICOM and the CACM that is based strictly on trade in goods offers little in terms of welfare gains to both sub-regions. This finding, in conjunction with the evidence of low intra-regional trade and a considerable divergence in tariff structures between both sub-blocs, suggests that co-operation in a range of service-related activities may be more feasible in the short to medium term.

# Trade and Economic Relations between CARICOM and the CACM

## 1.0    Introduction

Although several studies have been conducted on the trade performance of the Caribbean Community (CARICOM)[1] and the Central American Common Market (CACM)[2] as individual entities in their own right, there is a relative paucity of research on the initiatives for trade and economic co-operation between CARICOM and its neighbours in Central America[3]. Indeed, one can even argue that little by way of detailed assessment for any of the south-south integration efforts involving CARICOM and other territories in Central and Latin America has been undertaken. Given the perceived uncertainty with respect to the launch of a new round of multilateral negotiations, following the aborted discussions at the Seattle Ministerial, both CARICOM and the CACM have intensified their relationships with countries and sub-regional blocs in the Western Hemisphere.   The intensification of these bilateral and regional arrangements has raised some concerns as to whether the complex maze of agreements are "building blocs" towards multilateral free trade (to which the various countries are committed under the aegis of the World Trade Organization), or whether they represent stumbling blocs that would eventually create greater discrimination against non-member countries;   induce greater regional protectionism; and thus lead, in the final analysis, to lower world trade and economic growth.

Since the end of the 1980s, the member countries of the Central American Common Market (CACM) have made significant efforts to become increasingly integrated into the global trading and economic system. The return of the area to peace and civility

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[1] See for instance Nicholls (1995); El-Agraa and Nicholls (1997); Bourne, Nicholls, Ferguson et al (1999), Nicholls et al (2000a, 2000b, 2000c); CARICOM Secretariat (2000).

[2] See for instance Bulmer-Thomas (1997, 1998a, 1998b); Bulmer-Thomas and Kincaid (2000), Nicholls (1998); Rodas-Martini (1998, 2000); Rivera (2000), Jessen and Rodriguez (1999).

[3] We are aware of only two previous studies that have addressed this issue of co-operation between CARICOM and Central America – Gonzales and Lewis (1998) and Martinez (1998).

after decades of political and civil unrest has provided hope for renewed economic growth, prosperity and economic development. In March 1997, the CACM group ratified a priority list for trade negotiations with the rest of the world. The countries/blocs on the priority list included the United States of America, MERCOSUR, Chile, Canada, Taiwan, the Dominican Republic and Venezuela and CARICOM. This list also indicated the general principle on which the various negotiations were to be approached by the CACM, whether in a joint manner (as a bloc); in a co-ordinated manner; or on an individual country basis.

Although the format for negotiation suggested in the list has not been followed consistently, the very existence of the list does give some indication of the manner in which the CACM is approaching its insertion into the global trading environment. In fact, the CACM has since negotiated an FTA with the Dominican Republic, a framework agreement with Chile while some of the individual member states have concluded bilateral agreements with Mexico and Canada.

CARICOM has also significantly widened its integration efforts and has negotiated preferential trade agreements with the Dominican Republic, Venezuela, Colombia, and Cuba. Also, member countries in both integration schemes are eligible for participation in the new Caribbean Basin Trade Partnership Act (CBTPA) which extends "NAFTA-type" preferences in a number of sectors. Furthermore, both integration movements are involved in grander projects with the US - the Free Trade Area of the Americas (FTAA)- and the European Union. At the Fourth CARICOM-Central America Ministerial Meeting, the ministers reiterated the need for deepening existing commercial linkages between the two sub-regions and agreed on the importance of a "timely start to negotiations aimed at the creation of a **Free Trade Area** between the two sub-regions".

The important question which surfaces in our investigation relates to the extent to which this proposed CARICOM-CACM FTA is feasible (mutually beneficial from an economic standpoint to the various member countries and compatible with existing agreements) in light of the plethora of regional and bilateral commitments that have been undertaken by both blocs and by their individual member states.

The paper is divided into five main sections. Section 2 provides some stylized facts about the trading patterns of CARICOM and the CACM. Section 3 examines the history of trade and co-operation between Central America and CARICOM and highlights the major challenges that affected the deepening of co-operative efforts between the two sub-regions. The areas of successful co-operation are also discussed. Section 4 examines the theoretical notions of free trade areas and the compares in particular the conceptual issues of traditional versus modern free trade areas. The final section of the paper assesses the feasibility of a Free Trade Area between CARICOM and Central America and discusses issues relating to the type of bilateral relationship that should be contemplated by both sub-regions; the configuration of CACM members with which CARICOM should negotiate an agreement; and the potential net benefits that arise from an FTA.

## 2.0    Trading Patterns of CARICOM and CACM

### 2.1 Overview of the CARICOM countries.

The Caribbean Community (CARICOM) comprises 14 countries that are located in the Caribbean Sea, on the Central American Isthmus and on the South American continent. Most of the islands lie in the Caribbean Sea stretching from Jamaica in the North to Trinidad and Tobago in the South. Guyana and Suriname lie on the South American continent whereas Belize is located in Central America, snuggled between Mexico, Guatemala and the Caribbean Sea. The islands of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and St. Lucia comprise the Organisation of Eastern Caribbean States (OECS) which came into existence on June 18, 1981.

Despite the large number of countries forming CARICOM, the total land area of the Community amounts to only 404.9 thousand square kilometres, slightly smaller than the CACM region. Guyana and Suriname, which measure 196.9 thousand square kilometres and 156 thousand square kilometres, respectively are the largest, while the OECS sub-region falls just short of 2.9 thousand square kilometres.

If standard per capita GDP indicators are utilized, CARICOM cannot be considered to be a poor region, since many of the countries are officially ranked as middle income countries. Total GDP measured US$20.4 billion in 1999 and GDP per capita averaged US$3,122. A proper understanding of the economic profile of the CARICOM, requires an appreciation of the various sub-divisions that exist in the region. Generally, the more prosperous and member states of CARICOM are referred to as the More Developed Countries (MDCs) of the region and include The Bahamas, Barbados and Guyana, Jamaica and Trinidad and Tobago. The set of remaining territories, which comprise Belize, Haiti, Suriname and the OECS member states, are referred to as the Less Developed Countries (LDCs) of CARICOM[4]. The MDCs account for 52 per cent of total land area and 83 per cent of total output. The Bahamas has the highest per capita income (US$10,300) in the region, although it is one of the smaller countries in terms of population size. Barbados has the next highest GDP per capita (US$9,326) while the per capita income of Guyana (US$791) is the lowest in the region (Table 2.1).

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[4] These classifications are often difficult to adhere to rigidly since the economic fortunes of several of

Table 2.1

CARICOM and CACM: Land Acreage, Population and GDP, 1999

| | Land Area | Population | GDP | GDP per Capita | GDP per Capita |
|---|---|---|---|---|---|
| | | | | | % Growth Rate |
| | 000's sq. km | thousands | US$ Million | US$ | (1990-1999) |
| CARICOM | 404.9 | 6,523.0 | 20,367.9 | 3,122.5 | 1.8 |
| Bahamas, The | 10.0 | 298.0 | 3,096.4 | 10,300.0 | -0.1 |
| Barbados | 0.4 | 267.0 | 2,490.1 | 9,326.0 | 1.5 |
| Belize | 22.8 | 247.0 | 687.1 | 2,781.6 | 0.7 |
| Guyana | 196.9 | 856.0 | 677.9 | 791.9 | 5.2 |
| Jamaica | 10.8 | 2,598.0 | 6,576.0 | 2,531.2 | -0.6 |
| Suriname | 156.0 | 413.0 | 971.9 | 2,353.3 | 3.3 |
| Trinidad and Tobago | 5.1 | 1,293.0 | 6,761.0 | 5,228.9 | 2.0 |
| OECS | 2.9 | 551.0 | 2,204.0 | 3,999.9 | 2.5 |
| *Antigua Barbuda* | *0.4* | *67.0* | *554.4* | *8,275.3* | *2.7* |
| *Dominica* | *0.8* | *73.0* | *222.7* | *3,050.7* | *1.8* |
| *Grenada* | *0.3* | *97.0* | *308.8* | *3,183.7* | *2.2* |
| *Montserrat* | *-* | *5.0* | *34.6* | *6,925.9* | *-* |
| *St. Kitts and Nevis* | *0.4* | *41.0* | *252.8* | *6,165.3* | *4.9* |
| *St. Lucia* | *0.6* | *154.0* | *554.3* | *3,599.3* | *0.9* |
| *St. Vincent* | *0.4* | *114.0* | *276.3* | *2,423.7* | *2.6* |
| CACM | 414.6 | 32,068.0 | 49,700.0 | 1,549.8 | 1.6 |
| Costa Rica | 51.1 | 3,589.0 | 11,300.0 | 3,148.5 | 3.0 |
| El Salvador | 20.7 | 6,154.0 | 12,400.0 | 2,014.9 | 2.8 |
| Guatemala | 108.9 | 11,088.0 | 18,300.0 | 1,650.4 | 1.5 |
| Honduras | 112.5 | 6,318.0 | 5,400.0 | 854.7 | 0.3 |
| Nicaragua | 121.4 | 4,919.0 | 2,300.0 | 467.6 | 0.4 |

*Source: World Development Indicators 2001, World Bank*

## 2.2 Overview of the CACM countries.

The Central American Common Market (CACM) is made up of five countries lying on the Central American Isthmus. The countries include Guatemala which is located to the South of Mexico, El Salvador, Honduras, Nicaragua and Costa Rica which shares borders with Panama. The area is relatively small, with a total land mass of 414,632 sq. km. Nicaragua is the largest country whereas El Salvador is the smallest. The region has a total population of 29 million people, 10.8 million of whom are found in Guatemala. Costa Rica with almost 4 million has the smallest population.

the countries have changed significantly since they were first established.

The CACM region is relatively poor. Total Gross Domestic Product in 1999 amounted to US$50 billion and per capita income averaged US$1,550. Per capita income was highest in Costa Rica at US$3,148.5, followed by El Salvador with US$2,014.9. Nicaragua is the poorest country in the region, registering per capita income of US$467.6 in 1999.

