Trade Policies and Prospects of the Eastern Caribbean States in the New Global Economy

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Abstract

Advancing trade liberalization worldwide is steadily eroding preferences for exports from the Eastern Caribbean states. To avoid marginalization in the new global economy, these states should look particularly to liberalizing their protectionist trade regimes. In the context of WTO and FTAA negotiations to liberalize trade, ECS insistence on receiving non-reciprocal trade concessions risks foreclosing opportunities for attracting more outward-oriented foreign investment, and for achieving greater international competitiveness, economies of scale, and diversification, including in the services sector.

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1. Introduction

Historically, the Leeward and Windward Islands of the Caribbean – collectively known as the Eastern Caribbean states (ECS)[1] – have been at the crossroads of sea routes between Europe and Africa, on one hand, and the Americas, on the other hand. In addition to maritime services, these small island economies have traditionally provided topical agricultural commodities and extracted minerals in exchange for their imports (Table 1). In recent years, they have also come to rely importantly upon tourism and other services for foreign exchange earnings. Indeed, the location of the islands provides a basis for their comparative advantage in not only tropical agricultural products – chiefly bananas and sugar – but also as a popular destination for vacationers who, in the increasingly affluent world economy, are visiting the Windward and Leeward Islands in substantial numbers, by air and cruise liners. Also, as English-speaking countries, the Eastern Caribbean countries have become ready environments for data processing services and a number of offshore financial activities. Finally, the Eastern Caribbean states compete with other Caribbean countries for export-oriented foreign investment in labor-intensive assembly and other light manufacturing activities, supported in part by trade preferences extended by Canada, the European Union, and the United States.

Today the Eastern Caribbean states face major economic challenges that are popularly associated with their "mono-economy" character, and their small (demographic and geographic) size, remoteness from major centers of economic activity, and frequent

[1] The principal Windward Islands are Barbados, Dominica, Grenada, St. Lucia, and St. Vincent, while the principal Leeward Islands are Antigua, Barbuda, Nevis, and St. Kitts.

encounters with violent hurricanes and other destructive tropical storms that can, and often do, inflict heavy damage, especially in rural areas.

A greater economic challenge to the Eastern Caribbean states is the danger of marginalization in the new global economy. The new global economy is marked by falling political and other barriers to trade in goods and services, prompted by wider information and technology flows among outward-oriented countries, and importantly spurred by foreign direct investment and global production sharing. In this milieu, the still relatively inward-looking Eastern Caribbean states face the prospect of similar economic consequences as Sub-Saharan African countries that have resisted trade liberalization and greater integration in world economy, namely, slow growth, slow dispersion of new technologies and advanced labor and management skills, and, above all, limited economic opportunities for their growing populations.

The Eastern Caribbean states are accustomed to receiving trade preferences – extended by the major industrial countries (principally under the EU Lomé Convention, US Caribbean Basin Initiative, and Canadian CARIBCAN program), and extended by Caribbean countries to one another under the regional integration and economic cooperation arrangements that crisscross the Caribbean region. However, these trade preferences contribute to greater reliance on traditional exports, and, ironically, subject the Eastern Caribbean states to unwanted vulnerabilities from the erosion of their trade preferences by multilateral trade liberalization under the GATT/WTO, and unilateral trade liberalization in emerging market countries worldwide.

2. Natural Openness and Economic Vulnerability

The Eastern Caribbean states are naturally open economies. Their small size rules out production of many modern goods and conveniences that are only produced competitively on a large-scale. Accordingly, the Eastern Caribbean states must rely on imports of a wide variety of consumer and producer goods, with the result that their trade (exports plus imports)-to-output ratios are frequently very high (Table 1). Also under such circumstances, export earnings are of considerable importance, along with foreign exchange market policies that may either help or hinder adjustment of international payments and receipts, under inevitably changing internal and external economic conditions.

More broadly, the Windward and Leeward islands are often alleged to be subject to significant economic vulnerabilities related to their small size, remoteness, and susceptibility to natural disasters. The Commonwealth Secretariat, building on earlier work by Briguglio (1995), has developed a formal index to measure the economic vulnerability of small island economies and other developing countries with especially small populations.[2] The Secretariat's composite vulnerability index combines separate variables reflecting external economic forces and environmental hazards that generate vulnerability into a single indicator, using weights given by an econometric model relating output variability (volatility of per capita GDP growth) to specific economic and environmental causes. Empirical results found by this methodology indicate that smaller states, including specifically the Eastern Caribbean states, are significantly more vulnerable to external economic and environmental hazards than larger states.