### 2.3 Trade Flows of CARICOM and the CACM with the World and Major Trading Blocs

Appendix Tables A2.1 to A2.2 provide detailed figures on the trade performance of CARICOM and the CACM over the period 1990 – 1999. Over this period, total exports from CARICOM increased by 47 per cent to US$6.4 billion in 1999 from US$4.4 billion in 1990. Exports to NAFTA amounted to US$2.8 billion in 1999, up from US$1.8 billion in 1990, while exports to the EU increased by 41.7 per cent to US$1.3 billion in 1999. *CARICOM exports to CACM totaled US$75 million, representing just 1.2 per cent of total CARICOM exports in 1999.*

On average, Jamaica and Trinidad and Tobago accounted for more than 65 per cent of CARICOM's total trade, with export shares of 28.6 per cent and 40.8 per cent, respectively. Exports of the OECS accounted, on average, for only 7.3 per cent of CARICOM's exports. Whereas the exports of Jamaica and Trinidad and Tobago also dominated CARICOM's trade with NAFTA and the EU, *exports of Trinidad and Tobago amounted for more than 95 per cent of total CARICOM exports to the CACM.*

The picture was relatively similar for import patterns although the magnitude of the changes in imports were more pronounced than those for exports. Total imports by CARICOM increased by 75.7 per cent to US$9 billion in 1999 from US$5.1 billion in 1990. Imports from NAFTA increased by 61 per cent to US$4.1 billion in 1999 from US$2.5 billion in 1990, while imports from the EU amounted to US$1.5 billion in 1999 increasing gradually from US$860 million in 1990. Imports from CACM also increased steadily to US$81 million from US$20 million in 1990.

After attaining a peak at 54.3 per cent in 1995 from 49.4 per cent in 1990, the share of CARICOM's imports from NAFTA declined to 45.2 per cent in 1999. Similarly, the share of imports from the EU increased to 18.4 per cent in 1995 from 16.8 per cent in 1990, but fell to 17.06 by 1999. In contrast, the share of imports from the CACM, though quite small, increased to 0.9 per cent in 1999 from 0.4 per cent in 1990.

In terms of the trade flows of the CACM, total exports in 1999 amounted to US$17.3 billion, almost three times that of total exports in CARICOM, increasing by 325 per cent from US$4.1 billion in 1990. NAFTA is the CACM's main export market with exports destined predominantly for the US market. The share of CACM exports to NAFTA averaged 45 per cent, but increased to 53 per cent and 61 per cent in 1998 and 1999, respectively. Exports to the EU averaged 20 per cent over the period but fell to 14 per cent in 1999. *Exports to CARICOM represented an insignificant proportion (less than 1 per cent) of total CACM exports.*

Exports by the CACM originated predominantly from Costa Rica, which accounted for 41.5 per cent of the total CACM exports in 1999, down somewhat from the 1993 high of 48.2 per cent but significantly higher than in 1990 when the share of exports from Costa Rica amounted to 35.8 per cent. Guatemala and Honduras were the next two main exporters accounting, on average, for 27.3 per cent and 16.9 per cent of the total exports of the CACM, respectively. In contrast, Nicaragua is the weakest exporter in the Central American group accounting for just 4.5 per cent of total exports in 1999, down from 8 per cent in 1990.

In terms of imports, CACM's total imports amounted to US$20.3 billion in 1999, increasing by 244 per cent from US$5.9 billion in 1990. Approximately 50 per cent of CACM imports originated from NAFTA and, like exports, more than 80 per cent of these imports originated from the US. Imports from the EU totaled US$1.8 billion in 1999 representing 9.2 per cent of total imports.

## 3.0    History of Trade and Economic Relations

Relations between Central America and CARICOM have not progressed significantly, in spite of the good intentions expressed by representatives from both sub-regions at Inter-Ministerial conferences. Formal mechanisms for co-operation between both groups are events of relatively recent vintage, and occurred in sporadic bursts during the 1990s.

*Table 3.1: Ministerial Conferences between CARICOM and Central America*

| Date | Location (Capital City) | *Ministerial Conferences* |
|---|---|---|
| January 29-31, 1992 | San Pedro Sula, Honduras | *$1^{st}$ Ministerial Conference between Countries of Central America and CARICOM* |
| May 27-28, 1993 | Kingston, Jamaica | *$2^{nd}$ Ministerial Conference between Countries of Central America and CARICOM* |
| November 28-29, 1996 | San José, Costa Rica | *$3^{rd}$ Ministerial Conference between Countries of Central America and CARICOM* |
| March 22, 1999 | Georgetown, Guyana | *$4^{th}$ Ministerial Conference between Countries of Central America and CARICOM* |

*Source: Extracted from ministerial communiqués and reports obtained from CARICOM, SIECA and SG-SICA.*

The Ministries of External Affairs of Central America and the Caribbean Community met, for the very first time, in Honduras to discuss political and economic challenges facing the two countries, identify areas of mutual interest and benefit and establish a permanent mechanism for increased co-operation between the two regions. The broad areas for co-operation agreed to at the first conference were the following:

(a) Common initiatives in the economic, scientific, technological and cultural spheres including possible co-operation in transportation, tourism, the environment, natural disasters and combating drug trafficking;

(b) Strengthening of diplomatic ties between the various states that comprise CARICOM and Central America;

(c) Political and social issues arising in relevant regional and international institutions;

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(d) Regional and international trade in areas of common interest and benefit; and

(e) Avenues for investment.

These meetings were convened at a time when trade and financial liberalization were being emphasized by the agencies providing project finance to Central America and the Caribbean. This very first meeting assigned higher priority to discussions and avenues for co-operation in the international sphere than on the regional front. A CARICOM/Central America Consultative Forum was established and priority was accorded to:

a) the identification of common interests in relation to the Enterprise for the Americas Initiative (EAI); the North American Free Trade Agreement (NAFTA) and the Caribbean Basin Initiative (CBI);

b) the identification and promotion of measures and projects for increasing and improving information flows, cultural exchanges and communication links. Emphasis was placed on establishing greater contact in tourism, technology, sports and developing language skills; and

c) Examination of strategies for developing trade and economic linkages.

At a follow-up meeting of the respective Regional Secretariats in the Dominican Republic very little progress was made on definitive areas for co-operation between the two groups.

The Second Ministerial Conference was held against the background of the erosion of the rule of law in Guatemala and the escalation of the border conflict between Belize and Guatemala. The Ministers reaffirmed their commitment to the development of co-operative programmes in the following areas:

(i)     Transportation – the establishment of a group of experts to study and make recommendations on ways of improving transportation and communication links;

(ii)     Environment – the establishment of joint mechanisms for the protection of the Caribbean Sea with respect to toxic waste and pollution; and co-operation on disaster-preparedness;

(iii)    Education – the sharing of resource material and expertise in distance education and skills training;

(iv)    Information and Technology - the development of co-operative programmes in science and technology; the sharing of information on social security and women in development;

(v)     Drug Trafficking - co-operation on fighting narco-trafficking;

(vi)     Cultural Exchanges – the development of skills necessary for the preservation of cultural heritage; and the exchange of visits of performing artists to promote cultural diffusion in both regions.

Emphasis was also placed on influencing the agendas of regional and international organizations through joint and coordinated actions.  One main area of joint co-operation raised at this meeting related to the Section 936 Programme, specifically the decision by Puerto Rico to suspend loans of projects worth over US$5 million under the Caribbean Development Programme. This meeting also addressed developments affecting bananas and coffee.  Low coffee prices threatened the production of the commodity in both Central America and certain Caribbean territories, especially Jamaica, and ministers decided to co-operate, and co-ordinate actions with the ACP group of countries in order to secure fair and remunerative prices for both groups of countries.

The Second Ministerial, importantly, endorsed the proposal for the establishment of the Association of Caribbean States (ACS) with the aim of furthering economic integration and functional co-operation among territories in and around the Caribbean Basin. *One of the major agreements that emanated from the Second Ministerial discussions was the Basic Co-operation Agreement between The CARICOM Secretariat and the Permanent Secretariat of the General Treaty of Central American Economic Integration* signed on May 28 1993 in Kingston, Jamaica.

After a lapse in Ministerial discussions of about three years, the Third Ministerial Meeting was convened in Costa Rica over the period November 28-29, 1996. It is noteworthy that the discussions were a continuation of the agendas of the previous meetings which seem to indicate that little or no progress was achieved with respect to the commitments made in the previous Ministerial meetings.

At the Third Ministerial meeting, ministers renewed their commitments to the identification, definition and adoption of actions and mechanisms to promote the strengthening of political, economic and other forms of co-operation. Ministers also declared their readiness to strengthen economic relations; promoting tourism and the fight against illicit traffic in drugs and firearms. The priority list of areas included:

- Policy coordination in regional and international fora and vis-à-vis third countries;
- Co-ordination of strategies in respect of international trade and economic policies;
- The promotion of private sector collaboration;
- Co-operation on the preservation of the environment and the protection of the Caribbean Sea.
- Natural disaster mitigation
- Science and technology

At this meeting a decision was taken to review the participation of the countries in the Free Trade Area of the Americas and to support the Working Group on Smaller Economies to ensure that the needs of smaller countries in the FTAA framework were recognised. Specific attention was also focused on strengthening co-operation among Caribbean and Central American Ambassadors in Washington to develop strategies for NAFTA parity and expand the benefits under the CBI trade initiative.

One of the notable features of the ministerial discussions was the creation of the Association of Caribbean States (ACS) to advance the process of functional and economic co-operation, especially in the areas of trade promotion; tourism; disaster preparedness; information exchange, health; education and culture.   Given the

important emphasis being placed on issues relating to the development and preservation of the environment, the CARICOM ministers renewed their support for the strategies then being developed by the Central American Alliance for Sustainable Development of Small Island Developing States.

It was not until August 10-11, 1998 in El Salvador that the High Level Technical Committee for implementing the ministerial commitments held its first formal meeting on the progress of the CARICOM-Central American Framework Co-operation Programme. An initial meeting of technicians, though, was held earlier in Costa Rica in which both regions discussed their external trade negotiating priorities. At that time, Central America indicated that CARICOM was not a priority on their negotiating agenda. This group acknowledged that the heavy schedules of negotiations of both regional bodies affected their ability to advance CARICOM-CACM co-operative actions. The technical group resubmitted many of the decisions of the previous Ministerial meetings to the fourth CARICOM-Central America Ministerial held in Georgetown Guyana on March 22, 1999.

In light of the damage inflicted by Hurricanes Mitch and Georges in 1998, Ministers at the Fourth Ministerial gave greater support to the joint initiatives undertaken by the Centro de Coordinación para la Prevención de Desastres Naturales en America Central (CEPREDENAC) and CDERA to enhance co-operation in natural disaster management.

On the issue of CARICOM-Central America relations, a commitment was made by Ministers to start negotiations, as soon as possible, towards the creation of a Free Trade Area between the two sub-regions. The Ministers also agreed to (a) promote negotiations on air transport agreements to liberalise air transportation to strengthen inter-regional economic, social and cultural exchanges and (b) to combine the efforts of public and private sector organizations to facilitate co-ordination between shipping companies, and the improvement of port infrastructure. Decisions were also taken on developing reciprocal bilateral agreements for the promotion and protection of investment and for the avoidance of double taxation, so as to boost inter-regional investments. On the promotion of private sector collaboration, ministers agreed to a

forum for private sector collaboration in which entrepreneurs would participate in fairs and exhibitions organized by their respective regional Trade Promotion Offices.

Private sector co-operation has however progressed slowly although the ACS has been making steady advances in promoting linkages between entrepreneurs and businesses in Central America and CARICOM. Investors from the United States of America have collaborated with business interests in Central America and CARICOM in seeking to improve market access for textiles and apparel from both sub-regions under the CBI initiative. In the FTAA discussions, there has been some collaboration between CARICOM and Central America in areas such as market access and investment. This collaboration has been largely conducted with CA-4 countries and excludes Costa Rica.

Despite the numerous pronouncements by Ministers on the need to co-operate in several areas very little follow-up action was taken to "concretize" the decisions of Ministerial meetings. Three critical obstacles can be identified which affected the deepening of co-operative efforts. First, during the 1990s, both sub-blocs were locked in heavy meeting schedules and commitments vis-à-vis negotiations on the multilateral and bilateral stage. Indeed, during the period 1993 and 1994, significant resources were expended on concluding the Uruguay round of negotiations. Although CARICOM seemed willing to commence negotiations on a Free Trade Agreement with Central America in 1996, the Central American Republics concentrated their efforts on negotiations with Mexico, Panama, and the Dominican Republic and did not assign any priority to CARICOM. By 1998, CARICOM's focussed on a new Lomé agreement and much of the momentum established in the Ministerial meetings was lost. Second, both sub-regions did not appear to have the necessary financial resources to pursue many of the commitments made in the Ministerial meetings. In fact, following the debt crisis of the 1980s, some countries channeled their scarce resources towards stabilizing their respective domestic, economic, political and social environments. Third, many of the specific actions to improve collaboration were delegated to regional institutions which, unfortunately, did not have the human resources and financial capability to undertake these additional tasks.

# 4.0    What is an FTA? Theoretical and Conceptual Issues

## 4.1    *Notion of a Free Trade Area: Traditional vs. Modern FTAs*

The taxonomy of integration systems developed by Balassa (1991) defines a Free Trade Area as one in which member states eliminate tariff and non-tariff barriers on trade in goods and services between themselves but retain separate barriers against non-member countries. The traditional style FTA which is often associated with the concept of "inward-looking" or closed regionalism emphasizes trade liberalization among member states but substantial discrimination against non-member territories. Modern FTAs, however, are based on the concept of open regionalism and attempt to liberalise intra-regional trade in goods and services, intra-regional movements in labour, capital, information and knowledge in congruence with the principles of multilateral free trade (Nicholls et al (2001)). In general, both traditional and modern FTAs seek to liberalise intra-regional trade in goods and services by attempting to eliminate tariff and non-tariff barriers but retain some type of discrimination against the rest of the world, although the degree of discrimination against the rest of the world is much less pronounced in modern versions of the FTA. Orthodox integration theory identifies two important effects that result from the formation of traditional type FTAs, namely *trade creation and trade diversion*. Trade creation refers essentially to the replacement of inefficient domestic production in one member state with low cost imports from another member state. Trade diversion refers to the replacement of imports from a lower costs non-member state with higher cost imports from a member of the free trade area.

# Diagrammatic Representation of a
# Free Trade Area (FTA)

$$t_{CACM, CARICOM} = t_{CARICOM, CACM}$$

CENTRAL AMERICA

CARICOM

$$t_{CACM, ROW} \neq t_{CARICOM, ROW}$$

$$t_{CARICOM, ROW} \neq t_{CACM, ROW}$$

REST OF THE WORLD
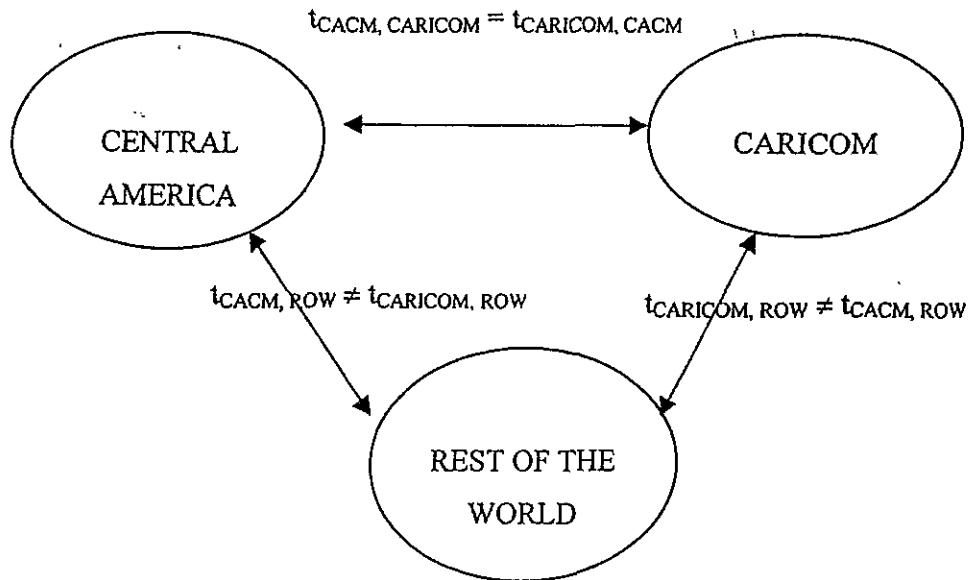
These two effects are popularly known as the traditional Vinerian effects. Vinerian analysis assumes that the FTA will be beneficial if imports from the CACM displace higher-cost local production in the CARICOM region which leads, in the final analysis, to a reduction in domestic prices in CARICOM. This provides consumers in CARICOM with the advantage of being able to consume more commodities at a cheaper price. Alternatively, if the FTA allows the supplies from the CACM to displace cheaper imports from the rest of the world and, in particular, from NAFTA and the European Union, then trade diversion will result since the CARICOM region will have to expend more of its resources on expensive imports from the partner country (CACM). Orthodox Vinerian integration analysis (See Viner (1950)) also requires a comparison of the trade creating gains with the magnitude of the trade diverting losses, before the overall net impact on a country's welfare could be determined. If the gains from trade creation exceed the losses from trade diversion, then the net welfare of the citizens in the FTA and in the world at large would be improved. It is critical to note that the Vinerian notions of welfare, which are largely static in nature, depend for their reliability on the existence of perfect competition and generally reflect a "once- and- for- all" distributional impact.

Besides the trade creating and trade diverting effects, the modern versions of FTAs also emphasise the reduction in administrative and transaction costs as well as the economies of scale that spur increased competition between firms, reduces production costs and encourages cross-border investment. In this framework, the gains from the FTA are achieved from increased competition brought about by the presence of scale economies and product differentiation rather than solely from comparative advantage based on factor endowments. These modern versions of integration point to four additional effects: *foreign profit creation; investment creation; foreign profit diversion; and investment diversion* [Robson (1993, 1998) and Tironi (1982)]. If an FTA were formed between CARICOM and the CACM then foreign enterprises domiciled in either region could earn additional profits not only from sales in the home market of the host country but also by exporting to the partner country. These additional earnings that accrue to the TNC are "foreign profit creating" and represent a loss to the host country in terms of additional rents that it has to forego. In the case of foreign profit diversion, the formation of an FTA induces a fall in the price of the importable commodity, which reduces the proportion of profits that the TNC could remit to its home country. This fall in remittable profits represents a gain to the host countries that comprise the FTA[5]. Following Kindleberger (1966) and Robson (1998), investment creation occurs when foreign transnational companies establish new firms within the FTA to serve the market that would otherwise be cut-off by tariff and non-tariff barriers. Conversely, investment diversion refers to a re-organisation of production within the FTA by foreign TNCs to take advantage of the benefits of scale economies and specialization.

### 4.2    *Notion of a Co-operation Agreement*

The notion of a co-operation agreement shares greater similarities with modern rather than traditional free trade agreements, but differs in some important respects. The FTA achieves economic co-operation largely through the reduction in barriers to trade (tariff and non-tariff barriers) and specific measures (rules and disciplines) to improve

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[5] See Tironi (1982) for a more complete discussion.

market access. Co-operation may also proceed on the basis of non-economic issues such as collaboration and assistance in the social (health, education, transportation), political (governmental and external affairs) and environmental (e.g. natural disasters) spheres and may be shallow or deep in some or all of these spheres. This notion of co-operation is not an entirely new idea and the Treaty of Chaguaramas, which established the Caribbean Community in 1973, envisioned a relationship among member states that contained both economic and non-economic dimensions. Indeed, the treaty provided for (i) co-operation in non-economic areas (such as health, transportation etc.); (ii) the pooling of resources to facilitate the operation of common services and (iii) the co-ordination of external relations. It is quite unfortunate that the traditional Vinerian approach has so dominated the literature on economic integration that alternative perspectives of the likely benefits and costs that result from broad co-operative endeavours have not received the same depth of investigation.