[2] See Commonwealth Secretariat (1999) and Atkins et al. (2000).

These results must be interpreted with some care because the Commonwealth Secretariat methodology finds that, interspersed among numerous low-income countries, such higher-income countries as Malaysia, Mauritius, and Singapore are also relatively vulnerable to adverse economic and environmental conditions. In this connection, Easterly and Kraay (1999) empirically investigate whether small countries with populations of 1 million or less – so-called microstates – are disadvantaged by their size. Upon controlling for a range of factors (particularly developing regions), they find that, although microstates are subject to greater volatility in per capita GDP growth, they have on average higher income and productivity levels than larger small states, and grow no more slowly than the largest states. While the greater output volatility of microstates is due to their openness, their openness also provides them with important benefits, not the least of which are higher per capita gains from trade on average. Thus, Easterly and Kraay conclude that the Eastern Caribbean states and other microstates are not necessarily disadvantaged by their size (and, more fundamentally, by their higher than average volatility of per capita GDP growth), supporting earlier "small may be beautiful" arguments advanced by Kuznets (1960), Srinivasan (1986), and Streeten (1993).[3]

Notwithstanding the seeming primacy of these "macro" results, "micro" concerns for small island economies persist, justifying appeals for special and differential treatment for small island economies and other microstates in multilateral and regional fora for trade liberalization, including the WTO 2000 negotiations and negotiations for the new Free Trade Area of the Americas (FTAA). These concerns often go to the

[3] As reported by Easterly and Kraay (1999), other empirical researchers find that country size does not significantly affect growth. These include Milner and Westaway (1993) who find that several determinants of growth vary with country size, and Armstrong et al. (1998) who report that, controlling for initial income levels and regional effects, country growth rates are not significantly related to population size.

(alleged) limited scope for diversification in small island economies, and hence their high costs of structural adjustment under either unilateral or concerted trade liberalization.[4] They also frequently go to the fiscal costs to government revenues of significantly lowering tariffs when collections from import duties account for a large share of government revenues.[5]

The Eastern Caribbean states may well face important limitations because of their small size and their distance from major centers of economic activity. However, globalization and accompanying advances in worldwide communications may be viewed as partially overcoming these problems. For instance, in the new global economy open economies are presented with opportunities for diversification that transcend traditional concerns for "commodity dependence." With sufficient investment in human resources and especially education, small island economies that are more open to foreign trade and investment may be presented with unforeseeable opportunities for diversification into information and other service sectors (including tourism), as well as diversification within more traditional goods sectors.[6]

3. ECS Trade Regimes and Preferential Trade Arrangements

For small economies (and large economies) that are unable to affect their international terms of trade by either expanding or contracting their volume of trade,

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[4] See, for instance, Kotschwar (1999).
[5] Ibid.
[6] For a broad review of trade and foreign direct investment under more open economic policies, see WTO (1996), IFC (1997), and Moran (1998). On the particular importance of education for economic growth, see Roemer (1986, 1990), Lucas (1988), and, among others, Barro and Sala-I-Martin (1995). See also empirical studies on the "new growth theory" and importance of education by, for instance, Mankiw, Romer, and Weil (1992) and Borensztein, DeGregorio, and Lee (1998). Although many of these studies do not specifically focus upon the experience of small island economies, they are importantly consistent with the empirical study of the growth experience of microstates by Easterly and Kraay (1999).

protection is costly.[7] Although producers and resource owners in protected sectors may gain, protection limits possibilities for consumption in the economy as a whole, and reduces the international competitiveness of exportable goods and services, by raising the real exchange rate (that is, the relative price of nontraded goods to traded goods). Beyond these well-known static effects, highly protected economies also forgo dynamic gains from trade whereby economywide gains in factor productivity are achieved through the cumulative effects of international competition on resource allocation decisions and innovation that tend to ensure the greatest potential output is achieved from combining not only domestic resources but also international resources, for instance, through foreign direct investment and global production sharing. Indeed, where protection is high, there is little incentive for domestic investment, by local entrepreneurs or multinational enterprises, in productive capacity that would be internationally competitive in scale, efficiency, and product quality and marketability. Thus, protection hinders not only current exports but also outward-oriented investment and prospects for longer-term gains in trade and welfare.[8]