Recently, Andriamananjara and Schiff (1998) have attempted to explore from a theoretical perspective the benefits and costs of integration schemes involving microstates that are based on non-economic motives. Their research has listed some interesting benefits when microstates co-operate or pool their resources to address the question of external trade negotiations. The benefits derived from this form of co-operation are largely the increase in the bargaining power of small states[6] in various international negotiating fora and the financial savings that accrue from the sharing of expert knowledge, time and financial resources[7]. The increased bargaining power that is gained in international fora is of course not as easily quantifiable as the financial savings that accrue from the pooling of human and financial resources. Furthermore, information and/or statistics on the quantum of savings that result from resource pooling are not even systematically monitored, organized nor collected in CARICOM and the CACM. It has been argued that the CARICOM relationship itself has been more successful in the functional areas of co-operation such as health, sport,

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[6] Specifically, member countries co-operate by trading support for each other's issues, which ultimately help them to achieve what may have been impossible to obtain from unilateral action.

[7] In their model, countries avoid significant duplication of external bargaining costs but incur instead internal bargaining costs. The overall benefit of course depends on the relative size of external versus internal costs. The financial savings derived from the size of the net external costs can be redeployed to finance other co-operative activities.

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transportation and natural disaster management than in matters pertaining strictly to trade integration. Because trade flows are so low between CARICOM and Central America, an FTA that is based strictly on trade in goods may offer very little in terms of welfare gains to both sub-regions. We illustrate this point in the Section 5.2 on the potential Net Welfare Benefits from Trade Integration when it is applied solely to trade in goods.

## 5.0    Feasibility of Free Trade Area

From a conceptual point of view, several questions arise with respect to the feasibility of a free trade agreement between the Caribbean Community and Central America. The first and perhaps the most critical of these issues concerns the **form of the bilateral relationship** that should be contemplated by CARICOM with Central America. Is a "co-operation agreement" based on a broad set of *economic and non-economic objectives* more feasible than a "free trade agreement" based largely on the principle of trade liberalisation. Given the fragmented external negotiating strategy of the countries of Central America, the second critical issue is related to the **configuration of the CACM** with which CARICOM should seek to negotiate a bilateral arrangement. In short, should CARICOM negotiate an FTA or co-operation agreement with (a) all the member countries of the CACM or what we refer to here as the CA-5 group (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua); (b) with the CA-4 group (CA-5 minus Costa Rica); (c) with the CA-3 group (CA-4 minus Nicaragua) (d) or with Costa Rica? Or further, should member states of the various sub-regions negotiate bilateral agreements on a unilateral basis, as is happening at present between Trinidad and Tobago and Costa Rica. The third major issue concerns the **potential net benefits** that could accrue from a broad co-operation agreement that considers both economic and non-economic issues rather than a narrow agreement that focuses solely on trade liberalization.

## 5.1    Configuration of the CACM: With Which Grouping Should CARICOM Negotiate?

As stated earlier, Central America has a relatively broad and flexible approach to the negotiations of bilateral free trade agreements with third parties. In practice, there is really no unified or homogenous position that all Central American countries adhere to in bilateral negotiations with third parties. In contrast, CARICOM has a rather well developed mechanism for conducting negotiations with third parties. At the present moment, there does not appear to be any interest on the part of the CA-5, CA-4 or CA-3 sub-groupings in Central America to negotiate a bilateral free trade agreement with CARICOM. The only Central American country that has shown any great interest in negotiating an FTA with CARICOM is Costa Rica who appears to be more interested in negotiating a free trade agreement with Trinidad and Tobago than with the CARICOM region as a whole. Indeed, free trade negotiations between Costa Rica and Trinidad and Tobago have already commenced in earnest. The private sectors and business interests in Costa Rica and Trinidad and Tobago are undeniably the driving forces behind the conclusion of such an agreement. The strategy that CARICOM may be forced to proceed with at this juncture is to provide support for a bilateral agreement between Trinidad and Tobago and Costa-Rica while continuing to develop avenues for co-operation with the CA-4 group under the auspices of the Association of Caribbean States and SICA. The deepening of co-operative efforts with the CA-4 group should eventually serve as a springboard for deepening co-operation between CARICOM and the CA-5 group provided that it is undertaken before the FTAA is realized. If the FTAA comes on stream as anticipated, then there may be no need to pursue a specific bilateral between CARICOM and Central America.

## 5.2    Potential Net Benefits of FTA vs Broad Co-operation Agreement

A proper assessment of the impact of an FTA agreement requires the application of some effective method for evaluating the likely benefits and costs of these agreements. First, it should be stated that the majority of empirical studies relate mainly to the calculation of net benefits from trade in goods because of the paucity of

information on intra-regional investment as well as on trade in services. Second, it is important to recognize from the outset that not all of the benefits and costs of an FTA are easily quantifiable and even when there exists some basis for quantification, the associated estimates often contain deficiencies. Quantification therefore of the net potential benefits of FTAs is merely a guide of the likely impact of an FTA. It should therefore never be utilized to yield a complete judgement of the intended impact unless it is complemented by other qualitative considerations.

The literature on economic integration has attempted to grapple with this issue of quantification for some time and has devised partial and general equilibrium measures to gauge the net benefits or losses of preferential trading arrangements. In the partial equilibrium setting, conventional static welfare effects are gauged from measures of trade creation and trade diversion while general equilibrium studies employ applied computable general equilibrium models to estimate the potential dynamic impact of FTAs on profits and investment in particular sectors of the economy as well as on aggregate growth performance. In attempting to measure the likely implications of a potential FTA between CARICOM and the CACM, it would have been more appropriate to analyse the potential dynamic effects of integration on investment, profit and growth across a broad range of industries and sub-sectors in the two sub-regions. **Unfortunately, there is little by way of organized intra-regional data on investment flows, trade in services and profits at the aggregate and dis-aggregated level between the two blocks. Furthermore, the lack of official input-output tables and flow of fund matrices for CARICOM as a whole and for many of its member states serves as a serious constraint to the computation of any detailed estimates on the dynamic effects of economic integration.** In this analysis, therefore we are forced to rely on inter-regional trade flows in goods (i.e trade flows between both sub-regions) as well as on conventional measures (static) of trade creation and trade diversion to get a sense of the likely impact of the formation of an FTA between both regions.

### 5.2.1 Methodology for Estimating Conventional Welfare Effects of an FTA in CARICOM and the CACM

The net welfare impact of a potential FTA between CARICOM and Central America can be measured by the following expression:

$$NWE_i = (TC_i - TD_i)$$

$$TC_i = Q_m \varepsilon_m \left[ \Delta t/(1+t) \right] \text{ and } TD_i = Q_m \left[ \alpha_{np} \left( \varepsilon_s - \varepsilon_m \right) \right] \left[ \Delta t/(1+t) \right]$$

$NWE_i$ – Net Welfare Effect

$Q_m$ - Imports by FTA member country from the Free Trade Area;

$\varepsilon_m$ - Price Elasticity of import demand in importing FTA member country;

$\varepsilon_s$ - Elasticity of Substitution between FTA and non-FTA members;

$\alpha_{np}$ - share of imports from outside FTA in total imports;

$\Delta t$ - reduction in tariff in FTA member country;

$t$ - initial level of tariff in the importing FTA member country.

where $i$ denotes the respective member country and TC and TD refer to trade creation and trade diversion, respectively. The formulae that are utilized for measuring trade creation and trade diversion are taken from the methodology of Verdoorn (1960) and have been employed in empirical studies of integration schemes by Sawyer and Springle (1986) and Govindan (1996). Alternative measures of trade creation and trade diversion have been developed by Nicholls (1996, 1998) using the notion of compensating and equivalent variation and allow more precise estimates because they are based on "exact" welfare derivations. These, however, require much more data than are currently available for this study.

Implementation of the conventional welfare model requires data on trade flows between both sub-regions; initial tariff levels; the expected level of change in tariffs due to an FTA; the elasticity of import demand; and the elasticity of substitution between countries in the PTA, and non-PTA members. The use of the elasticity of substitution is important here since it gives an indication as to whether imports by

member countries from outside the preferential area are substitutes or complements to imports from countries within the preferential area. If imports from outside the FTA are substitutes and are larger in magnitude than imports from within the FTA, then it is quite likely that the FTA will be trade-diverting.

Our analysis assumes that an FTA between CARICOM and Central America was formed in 1999 and utilises trade flow data for 1999, parametric estimates of the price elasticity of import demand (from the studies conducted by Cline (1978) for Central America and Nicholls (1995) for CARICOM[8]) as well as assumed values for the elasticity of substitution to compute estimates of Trade Creation and Trade Diversion for both sub-regions. The expected level of change in tariffs that is due to FTA formation is computed from the formula: $\Delta t = t^{*}_{1999} - t^{*}_{1996}$, where $t^{*}_{1999} = 0.0$ represents the average value of tariffs following the formation of an FTA and $t^{*}_{1996}$ is assumed to be the average tariff in the initial period, 1996. The average tariffs ($t^{*}_{1996}$) for the various member countries of both sub-regional blocs are contained in Table 5.2.

### 5.2.2    Tariff Structure in CARICOM and Central America

Before presenting our estimates of trade creation and trade diversion, it is necessary to digress for a short while to discuss the nature of applied MFN tariff rates in both Central America and CARICOM. Table 5.1 presents a comparison of the average tariffs of CARICOM by Sections of the Harmonised System (1996). These data reveal that there are sixteen groups of commodities for which the external tariffs imposed by CARICOM on imports are larger than those imposed by the CACM. In addition, the average un-weighted tariff for all commodity groups in CARICOM, as a whole, was 13.24 percent, approximately one and a half times higher than the figure for the CACM, which stood at 8.74 per cent.

The largest deviations in the tariff rates between the two sub-regions of 13.07 and 11.37 were registered in two commodity groupings - Animal/Vegetable Fats and

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[8] The study by Nicholls (1995) contains no estimates of elasticities of substitution since it computes trade creation and trade diversion from different formulae.

Precious/Semiprecious Material, respectively. The five commodity groups in which the average MFN applied tariff rates were higher for the CACM countries were Textiles, Animal Hides/Skins, Footwear/Miscellaneous Articles, Stone/Glassware and Wood/Wood Articles. An examination of the average tariff rates for each member country of CARICOM, using the most recent data available (Table 5.2), reveals that Belize imposes the highest average tariff rate (14.8 percent) on imported commodities whereas Montserrat imposes the lowest (12.2 percent). For the OECS sub-grouping, the average tariff imposed was slightly lower than the average for CARICOM as a group.

**Table 5.1: Comparison of 1998 External Tariffs in CARICOM and the CACM by Sections of the Harmonised System 1996**

|  |  | A<br>CARICOM | B<br>CACM | (A-B) | Tariff Comparison |
|---|---|---|---|---|---|
| I | Live Animals/Products | 21.77 | 14.06 | 7.71 | CACM lower |
| II | Vegetable Products | 18.43 | 12.77 | 5.66 | CACM lower |
| III | Animal/Vegetable Fats | 24.31 | 11.24 | 13.07 | CACM lower |
| IV | Processed Foods/Tobacco | 17.75 | 15.98 | 1.77 | CACM lower |
| V | Mineral Products | 5.19 | 3.96 | 1.23 | CACM lower |
| VI | Chemical/Industrial Products | 5.15 | 3.14 | 2.01 | CACM lower |
| VII | Plastics/Rubber | 7.70 | 6.04 | 1.66 | CACM lower |
| VIII | Animal Hides/Skins | 8.63 | 12.58 | -3.95 | CACM higher |
| IX | Wood/Wood Articles | 8.64 | 11.34 | -2.7 | CACM higher |
| X | Paper/Cellulose Material | 6.80 | 6.61 | 0.19 | CACM lower |
| XI | Textiles | 10.79 | 18.22 | -7.43 | CACM higher |
| XII | Footwear/Misc. Articles | 16.39 | 18.10 | -1.71 | CACM higher |
| XIII | Stone/Glassware | 8.74 | 9.18 | -0.44 | CACM higher |
| XIV | Precious/Semiprec. Material | 20.96 | 9.13 | 11.83 | CACM lower |
| XV | Base Metals | 5.57 | 4.40 | 1.17 | CACM lower |
| XVI | Machinery/Electrical Equip. | 6.00 | 3.94 | 2.06 | CACM lower |
| XVII | Motor Vehicles/Vessels | 8.47 | 4.21 | 4.26 | CACM lower |
| XVIII | Precision Instruments | 10.49 | 5.04 | 5.45 | CACM lower |
| XIX | Arms/Munition | 31.57 | n.a | na | na |
| XX | Misc. Manufactured Articles | 15.07 | 14.06 | 1.01 | CACM lower |
| XXI | Art/Antiques | 19.81 | n.a | na | na |
| Overall |  | 13.24 | 8.74 | 4.5 | CACM lower |
| Residual |  | 7.86 | n.a | na | na |

*Note:    Residual is the sum of the lines which do not conform to the 1996 version of the Harmonised System. The average tariffs are un-weighted*
*Source: IDB's Statistics and Quantitative Analysis Unit based on the CARICOM Common External Tariff (CET).*

**Table 5.2**
**Comparison of Average Tariffs for**
**CARICOM, OECS and CACM**

| COUNTRY | YEAR | All Products Simple Tariff Mean |
|---|---|---|
| **CACM** | | **7.42** |
| Costa Rica | 1999 | 3.3 |
| | | |
| El Salvador | 1998 | 6.7 |
| Guatemala | 1998 | 8.0 |
| Honduras | 1999 | 8.1 |
| Nicaragua | 1999 | 11 |
| | | |
| **OECS** | **1998** | **12.9** |
| Montserrat | 1998 | 12.2 |
| ST. Kitts & Nevis | 1998 | 13.2 |
| St. Lucia | 1998 | 13.8 |
| St. Vincent & the Grenadines | 1998 | 12.3 |
| Antigua & Barbuda | 1998 | 12.6 |
| Dominica | 1998 | 13.2 |
| Grenada | 1998 | 12.8 |
| | | |
| **CARICOM** | **1998** | **13.2** |
| Suriname | 1998 | 12.6 |
| Barbados | 1998 | 14.1 |
| Belize | 1998 | 14.8 |
| Guyana | 1998 | 14.8 |
| Jamaica | 1998 | 12.5 |
| Trinidad & Tobago | 1998 | 12.9 |
| Montserrat | 1998 | 12.2 |
| ST. Kitts & Nevis | 1998 | 13.2 |
| St. Lucia | 1998 | 13.8 |
| St. Vincent & the Grenadines | 1998 | 12.3 |
| Antigua & Barbuda | 1998 | 12.6 |
| Dominica | 1998 | 13.2 |
| Grenada | 1998 | 12.8 |
| | | |

*Source: IDB's Statistics and Quantitative Analysis Unit based on the CARICOM Common External Tariff (CET).*

*5.2.3  Computation of Static Net Welfare Benefits for CARICOM and Central America*

Table 5.3 presents estimates of welfare for the proposed FTA between CARICOM and the CACM (CA-5) group. In the case of CARICOM, it is assumed that import demand from the CACM is more price elastic for Belize, Jamaica and Trinidad and Tobago than for the other member countries of CARICOM. The estimates of $\alpha_{np}$ (the

share of imports from outside FTA in total imports) for CARICOM are derived from Appendix Table A5.1 for the year 1999. These figures indicate that almost all of the imports originate from sources outside of the proposed CARICOM-CACM Free Trade Area. We have assumed, in the column containing estimates for the elasticity of substitution ($\varepsilon_s$), that imports outside of the CARICOM-CACM FTA are largely substitutes for imports originating from member countries within the FTA. In the case of the CACM, import demand from CARICOM is more price elastic for Costa Rica, Guatemala and Honduras than for Nicaragua or El Salvador. Estimates of $\alpha_{np}$ (the share of imports from outside FTA in total imports) for the CACM are derived from the trade flow data contained in Appendix Table A5.2. Assumptions similar to those made for CARICOM are made for the parametric estimates of the elasticity of substitution for the various member countries of the CACM.

The results from trade creation demonstrate that had the proposed FTA come into being in 1999, it would have had a net trade diverting impact on all the member countries of CARICOM, with the largest trade diverting losses being recorded for Jamaica (US$42 million), Trinidad and Tobago (US$22 million), Belize (US$29 million) and Barbados (US$16 million). For the CARICOM region as a whole, the trade creation gains would have amounted to US$96 million; the trade diverting losses to US$213.02 million; and the net welfare losses to US$116.1 million. For the member countries of the CACM group, the proposed FTA would also have been net trade diverting with the largest losses being recorded for Costa Rica (US$90million), Guatemala (US$65 million) and Honduras (US$18 million). It is interesting to note that in this simulation, the net welfare losses are much larger for the Central American sub-region than for CARICOM. These welfare losses nevertheless, represent very small proportions of the total imports of each of the sub-regions.

## Table 5.3: Potential Welfare Effects of an FTA
### between CARICOM and the CACM

| | $Q_m$ US$m | $\varepsilon_m$ | $\alpha_{np}$ | $\varepsilon_s$ | $t_{1996}$ | $\Delta t$ | TC US$m | TD US$m | NWE US$m |
|---|---|---|---|---|---|---|---|---|---|
| Barbados | 12 | -0.99 | 0.9900 | 1.50 | 14.10 | -14.10 | 11.09 | 27.62 | -16.53 |
| Belize | 17 | -1.89 | 0.9520 | 2.00 | 14.80 | -14.80 | 30.10 | 58.97 | -28.87 |
| Guyana | 0 | -0.85 | 1.0000 | 1.50 | 14.80 | -14.80 | 0.00 | 0.00 | 0.00 |
| Jamaica | 31 | -1.25 | 0.9890 | 1.50 | 12.50 | -12.50 | 35.88 | 78.07 | -42.19 |
| OECS | 3 | -0.55 | 0.9970 | 1.50 | 12.90 | -12.90 | 1.53 | 5.69 | -4.16 |
| Suriname | 2 | -0.45 | 0.9960 | 1.50 | 12.60 | -12.60 | 0.83 | 3.60 | -2.76 |
| Trinidad&T'Go | 16 | -1.15 | 0.9930 | 1.50 | 12.90 | -12.90 | 17.08 | 39.07 | -22.00 |
| CARICOM | 81 | | | | | | 96.51 | 213.02 | -116.51 |
| | | | | | | | | | |
| Costa Rica | 49 | -1.55 | 0.9924 | 2.00 | 14.10 | -14.10 | 70.92 | 161.20 | -90.28 |
| El Salvador | 10 | -0.95 | 0.9975 | 1.50 | 14.80 | -14.80 | 8.90 | 22.89 | -13.99 |
| Guatemala | 35 | -1.75 | 0.9935 | 2.00 | 14.80 | -14.80 | 57.37 | 122.14 | -64.77 |
| Honduras | 13 | -1.10 | 0.9972 | 1.50 | 12.50 | -12.50 | 13.24 | 31.21 | -17.97 |
| Nicaragua | 5 | -0.95 | 0.9968 | 1.50 | 12.90 | -12.90 | 4.41 | 11.33 | -6.92 |
| CACM | 112 | | | | | | 154.84 | 348.77 | -193.93 |

*TC – Trade Creation; TD- Trade Diversion; NEW – Net Welfare Effect*

Table 5.4 computes the potential welfare effects if both sub-regions had formed a free trade area in 1999 with the NAFTA group (i.e. the United States of America, Canada and Mexico) which is the largest sub-regional grouping in the Free Trade Area of the Americas (FTAA). In this simulation, CARICOM's import demand from NAFTA is assumed to have the same price elasticity as its import demand from the CACM group. Estimates of $\alpha_{np}$ (the share of imports from outside FTA in total imports) for

CARICOM and the CACM are derived from the trade flow data contained in Appendix Tables A5.1 and A5.2, respectively. The major difference in this simulation relates to the assumption concerning the value for the respective elasticity of substitution parameters in the various member countries of CARICOM and the CACM. In both cases, it is assumed that the value of the elasticity of substitution is relatively low indicating that although there is some degree of substitution between goods imported from countries in the Western Hemisphere (Free Trade Area of the Americas) and those in the rest of the world, the degree of substitution is likely to be much smaller given the proximity of the United States to both sub-regions. The results of this investigation seem to suggest that given the importance of markets in

the United States of America, it is more beneficial for both the CARICOM and CACM sub-regions to seek to form an FTA with these member countries, perhaps under the aegis of the Free Trade Area of the Americas initiative. If CARICOM had formed an FTA with the core group in the FTAA (i.e NAFTA) in 1999, then this would have resulted in net trade creating gains of US$1076 million, with only three member countries suffering trade diverting losses, namely, Guyana, the OECS sub-group and Suriname. In the case of the CACM, net trade creating gains of US$4,315 million would have been realized, a figure that is four times the size of the gains recorded for CARICOM. If these estimates give any indication of likely welfare impacts, they may indicate why the CACM member countries are more keen to negotiate Free Trade Agreements with member countries that comprise NAFTA than with the CARICOM sub-regional grouping.