ECS Trade Regimes

Tariff and Nontariff Barriers

Tables 2 and 3 provide a summary of import restrictions in the Eastern Caribbean states, other Caribbean countries, and emerging market countries in Latin America and Asia. Emerging market countries are among the most competitive developing countries in

[7] On the costs of protection, see for instance Hufbauer and Elliott (1994). Also, see Winters (1999) for a recent overview of the importance of open trade policies for economic development and growth.

the world economy today, and hence their trade policies provide a standard by which to judge the openness of other developing countries and their approximate attractiveness for outward-oriented foreign direct investment, in not only labor-intensive manufacturing but also traded services.

Information about trade restrictions in Caribbean countries is relatively scarce, as reported by Finger, Ng, and Soloaga (1998). This report incorporates recent information about *ad valorem* tariffs in the Eastern Caribbean states and other Caribbean countries, compiled from the UNCTAD Trade Analysis and Information System -- TRAINS (UNCTAD 2000). Unfortunately, the TRAINS information does not include more up-to-date details about nontariff barriers than reported by Finger, Ng, and Soloaga (1998), based on UNCTAD (1987) and Caribbean Export Development Agency (1997).

In Table 2, tariff protection, at most-favored-nation (MFN) rates, in the Eastern Caribbean states is similar if not somewhat higher than tariff protection throughout the Caribbean region.[9] Average tariff rates are in the neighborhood of 20 percent for all traded goods, and slightly higher for agricultural goods. The dispersion of tariff rates is appreciable, especially in Antigua, Barbados, St. Kitts, and St. Lucia where maximum MFN rates approach 70 percent. With regard to nontariff barriers, import licensing is widely practiced, and state trading in agricultural products seems particularly prevalent. Also, exchange controls, mainly in the form of taxes on purchases of foreign exchange, remain in force in nearly all Eastern Caribbean states.

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[8] Note also that outward-oriented investment tends to transcend concerns for the size of domestic markets as a limiting factor inhibiting domestic growth. Of greater concern becomes the efficiency of the investment. That is, how strongly does the investment contribute to factor productivity in the economy?

[9] The ad valorem tariff data in Table 2 do not take into account possible specific tariffs, that is, tariffs assessed on an import volume basis rather than import value basis. Also, they do not take into account possible exclusions from import duties enjoyed by particular importers.

On average, tariff protection is lower in emerging market countries in Latin America and Asia (Table 3). In Latin America, average tariff rates in emerging market countries are less than 15 percent, including for agriculture. Excluding Mexico, maximum tariff rates are also lower, about 20-to-30 percent (10 percent in Chile). The situation is similar in emerging market countries in Asia. However, in Asia the dispersion of tariff rates is somewhat greater, with maximum tariff rates reaching over 100 percent for such low-income countries as China and India.

Table 3 indicates that nontariff barriers are frequently encountered in the emerging market countries of Latin America and Asia, for manufactures as well as agricultural goods. However, for some emerging market countries, especially in Asia, the frequency of nontariff barriers is less than 30 percent, including for agricultural goods (China, Malaysia, and Taiwan). Moreover, as is apparent in the bottom panel of Table 3, during the last decade tariffs and reliance on nontariff barriers to protect domestic industry and agriculture has widely declined in emerging market countries (with the exception of nontariff barriers in Latin America which have appreciably increased in frequency), spurring foreign direct investment in outward-oriented production facilities in these countries.[10] In comparison, similar information reported in Table 3 for tariffs (but not nontariff barriers) in ECS and other Caribbean countries indicates that, although maximum tariff rates have widely fallen, average tariff rates have increased in many instances, especially in the Eastern Caribbean states where they are reported to have nearly doubled for imports of both agricultural goods and manufactures.

In sum, the Eastern Caribbean states remain relatively highly protected. This is in sharp contrast to lower tariffs, and sometimes lower nontariff barriers, adopted by

emerging market countries in Latin America and Asia whose standard of international competitiveness (if not direct competition) in a wide array of goods and services the Eastern Caribbean states should increasingly expect to face in the future, under continued unilateral and multilateral trade liberalization worldwide, and erosion of their trade preferences extended by the major industrial countries.