**Table 5.4: Potential Welfare Effects of FTA between CARICOM and NAFTA and between the CACM and NAFTA**

| Country/Region | $Q_m$ US$m | $\varepsilon_m$ | $\alpha_{np}$ | $\varepsilon_s$ | $t^{*}_{1996}$ | $\Delta t$ | TC US$m | TD US$m | NWE US$m |
|---|---|---|---|---|---|---|---|---|---|
| Barbados | 512 | -0.99 | 0.5380 | 0.50 | 14.10 | -14.10 | 473.31 | 383.25 | 90.06 |
| Belize | 239 | -1.89 | 0.3310 | 0.50 | 14.80 | -14.80 | 423.12 | 177.10 | 246.02 |
| Guyana | 172 | -0.85 | 0.6880 | 0.50 | 14.80 | -14.80 | 136.95 | 149.64 | -12.70 |
| Jamaica | 1597 | -1.25 | 0.4580 | 0.50 | 12.50 | -12.50 | 1848.38 | 1185.18 | 663.20 |
| OECS | 398 | -0.55 | 0.6630 | 0.50 | 12.90 | -12.90 | 203.15 | 257.13 | -53.98 |
| Suriname | 168 | -0.45 | 0.6400 | 0.50 | 12.60 | -12.60 | 70.04 | 94.63 | -24.59 |
| Trinidad&T'Go | 995 | -1.15 | 0.5870 | 0.50 | 12.90 | -12.90 | 1061.93 | 894.38 | 167.55 |
| CARICOM | 4081 | | | | | | 4216.88 | 3141.32 | 1075.56 |
| | | | | | | | | | |
| Costa Rica | 2930 | -1.55 | 0.55 | 0.50 | 14.10 | -14.10 | 4240.74 | 3062.92 | 1177.82 |
| El Salvador | 1951 | -0.95 | 0.52 | 0.50 | 14.80 | -14.80 | 1736.14 | 1367.61 | 368.53 |
| Guatemala | 2679 | -1.75 | 0.50 | 0.50 | 14.80 | -14.80 | 4391.53 | 2850.23 | 1541.30 |
| Honduras | 2757 | -1.10 | 0.38 | 0.50 | 12.50 | -12.50 | 2808.06 | 1557.81 | 1250.25 |
| Nicaragua | 485 | -0.95 | 0.69 | 0.50 | 12.90 | -12.90 | 427.60 | 450.53 | -22.93 |
| CACM | 10802 | | | | | | 13604.06 | 9289.10 | 4314.97 |

*TC – Trade Creation; TD- Trade Diversion; NEW – Net Welfare Effect*

## Conclusions

Given the poor level of trade flows between Central America and CARICOM and the relatively low levels of tariff barriers that exist between both countries, it is quite doubtful whether the formation of an FTA that is based on the conjuncture of low trade flows and low tariffs will lead to any significant welfare gains for both subgroups in terms of the traditional vinerian measures of trade creation and trade diversion. Equally important, is the fact that there seems to be no strong support for concluding such an agreement on the part of both sub-regions. The Central American approach to external trade policy is relatively complex and fragmented and the CARICOM region does not appear to be a priority for negotiations in most Central American countries, with the exception of Costa Rica. Indeed, both Costa Rica and Trinidad and Tobago are the only countries from both blocs that seem to show any interest in negotiating a Free Trade arrangement and this is quite understandable if one recalls that trade activity between both blocs occurs mainly between these two economies. Also, at the broader hemispheric and multilateral level, there seems to be major divergence between the policy objectives that both groups subscribe to. CARICOM is quite concerned about advancing an agenda that emphasizes special and differential treatment for small and vulnerable states but has not submitted the necessary clarification required from its Central American neighbours so as to create an environment for dialogue and to garner much needed support for its position.

It is important to note, therefore, that strong trade links between both groups could only be developed if meaningful contact takes place between the populations of both sub-regions. At the present moment, there is still much ignorance on the part of the populations of each bloc about each other's history, culture and indeed about what drives the activities in politics and business. If progress is to be achieved in cementing linkages between both groups of countries, then there is a need for concrete and meaningful interaction across a wide range of activities that would stimulate interest and understanding between both regions and eventually build consensus and desire for deeper trade links. The difficult question that we have to answer here is of course what avenues for co-operation should be pursued in order to build that critical

mass of activities that would eventually cultivate a desire for establishing meaningful trade links between both sub-regions. There is indeed ample room for the development of co-operation in Tourism which could serve as a springboard for increasing not only the frequency of contact between both' regions but as well for deepening co-operative efforts in a number of related activities such as *music and entertainment, recreational and cultural activities, air transportation* and education.

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Appendix Table A2.1
CARICOM Trade Performance
1990 – 1999
*/US$ million/*

| | Exports | | | | | | | | | | Imports | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| **CARICOM** | | | | | | | | | | | | | | | | | | | | |
| CACM | 6 | 1 | 0 | 20 | 47 | 29 | 32 | 66 | 74 | 75 | 20 | 28 | 39 | 36 | 43 | 41 | 53 | 55 | 70 | 81 |
| EU | 953 | 1,031 | 957 | 1,217 | 1,039 | 1,270 | 1,251 | 1,603 | 1,135 | 1,351 | 860 | 949 | 859 | 1,055 | 920 | 1,324 | 1,259 | 1,558 | 1,431 | 1,539 |
| NAFTA | 1,802 | 1,728 | 1,998 | 2,328 | 2,385 | 2,661 | 2,843 | 2,762 | 2,261 | 2,871 | 2,536 | 2,731 | 2,797 | 3,290 | 3,006 | 3,919 | 3,982 | 4,484 | 4,663 | 4,081 |
| WORLD | 4,319 | 4,375 | 4,466 | 5,332 | 5,042 | 5,920 | 6,182 | 6,469 | 5,330 | 6,385 | 5,135 | 5,599 | 5,466 | 6,692 | 5,538 | 7,214 | 8,014 | 8,958 | 9,492 | 9,022 |
| **Barbados** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 3 | 5 | 7 | 5 | 6 | 6 | 6 | 11 | 12 |
| EU | 39 | 36 | 40 | 30 | 34 | 48 | 53 | 57 | 45 | 44 | 146 | 128 | 89 | 97 | 99 | 131 | 135 | 144 | 174 | 178 |
| NAFTA | 34 | 34 | 32 | 36 | 43 | 46 | 51 | 52 | 49 | 52 | 277 | 295 | 243 | 249 | 284 | 353 | 408 | 501 | 481 | 512 |
| WORLD | 209 | 207 | 133 | 135 | 135 | 240 | 279 | 283 | 253 | 264 | 700 | 700 | 533 | 574 | 608 | 765 | 829 | 996 | 1,022 | 1,108 |
| **Belize** | | | | | | | | | | | | | | | | | | | | |
| CACM | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 3 | 0 | 5 | 6 | 9 | 13 | 13 | 10 | 11 | 12 | 12 | 17 |
| EU | 0 | 0 | 0 | 46 | 50 | 83 | 79 | 71 | 68 | 63 | 0 | 0 | 0 | 34 | 30 | 28 | 20 | 26 | 30 | 25 |
| NAFTA | 80 | 79 | 64 | 77 | 85 | 71 | 81 | 94 | 77 | 82 | 140 | 179 | 185 | 193 | 169 | 177 | 176 | 192 | 201 | 239 |
| WORLD | 131 | 124 | 112 | 131 | 143 | 162 | 168 | 176 | 182 | 156 | 211 | 256 | 280 | 283 | 259 | 259 | 256 | 286 | 325 | 357 |
| **Guyana** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| EU | 112 | 125 | 166 | 156 | 151 | 173 | 201 | 192 | 146 | 177 | 65 | 77 | 97 | 106 | 75 | 103 | 125 | 99 | 88 | 73 |
| NAFTA | 70 | 117 | 145 | 255 | 227 | 266 | 243 | 261 | 279 | 262 | 94 | 109 | 135 | 143 | 125 | 161 | 159 | 165 | 167 | 172 |
| WORLD | 232 | 291 | 363 | 442 | 489 | 508 | 581 | 586 | 582 | 597 | 279 | 320 | 399 | 506 | 327 | 425 | 560 | 570 | 554 | 552 |
| **Jamaica** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0 | 0 | 0 | 0 | 0 | 8 | 11 | 29 | 0 | 0 | 5 | 5 | 14 | 8 | 13 | 13 | 22 | 26 | 29 | 31 |
| EU | 361 | 427 | 337 | 342 | 388 | 436 | 509 | 494 | 366 | 433 | 211 | 251 | 185 | 215 | 235 | 344 | 306 | 286 | 300 | 300 |
| NAFTA | 443 | 468 | 732 | 840 | 877 | 955 | 988 | 899 | 680 | 804 | 1,116 | 1,066 | 1,206 | 1,340 | 1,294 | 1,686 | 1,787 | 1,727 | 1,707 | 1,597 |
| WORLD | 1,133 | 1,166 | 1,344 | 1,490 | 1,604 | 1,796 | 1,932 | 1,847 | 1,316 | 1,495 | 1,867 | 1,798 | 1,855 | 2,204 | 2,038 | 2,625 | 2,902 | 3,062 | 2,992 | 2,945 |
| **OECS** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 2 | 5 | 2 | 4 | 3 | 1 | 3 |
| EU | 88 | 102 | 125 | 153 | 119 | 124 | 141 | 112 | 124 | 177 | 86 | 81 | 86 | 156 | 182 | 249 | 153 | 153 | 197 | 313 |
| NAFTA | 17 | 18 | 15 | 67 | 63 | 74 | 58 | 78 | 76 | 112 | 135 | 137 | 118 | 319 | 293 | 321 | 343 | 380 | 389 | 398 |
| WORLD | 159 | 211 | 253 | 312 | 259 | 276 | 283 | 274 | 297 | 466 | 363 | 368 | 415 | 707 | 714 | 841 | 818 | 902 | 1,038 | 1,181 |
| **Suriname** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 2 | 0 | 1 | 1 | 2 | 2 | 2 |
| EU | 175 | 154 | 183 | 409 | 147 | 157 | 110 | 242 | 150 | 141 | 146 | 153 | 166 | 169 | 113 | 141 | 151 | 226 | 169 | 121 |
| NAFTA | 54 | 52 | 45 | 239 | 78 | 104 | 108 | 190 | 129 | 176 | 195 | 200 | 227 | 427 | 201 | 253 | 193 | 217 | 211 | 168 |
| WORLD | 469 | 394 | 403 | 1,193 | 453 | 482 | 439 | 701 | 436 | 538 | 485 | 510 | 554 | 1,031 | 433 | 586 | 502 | 658 | 552 | 467 |
| **Trinidad and Tobago** | | | | | | | | | | | | | | | | | | | | |
| CACM | 5 | 0 | 0 | 20 | 47 | 19 | 20 | 34 | 70 | 74 | 4 | 8 | 5 | 4 | 7 | 9 | 8 | 6 | 15 | 16 |
| EU | 178 | 187 | 106 | 81 | 150 | 249 | 158 | 435 | 236 | 316 | 206 | 259 | 236 | 278 | 186 | 328 | 369 | 521 | 487 | 529 |
| NAFTA | 1,104 | 960 | 965 | 814 | 1,012 | 1,145 | 1,314 | 1,188 | 971 | 1,383 | 579 | 745 | 683 | 619 | 640 | 968 | 916 | 1,302 | 1,507 | 995 |
| WORLD | 1,986 | 1,982 | 1,858 | 1,629 | 1,959 | 2,456 | 2,500 | 2,602 | 2,264 | 2,869 | 1,230 | 1,647 | 1,430 | 1,387 | 1,159 | 1,713 | 2,147 | 2,484 | 3,009 | 2,412 |

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Appendix Table A2.2
CACM Trade Performance
1990 – 1999
*/US$ million/*

| | Exports | | | | | | | | | | Imports | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| **CACM** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 35 | 0 | 0 | 21 | 30 | 39 | 43 | 46 | 60 | 69 | 3 | 8 | 14 | 18 | 18 | 25 | 26 | 61 | 101 | 107 |
| EU | 772 | 755 | 681 | 1,103 | 1,302 | 1,712 | 1,701 | 1,939 | 2,171 | 2,463 | 574 | 503 | 540 | 995 | 1,058 | 1,119 | 1,092 | 1,230 | 1,573 | 1,877 |
| NAFTA | 1,890 | 1,979 | 1,972 | 2,896 | 2,700 | 2,603 | 2,816 | 4,676 | 5,938 | 10,516 | 2,790 | 2,956 | 4,095 | 4,653 | 4,959 | 5,621 | 5,961 | 7,255 | 9,131 | 10,317 |
| WORLD | 4,070 | 4,190 | 4,277 | 5,687 | 5,985 | 6,847 | 7,156 | 10,206 | 11,161 | 17,314 | 5,913 | 6,051 | 7,752 | 8,990 | 9,927 | 10,768 | 11,207 | 14,107 | 17,245 | 20,354 |
| **Costa Rica** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 10 | 0 | 0 | 9 | 13 | 27 | 21 | 18 | 20 | 27 | 2 | 4 | 8 | 6 | 10 | 19 | 16 | 44 | 47 | 49 |
| EU | 428 | 450 | 454 | 595 | 684 | 831 | 858 | 840 | 1,175 | 1,662 | 274 | 216 | 306 | 434 | 343 | 374 | 376 | 457 | 580 | 646 |
| NAFTA | 734 | 811 | 947 | 1,643 | 1,014 | 1,134 | 1,133 | 2,209 | 2,845 | 4,023 | 927 | 918 | 1,536 | 1,628 | 1,521 | 1,669 | 1,950 | 2,371 | 3,549 | 2,930 |
| WORLD | 1,456 | 1,590 | 1,834 | 2,741 | 2,220 | 2,702 | 2,780 | 4,335 | 5,528 | 7,191 | 2,026 | 1,850 | 2,789 | 3,146 | 3,024 | 3,205 | 3,561 | 4,958 | 6,230 | 6,455 |
| **El Salvador** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 6 | 0 | 0 | 2 | 3 | 2 | 3 | 5 | 10 | 8 | 0 | 0 | 0 | 4 | 0 | 2 | 2 | 3 | 8 | 10 |
| EU | 167 | 131 | 64 | 122 | 207 | 304 | 284 | 400 | 230 | 149 | 163 | 154 | 184 | 177 | 238 | 244 | 256 | 263 | 290 | 452 |
| NAFTA | 209 | 213 | 219 | 245 | 645 | 196 | 215 | 289 | 292 | 1,534 | 653 | 693 | 808 | 987 | 1,370 | 1,328 | 1,262 | 1,480 | 1,465 | 1,951 |
| WORLD | 586 | 588 | 598 | 737 | 1,249 | 985 | 1,020 | 1,354 | 1,257 | 2,474 | 1,277 | 1,407 | 1,699 | 1,953 | 2,574 | 2,628 | 2,660 | 2,961 | 3,108 | 4,032 |
| **Guatemala** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 18 | 0 | 0 | 8 | 6 | 7 | 19 | 21 | 28 | 29 | 1 | 4 | 4 | 4 | 4 | 2 | 3 | 4 | 34 | 35 |
| EU | 0 | 0 | 0 | 164 | 182 | 304 | 272 | 339 | 433 | 373 | 0 | 0 | 0 | 295 | 313 | 342 | 337 | 392 | 542 | 564 |
| NAFTA | 514 | 531 | 532 | 570 | 565 | 673 | 865 | 1,552 | 2,198 | 2,367 | 798 | 916 | 1,340 | 1,400 | 1,384 | 1,836 | 1,789 | 2,244 | 2,830 | 2,679 |
| WORLD | 1,195 | 1,211 | 1,332 | 1,342 | 1,508 | 1,936 | 2,031 | 3,070 | 2,843 | 3,935 | 1,700 | 1,891 | 2,596 | 2,600 | 2,652 | 3,292 | 3,146 | 4,039 | 5,407 | 5,410 |
| **Honduras** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 1 | 0 | 0 | 2 | 8 | 3 | 0 | 2 | 2 | 5 | 0 | 0 | 2 | 4 | 4 | 2 | 5 | 10 | 12 | 13 |
| EU | 177 | 174 | 163 | 222 | 229 | 273 | 287 | 360 | 333 | 279 | 137 | 133 | 50 | 89 | 164 | 159 | 123 | 118 | 161 | 215 |
| NAFTA | 433 | 424 | 274 | 438 | 476 | 600 | 603 | 626 | 603 | 2,592 | 412 | 429 | 411 | 638 | 684 | 788 | 960 | 1,160 | 1,287 | 2,757 |
| WORLD | 833 | 801 | 513 | 867 | 1,008 | 1,224 | 1,325 | 1,447 | 1,533 | 3,714 | 910 | 903 | 668 | 1,291 | 1,677 | 1,643 | 1,840 | 2,149 | 2,500 | 4,457 |
| **Nicaragua** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 6 | 6 | 0 | 0 | 0 | 1 | 0 | 2 | 3 | 12 | 5 | 5 |
| EU | 0 | 0 | 0 | 60 | 85 | 162 | 211 | 182 | 150 | 115 | 0 | 0 | 0 | 76 | 100 | 102 | 111 | 124 | 104 | 98 |
| NAFTA | 100 | 88 | 82 | 147 | 1,164 | 228 | 312 | 321 | 232 | 483 | 112 | 207 | 269 | 197 | 255 | 350 | 443 | 654 | 553 | 485 |
| WORLD | 326 | 258 | 230 | 275 | 351 | 509 | 660 | 667 | 553 | 782 | 635 | 667 | 907 | 740 | 852 | 1,009 | 1,076 | 1,470 | 1,532 | 1,566 |

Table A5.1
Share of CARICOM Trade across Major Trading Blocs
1991 – 1999
/per cent/