Uruguay Round Commitments

The Eastern Caribbean states are contracting parties to the GATT and members of WTO. They are also signatories to the Uruguay Round Agreement, and, as such, are bound by the Agreement's single undertaking to, among other agreed terms and conditions, substantially lower tariffs on industrial products, substantially increase tariff bindings, participate in the Agreement's comprehensive program of agricultural reform, and abide by the Multilateral Agreement on Trade in Services (GATS). The extent to which ECS countries have met their commitments for trade and other economic policy reforms under the Uruguay Round Agreement is not certain. However, under the special and differential treatment provisions of the Agreement for developing countries, the Eastern Caribbean states qualify for extended periods of implementation of their commitments under the Agreement, for instance, to 2004 in agriculture.[11]

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[10] For greater discussion and detailed information, see DeRosa (2000a).

[11] Hathaway and Ingco (1995). On general aspects of the Uruguay Round Agreement, see Schott (1994). For review and analysis of the Agreement focused specifically on the trade and other economic interests of developing countries, see for instance Martin and Winters (1995) and Srinivasan (1998).

Preferences for ECS Exports

Political preferences for exports from the Eastern Caribbean states arise from two main sources: preferences extended bilaterally by Canada, the European Union, and the United States, and preferences extended regionally under the (intersecting) economic integration and cooperation arrangements of the Organization of Eastern Caribbean States (OECS), Caribbean Community (CARICOM), and Association of Caribbean States (ACS).

These preference schemes provide ECS exports with greater competitiveness in Caribbean, North American, and Western European markets, through reduced-duty or duty-free access to these markets. ECS producers whose exports are covered by these arrangements clearly gain. However, commodity and quantitative limitations, rules of origin, and nontariff barriers widely apply to these preferences, diluting their potential benefits. Also, from an economic welfare perspective, trade preferences for exports from small trading economies such as the Eastern Caribbean states pose a danger of expanding production to socially inefficient levels, that is, levels utilizing domestic resources at costs exceeding their international exchange value, inhibiting possible opportunities for greater diversification of the economy, and, ultimately, exposing the economy to still greater requirements for structural adjustment in response to globalization and continued unilateral and multilateral trade liberalization in other parts of the world.[12]

[12] On national welfare aspects of bilateral trade preferences, see for instance Wang and Winters (1998). On similar aspects of regional integration arrangements, see Bhagwati and Panagariya (1996), DeRosa (1998), and Krueger (1999).

Bilateral Preferences [13]

CARIBCAN provides duty-free access to Canadian markets for most imports from ECS countries, in competition with imports from other Caribbean countries granted duty-free access to Canadian markets under the program. Duty-free access is extended to virtually all ECS exports, but subject to rules of origin, shipping requirements, and measures to encourage investment in the region by the Canadian private sector. Impact of the program is reported to be modest, because of the wide range of goods accorded duty-free access to Canadian markets on an MFN-basis and because of Canada's general system of preferences for imports from developing countries.

Under the recently expired ***Lomé IV Convention***, the European Union provided nonreciprocal duty-free and quota-free access to EU markets for most exports by African, Caribbean, and Pacific (ACP) developing countries with historic ties to Western European countries, subject to rules of origin, certain limitations on value added, and certain other limitations in instances when ACP imports could infringe on administered price and other objectives of the EU Common Agricultural Policy. With respect to ECS commodity exports, the Convention provided preferences for exports of bananas from ACP countries, and guaranteed purchases of stipulated quantities of sugar from these countries under a series of protocols covering EU commodity imports. Under the Common Agricultural Policy, both bananas and sugar command a higher price in the European Union than in world markets.

The protocol for EU imports of bananas importantly involves exports of bananas from ECS countries (mainly, Dominica, St. Lucia, and St. Vincent), and it has received wide attention because in recent years the United States and non-ACP banana producing

[13] This section draws heavily on Dookeran (1995).

countries in Latin America have successfully brought suit against the protocol under the WTO dispute settlement mechanism. In a recent review, Borrell (1999) finds that only a small portion of the rents created by the EU protocol on bananas is actually received by ACP countries, with the largest share (by a margin of 13-to-1) going to EU banana importers and wholesalers who hold the quotas for banana imports from ACP countries. He also finds that the banana protocol has had adverse effects on the economies of the Eastern Caribbean states. Although it has nearly doubled f.o.b. prices for ECS exports of bananas, comparison of ECS and world production costs indicates that the Eastern Caribbean countries have become very high-cost producers of bananas, and would have great difficulty in producing and exporting bananas competitively were the EU protocol on bananas reformed to eliminate discrimination between ACP and non-ACP banana exporting countries (and between EU and non-EU banana importers and wholesalers within the European Union). Thus, the banana exporting countries of the Eastern Caribbean region, where banana production and trade account for 30 percent or more of GDP, are in an unsustainable economic position that is likely to become more unsustainable when the EU banana protocol is further reformed in the future, possibly as part of the WTO 2000 negotiations on trade in agriculture.

EU preferences for ACP exports of sugar and other commodities of interest to ECS exporters have not received comparable analytical attention. However, it might be surmised that their impacts on production costs and efficiency in other commodity-exporting sectors in the Eastern Caribbean states are qualitatively if not quantitatively similar to the impacts on the ECS banana-exporting sector.

In June 2000, the ACP-EU Partnership Agreement – the Cotonou Agreement – became to the successor to Lomé IV. The new agreement, which is to run for 20 years (with revision clauses to be formulated and ratified at 5-year intervals), adapts past Lomé Convention policies and practices to conform to current WTO rules, and requires greater reciprocity of trade and other economic policy reforms by ACP countries, including "reverse reciprocity" of any preferences extended by EU partnership countries under regional integration arrangements in the Western Hemisphere, such as the new Free Trade Area of the Americas.[14] Also under the new agreement, the Lomé commodity protocols are to continue, but to be subject to future policy review in the important cases of sugar, beef and veal, and bananas.

The ***Caribbean Basin Initiative*** (CBI) of the United States was begun in 1984, and marks the first time that the United States granted preferential economic treatment to an entire geographic region. It granted duty-free treatment to most imports from the Caribbean Basin (inclusive of Central American countries), subject to rules of origin and certain limitations on commodity coverage. In addition, it provided for reduced duties for goods assembled in Caribbean Basin countries using U.S. produced components. In the case of textile products, guaranteed access levels were negotiated for articles assembled from fabric manufactured in the United States. The effective coverage of the CBI program has been modest, not unlike CARIBCAN. The Eastern Caribbean countries have been among the least frequent beneficiaries of the CBI program, presumably because of

[14] See Onguglo (1999). Notably, as discussed by Onguglo, reverse preference conditionality is also a feature of U.S. and other preferential trading schemes. Thus, if ECS or other Caribbean countries enter into a free trade agreement with the European Union, under a EU partnership agreement, these countries would be obliged to extend similar trade preferences to exports from the United States and other preference-granting countries. In sum, reverse reciprocity stipulations of preferential trade agreements are strengthening the trend towards greater reciprocity in bilateral trade agreements.

the concentration of their commodity exports in high-cost bananas and sugar (under the influence of the Lomé Convention and the relative attractiveness of exporting these commodities to Europe), and the considerable competition, in especially textile products, from other Caribbean countries and from Mexico – the latter country having duty-free access to the U.S. market under North American Free Trade Area.

The CBI program was expanded in May 2000, in conjunction with a new program to expand U.S. trade with Africa. The enhanced CBI program provides duty-free access to the U.S. market (subject to quantitative ceilings) for textile and apparel products assembled in Caribbean countries from U.S. fabric, and for textile handicrafts and all non-textile products from these countries that were previously excluded from preferential tariff treatment under the CBI program.[15] Accordingly, the new CBI program would seem to go a considerable way towards evening the competitive advantage that Mexico has enjoyed under NAFTA vis-à-vis Caribbean countries in exporting textile and apparel products to the United States. However, duty-free access under the new CBI program is not as secure as that enjoyed by Mexico under NAFTA.[16] The new program is in effect for only eight years. Moreover, it is unilateral and is non-contractually binding. The latter features mean that the United States can make determinations unilaterally under the program, whereas it is subject to dispute settlement procedures under NAFTA.

[15] McGregor (2000).
[16] Lewis (2000).

Regional Preferences

Regional preferences for ECS exports are supported by three economic integration and cooperation arrangements in the Caribbean region to which the Eastern Caribbean states are party.[17]

The ***Caribbean Community*** (CARICOM) is the most prominent of these arrangements. Established in 1973, it seeks to establish a common market in the region (mainly among the English-speaking Caribbean countries), supported by a common external tariff, harmonization of industrial policies and foreign investment policies (and incentives), and special considerations for less developed countries in the Community – which prominently include all the Windward and Leeward Islands except Barbados.[18]

Although CARICOM grants reduced-duty, if not always duty-free access, to imports originating within the Community, its common external tariff has traditionally been very protective of members' agricultural and industrial production. However, with the advent of NAFTA, conclusion of the Uruguay Round, and increasing globalization in the world economy, the Community's regional integration plans have been deepened, specifically, under the CARICOM Single Market and Economy Plan, adopted in the mid-1990s.[19] Also, in 1991, a timetable was established for phased reductions in the maximum level of the CARICOM common external tariff, from 45 percent to 20 percent in both less-developed and more-developed member countries by 1998.[20] Nonetheless, recent (1999) information on maximum MFN tariff rates in ECS and other CARICOM

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[17] See Table 2 for the membership of countries in the principal regional integration arrangements in the Caribbean. For an introduction to regional integration arrangements in Latin America and the Caribbean, see Nogues and Quintanilla (1993).

[18] With Antigua and Barbuda, Barbados enjoys the highest per capita income in the Eastern Caribbean region (Table 1).

[19] Jessen and Rodrigues (1999). On "deeper integration" among neighboring countries in Latin America and other regions, see Lawrence (1996, 1999).

countries, compiled by UNCTAD and reported in Table 2, belie the failure of CARICOM countries to observe this timetable for external trade liberalization. Moreover, recent (1998) information about nontariff barriers in CARICOM countries, compiled by the Caribbean Export Development Agency and reported in Table 4, indicates that ECS and other CARICOM countries continue to enforce extensive nontariff barriers against not only imports from non-CARICOM countries but also imports from one another.

The narrower economic interests of the Eastern Caribbean states (excluding Barbados) are pursued within the framework of the ***Organization of Eastern Caribbean States*** (OECS), established in 1981. In the economic sphere, OECS provides a forum for coordination of trade and investment promotion policies (including in regard to tourism and other service industries); rationalization of infrastructure for transportation and communications; and discussion and planning of economic integration goals. No formal trade preferences are extended by the Organization to its members, beyond those established under CARICOM. However, OECS includes a unit for promoting exports and agricultural diversification in member states, and OECS exporters are further bolstered by the Caribbean Export Development Agency, which was established in 1996, with headquarters in Barbados, by regional governments to assist Caribbean exporters and manufacturers to increase their exports through provision of a variety of trade information and market research services.

Finally, concurrent with establishment of NAFTA, conclusion of the Uruguay Round, and early plans for the Free Trade Area of the Americas (FTAA), the ***Association of Caribbean States*** (ACS) was established in 1994, with membership open to all

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[20] Jessen and Rodrigues (1999). Also see Stotsky, Suss, and Tokarick (2000).

developing countries whose shores are washed by the Caribbean.[21] Although ACS has not promulgated preferential trade arrangements, its agenda is very much concerned with regional integration issues. ACS is arguably more outward-oriented than either CARICOM or OECS, and it provides a larger regional forum for ECS and other Caribbean countries to voice their concerns about the possibilities for trade and investment diversion arising from not only NAFTA but also the South American Common Market (MERCOSUR) established in 1991. Most important, ACS has become a major forum to discuss how to align the economic interests of countries in the greater Caribbean region most effectively in the negotiations for the new Free Trade Area of the Americas, which were begun in 1998.

4. The Way Forward: Approaches to ECS Trade Liberalization

Meeting the Globalization Challenge

Greater economic integration of the world economy may evolve more quickly or slowly than presently envisioned by economists and other observers, but globalization and its benefits to more outward-oriented countries seem to have gained wide acceptance. Thus, continued reluctance by Eastern Caribbean countries to make more effective strides to open their economies to greater trade and foreign investment not only denies nearer-term enjoyment of greater economic gains from trade (and, very likely, greater diversification of output), but also risks steeply raising the eventual costs of structural adjustment in the Eastern Caribbean to the realities of the new global economy.

[21] Jessen and Rodrigues (1999) and ACS (2000).

To be sure, trade liberalization in the Windward and Leeward Islands must be supported by other economic and social reforms, including in the vital area of education, in order to provide a more fertile environment for entrepreneurism and the private sector, outward-oriented investment, and economic growth. In the area of fiscal policy, economic policy reforms might naturally focus on increasing the efficiency of revenue collections under trade liberalization. This might entail introducing new instruments of taxation such as income or value-added taxes, which are frequently mentioned but which can be politically difficult to enact and administer successfully.[22] However, as noted by Winters (1999), trade liberalization need not result in substantial losses of tariff revenues as feared by many policy makers and found by simple ("static") tariff revenue analyses in which import demands are assumed inelastic. Reduction of ECS tariff levels to a uniform low rate of, say, 5-to-8 percent need not result in reduced fiscal revenues, and might even result in increased fiscal revenues, to the extent that ECS demands for many imported items are relatively price-elastic and, most important, all tariff exclusions are eliminated, and all nontariff barriers are everywhere replaced by tariffs.

Growth of world trade in recent years has been propelled by foreign direct investment, including foreign direct investment in small economies such as Hong Kong and Singapore (WTO 1996). Indeed, greater trade arising from modern production sharing and establishment of "export platforms" by multinational enterprises has been led in many instances by foreign direct investment in a number of developing countries. In this connection, more liberal foreign investment policies alone are not responsible for enhanced export performance and economic growth. A concomitant requirement for

[22] See Ebrill, Stotsky, and Gropp (1999) for an extensive discussion and analysis of fiscal issues for developing countries raised by trade liberalization.

success is a truly open trade regime. Without such a trade regime, outward-oriented investment projects and their planned output become crippled by an overvalued (real) exchange rate and its cost-raising effects on inputs of nontraded goods and services, and essential imported inputs. Under such conditions, these investment projects most often are unable to achieve scale economies and productive efficiency, in either manufacturing or tradable services, sufficient to achieve adequate international competitiveness and profitability, and thus they most often fail to serve markets beyond their national boundaries.

Unfortunately, political interests in maintaining protection in the Eastern Caribbean states, like in other countries, are not easily overcome by political interests in favor of trade liberalization, the latter often being too diffused to recognize their mutual interest and to form effective political coalitions. Indeed, forging political coalitions to overcome protectionist interests may be more difficult in small island economies such as the Eastern Caribbean states, where owing to comparatively low levels of population, effective political and legislative representation of protectionist interests may be easier to secure and maintain.

Regional and Multilateral Trade Liberalization

Concerted trade liberalization, among neighboring countries or more widely dispersed trading partners, offers greater potential gains from expanded trade than if a single country were to liberalize its trade regime unilaterally. In this vein, multilateral trade liberalization under WTO, spanning a comprehensive spectrum of goods, would be expected to offer the greatest potential for expanding international trade at more

favorable terms of trade than presently enjoyed by Eastern Caribbean states. This judgment might be tempered in the case of individual sectors, such as bananas, where bilateral trade preferences have, through costly distortions, promoted production and trade in some ECS countries. Nonetheless, the ECS countries have a clear interest in multilateral reforms to trade in agriculture, apparel and other labor-intensive manufactures, and tourism and other traded services. Moreover, trade liberalization contributed by ECS countries themselves under broad-based multilateral trade liberalization would go a substantial way to eliminating economic distortions and promoting diversification in these countries.[23]

As very small economies that would be expected to gain from economic integration with any trading bloc of sufficient size and export capacity to meet their import demands fully,[24] the Eastern Caribbean states would also have considerable interest in regional negotiations to liberalize trade under FTAA, the planned free trade area for the entire Western Hemisphere. FTAA would not only provide ECS countries with duty-free access to large markets in the hemisphere but also, per force, overcome incentives arising from NAFTA and MERCOSUR for trade or investment diversion

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[23] At present, the WTO 2000 negotiations are mainly confined to liberalizing trade in agriculture and services. Multilateral negotiations to liberalize trade in a wider range of goods and services would yield substantially greater benefits, including to "repressed" agriculture in developing countries (Binswanger and Lutz 1999; DeRosa 1999). With regard to the contribution of trade liberalization by developing countries to their own economic benefits under comprehensive multilateral trade negotiations, Binswanger and Lutz (1999) report that, based on simulations of the GTAP computable general equilibrium model of world trade, about 60 percent of the net benefit would be attributable to trade liberalization in developing countries. DeRosa (2000b) reports a much higher contribution, about 80 percent for low-income countries, based on simulations of a much simpler quantitative model of world trade.

[24] In terms of simple Vinerian customs union theory, small countries in a regional integration arrangement will enjoy net trade creation and its economic benefits so long as the arrangement results in lower domestic prices for imported goods and expansion of total imports. If the regional integration arrangement is not of sufficient productive capacity to expand the total imports of small member countries and, in most instances, eliminate their imports from non-member countries, then for these small countries little or no net trade creation would occur, and the economic costs of trade diversion would likely outweigh the economic benefits of trade creation under the arrangement. See Bhagwati and Panagariya (1996) and DeRosa (1998).

potentially detrimental to ECS and other Caribbean countries, by essentially making all sub-regional and bilateral preference schemes within the Western Hemisphere immaterial to competitiveness.[25] Broadly speaking, the specific interests of the Eastern Caribbean states in FTAA negotiations to liberalize trade in goods and services would not diverge significantly from their interests in comprehensive WTO negotiations to liberalize trade in goods and services.

Whether the Eastern Caribbean states would derive substantial economic gains from pursuing greater concerted liberalization of trade in goods and services solely within the Caribbean region under, say, an invigorated and effective ACS-CARICOM framework is highly problematical, against the backdrop of globalization and the fundamental competitiveness, rather than complementarity, of the economies in the greater Caribbean region. From a political economy perspective, a particular downside risk is that ACS-CARICOM negotiations to liberalize regional trade would result in *de facto* import-substitution, undertaken on a regional basis rather than a national basis.

Impediments to Trade Liberalizaton

Unfortunately, participation by ECS and other Caribbean countries in negotiations to liberalize trade on either a multilateral or regional basis is far from costless, as emphasized by Gray (1996) in the context of participation of CARICOM members in FTAA negotiations. Participation by these countries individually would involve fielding expertise in trade and commercial policy issues vastly greater than found normally in their government agencies and private sector groups. Accordingly, ECS and other Caribbean countries have considerable commonality of interests in WTO and FTAA

[25] For further discussion, see for instance Onguglo (1999).

trade negotiations.[26] The Eastern Caribbean states should be expected to pool their limited analytical and negotiating resources through the auspices of CARICOM and ACS, and to take full advantage of additional resources offered by special-interest coalitions such as the CAIRNS Group (agriculture), and, among other organizations, by the Commonwealth Secretariat, Organization of American States, UNCTAD, World Bank, and possibly WTO itself. Also, multilateral and regional negotiations focused on reaching a single undertaking to liberalize trade, such as occurred under the Uruguay Round, would alleviate the burden of negotiating teams having to tediously weigh the net benefits of complex reciprocal trade "concessions" with possibly numerous combinations of trading partners.

Arguably, the greatest impediment to the Eastern Caribbean states achieving significant trade and welfare gains from either multilateral or regional trade negotiations is their wide interest, with other small island economies, in continuing to receive special and differential treatment, to the point of not having to contribute reciprocal concessions in negotiations to liberalize trade on a concerted basis, including within CARICOM. This stance has gained considerable support in multilateral and regional fora, especially the United Nations system and Organization of American States, on the grounds that, with other small island economies, the Eastern Caribbean states are highly vulnerable to changes in their external economic conditions and circumstances and, therefore, these

[26] Andriamananjara and Schiff (1998) provide a theoretical analysis of the bargaining power and high fixed costs of multilateral trade (or other) negotiations facing small economies. They illustrate their analysis with the particular case of the CARICOM countries, and argue that the considerable similarity and commonality of interests among the CARICOM countries has made the bloc highly successful in various multilateral fora, including in the matter of advancing the issue of the vulnerability of small island economies in these fora. They also argue that within CARICOM, the Organization of Eastern Caribbean States has been an effective organization for advancing ECS interests within CARICOM.

countries are not easily integrated in multilateral if not also regional trading systems.[27] Ironically, this stance risks greater rather than less marginalization of the Eastern Caribbean states because it would limit potential ECS trade and welfare gains to gains resulting solely from trade liberalization in other countries. Unfortunately, such gains are likely to be modest by comparison to gains resulting from trade liberalization in the Eastern Caribbean countries themselves.[28] In fact, ECS gains from trade liberalization abroad are likely to prove increasingly elusive to the extent that, by contrast, competing developing countries in other regions take full advantage of multilateral or regional trade negotiations to overcome domestic political opposition to liberalizing their trade regimes, and succeed in improving their international competitiveness, through reducing the anti-export bias of protection, while integrating their economies more fully in the new global economy.

5. Conclusion

Notwithstanding the variability of their income owing to their small size and vulnerability to fluctuations in external economic and environmental conditions, the Windward and Leeward Islands of the Eastern