| | Exports | | | | | | | | | | Imports | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| **CARICOM** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.1 | 0.0 | 0.0 | 0.4 | 0.9 | 0.5 | 0.5 | 1.0 | 1.4 | 1.2 | 0.4 | 0.5 | 0.7 | 0.5 | 0.8 | 0.6 | 0.7 | 0.6 | 0.7 | 0.9 |
| EU | 22.1 | 23.6 | 21.4 | 22.8 | 20.6 | 21.5 | 20.2 | 24.8 | 21.3 | 21.2 | 16.7 | 16.9 | 15.7 | 15.8 | 16.6 | 18.4 | 15.7 | 17.4 | 15.1 | 17.1 |
| NAFTA | 41.7 | 39.5 | 44.7 | 43.7 | 47.3 | 44.9 | 46.0 | 42.7 | 42.4 | 45.0 | 49.4 | 48.8 | 51.2 | 49.2 | 54.3 | 54.3 | 49.7 | 50.1 | 49.1 | 45.2 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Barbados** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.4 | 0.9 | 1.2 | 0.8 | 0.8 | 0.7 | 0.6 | 1.1 | 1.1 |
| EU | 18.7 | 17.4 | 30.1 | 22.2 | 25.2 | 20.0 | 19.0 | 20.1 | 17.8 | 16.7 | 20.9 | 18.3 | 16.7 | 16.9 | 16.3 | 17.1 | 16.3 | 14.5 | 17.0 | 16.1 |
| NAFTA | 16.3 | 16.4 | 24.1 | 26.7 | 31.9 | 19.2 | 18.3 | 18.4 | 19.4 | 19.7 | 39.6 | 42.1 | 45.6 | 43.4 | 46.7 | 46.1 | 49.2 | 50.3 | 47.1 | 46.2 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Belize** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 1.7 | 1.6 | 0.0 | 2.4 | 2.3 | 3.2 | 4.6 | 5.0 | 3.9 | 4.3 | 4.2 | 3.7 | 4.8 |
| EU | 0.0 | 0.0 | 0.0 | 35.1 | 35.0 | 51.2 | 47.0 | 40.3 | 37.4 | 40.4 | 0.0 | 0.0 | 0.0 | 12.0 | 11.6 | 10.8 | 7.8 | 9.1 | 9.2 | 7.0 |
| NAFTA | 61.1 | 63.7 | 57.1 | 58.8 | 59.4 | 43.8 | 48.2 | 53.4 | 42.3 | 52.6 | 66.4 | 69.9 | 66.1 | 68.2 | 65.3 | 68.3 | 68.8 | 67.1 | 61.8 | 66.9 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Guyana** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| EU | 48.3 | 43.0 | 45.7 | 35.3 | 30.9 | 34.1 | 34.6 | 32.8 | 25.1 | 29.6 | 23.3 | 24.1 | 24.3 | 20.9 | 22.9 | 24.2 | 22.3 | 17.4 | 15.9 | 13.2 |
| NAFTA | 30.2 | 40.2 | 39.9 | 57.7 | 46.4 | 52.4 | 41.8 | 44.5 | 47.9 | 43.9 | 33.7 | 34.1 | 33.8 | 28.3 | 38.2 | 37.9 | 28.4 | 28.9 | 30.1 | 31.2 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Jamaica** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.6 | 1.6 | 0.0 | 0.0 | 0.3 | 0.3 | 0.8 | 0.4 | 0.6 | 0.5 | 0.8 | 0.8 | 1.0 | 1.1 |
| EU | 31.9 | 36.6 | 25.1 | 23.0 | 24.2 | 24.3 | 26.3 | 26.7 | 27.8 | 29.0 | 11.3 | 14.0 | 10.0 | 9.8 | 11.5 | 13.1 | 10.5 | 12.7 | 9.6 | 10.2 |
| NAFTA | 39.1 | 40.1 | 54.5 | 56.4 | 54.7 | 53.2 | 51.1 | 48.7 | 51.7 | 53.8 | 59.8 | 59.3 | 65.0 | 60.8 | 63.5 | 64.2 | 61.6 | 56.4 | 57.1 | 54.2 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **OECS** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.2 | 0.3 | 0.7 | 0.2 | 0.5 | 0.3 | 0.1 | 0.3 |
| EU | 55.3 | 48.3 | 49.4 | 49.0 | 45.9 | 44.9 | 49.8 | 40.9 | 41.8 | 38.0 | 23.7 | 22.0 | 20.7 | 22.1 | 25.5 | 29.6 | 18.7 | 17.0 | 19.0 | 26.5 |
| NAFTA | 10.7 | 8.5 | 5.9 | 21.5 | 24.3 | 26.8 | 20.5 | 28.5 | 25.6 | 24.0 | 37.2 | 37.2 | 28.4 | 45.1 | 41.0 | 38.2 | 41.9 | 42.1 | 37.5 | 33.7 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Suriname** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.9 | 0.2 | 0.0 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 |
| EU | 37.3 | 39.1 | 45.4 | 34.3 | 32.5 | 32.6 | 25.1 | 34.5 | 34.4 | 26.2 | 30.1 | 30.0 | 30.0 | 16.4 | 26.1 | 24.1 | 30.1 | 34.3 | 30.6 | 25.9 |
| NAFTA | 11.5 | 13.2 | 11.2 | 20.0 | 17.2 | 21.6 | 24.6 | 27.1 | 29.6 | 32.7 | 40.2 | 39.2 | 41.0 | 41.4 | 46.4 | 43.2 | 38.4 | 33.0 | 38.2 | 36.0 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Trinidad and Tobago** | | | | | | | | | | | | | | | | | | | | |
| CACM | 0.3 | 0.0 | 0.0 | 1.2 | 2.4 | 0.8 | 0.8 | 1.3 | 3.1 | 2.6 | 0.3 | 0.5 | 0.3 | 0.3 | 0.6 | 0.5 | 0.4 | 0.2 | 0.5 | 0.7 |
| EU | 9.0 | 9.4 | 5.7 | 5.0 | 7.7 | 10.1 | 6.3 | 16.7 | 10.4 | 11.0 | 16.7 | 15.7 | 16.5 | 20.0 | 16.0 | 19.1 | 17.2 | 21.0 | 16.2 | 21.9 |
| NAFTA | 55.6 | 48.4 | 51.9 | 50.0 | 51.7 | 46.6 | 52.6 | 45.7 | 42.9 | 48.2 | 47.1 | 45.2 | 47.8 | 44.6 | 55.2 | 56.5 | 42.7 | 52.4 | 50.1 | 41.3 |
| WORLD | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Table A5.2
Share of CACM Trade across Major Trading Blocs
1991 – 1999
/per cent/

| | Exports | | | | | | | | | | Imports | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| **CACM** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 0.86 | 0.00 | 0.00 | 0.37 | 0.50 | 0.57 | 0.60 | 0.45 | 0.54 | 0.40 | 0.05 | 0.13 | 0.18 | 0.20 | 0.18 | 0.23 | 0.23 | 0.43 | 0.59 | 0.52 |
| EU | 18.97 | 18.02 | 15.92 | 19.40 | 21.75 | 25.00 | 23.77 | 19.00 | 19.45 | 14.23 | 9.71 | 8.31 | 6.97 | 11.07 | 10.66 | 10.39 | 9.74 | 8.72 | 9.12 | 9.22 |
| NAFTA | 46.44 | 47.23 | 46.11 | 50.92 | 45.11 | 38.02 | 39.35 | 45.82 | 53.20 | 60.74 | 47.18 | 48.85 | 52.83 | 51.76 | 49.95 | 52.20 | 53.19 | 51.43 | 52.95 | 50.69 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **Costa Rica** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 0.69 | 0.00 | 0.00 | 0.33 | 0.59 | 1.00 | 0.76 | 0.42 | 0.36 | 0.38 | 0.10 | 0.22 | 0.29 | 0.19 | 0.33 | 0.59 | 0.45 | 0.89 | 0.75 | 0.76 |
| EU | 29.40 | 28.30 | 24.75 | 21.71 | 30.81 | 30.75 | 30.86 | 19.38 | 21.26 | 23.11 | 13.52 | 11.68 | 10.97 | 13.80 | 11.34 | 11.67 | 10.56 | 9.22 | 9.31 | 10.01 |
| NAFTA | 50.41 | 51.01 | 51.64 | 59.94 | 45.68 | 41.97 | 40.76 | 50.96 | 51.47 | 55.94 | 45.76 | 49.62 | 55.07 | 51.75 | 50.30 | 52.07 | 54.76 | 47.82 | 56.97 | 45.39 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **El Salvador** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 1.02 | 0.00 | 0.00 | 0.27 | 0.24 | 0.20 | 0.29 | 0.37 | 0.80 | 0.32 | 0.00 | 0.00 | 0.00 | 0.20 | 0.00 | 0.08 | 0.08 | 0.10 | 0.26 | 0.25 |
| EU | 28.50 | 22.28 | 10.70 | 16.55 | 16.57 | 30.86 | 27.84 | 29.54 | 18.30 | 6.02 | 12.76 | 10.95 | 10.83 | 9.06 | 9.25 | 9.28 | 9.62 | 8.88 | 9.33 | 11.21 |
| NAFTA | 35.67 | 36.22 | 36.62 | 33.24 | 51.64 | 19.90 | 21.08 | 21.34 | 23.23 | 62.00 | 51.14 | 49.25 | 47.56 | 50.54 | 53.22 | 50.53 | 47.44 | 49.98 | 47.14 | 48.39 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **Guatemala** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 1.51 | 0.00 | 0.00 | 0.60 | 0.40 | 0.36 | 0.94 | 0.68 | 0.98 | 0.74 | 0.06 | 0.21 | 0.15 | 0.15 | 0.15 | 0.06 | 0.10 | 0.10 | 0.63 | 0.65 |
| EU | 0.00 | 0.00 | 0.00 | 12.22 | 12.07 | 15.70 | 13.39 | 11.04 | 15.23 | 9.48 | 0.00 | 0.00 | 0.00 | 11.35 | 11.80 | 10.39 | 10.71 | 9.71 | 10.02 | 10.43 |
| NAFTA | 43.01 | 43.85 | 39.94 | 42.47 | 37.47 | 34.76 | 42.59 | 50.55 | 77.31 | 60.15 | 46.94 | 48.44 | 51.62 | 53.85 | 52.19 | 55.77 | 56.87 | 55.56 | 52.34 | 49.52 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **Honduras** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 0.12 | 0.00 | 0.00 | 0.23 | 0.79 | 0.25 | 0.00 | 0.14 | 0.13 | 0.13 | 0.00 | 0.00 | 0.30 | 0.31 | 0.24 | 0.12 | 0.27 | 0.47 | 0.48 | 0.28 |
| EU | 21.25 | 21.72 | 31.77 | 25.61 | 22.72 | 22.30 | 21.66 | 24.88 | 21.72 | 7.51 | 15.05 | 14.73 | 7.49 | 6.89 | 9.78 | 9.68 | 6.68 | 5.49 | 6.44 | 4.82 |
| NAFTA | 51.98 | 52.93 | 53.41 | 50.52 | 47.22 | 49.02 | 45.51 | 43.26 | 39.33 | 69.79 | 45.27 | 47.51 | 61.53 | 49.42 | 40.79 | 47.96 | 52.17 | 53.98 | 51.48 | 61.86 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| **Nicaragua** | | | | | | | | | | | | | | | | | | | | |
| CARICOM | 0.00 | 0.00 | 0.00 | 0.00 | 0.28 | 0.20 | 0.15 | 0.00 | 1.08 | 0.77 | 0.00 | 0.00 | 0.00 | 0.14 | 0.00 | 0.20 | 0.28 | 0.82 | 0.33 | 0.32 |
| EU | 0.00 | 0.00 | 0.00 | 21.82 | 24.22 | 31.83 | 31.97 | 27.29 | 27.12 | 14.71 | 0.00 | 0.00 | 0.00 | 10.27 | 11.74 | 10.11 | 10.32 | 8.44 | 6.79 | 6.26 |
| NAFTA | 30.67 | 34.11 | 35.65 | 53.45 | 331.62 | 44.79 | 47.27 | 48.13 | 41.95 | 61.76 | 17.64 | 31.03 | 29.66 | 26.62 | 29.93 | 34.69 | 41.17 | 44.49 | 36.10 | 30.97 |
| WORLD | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |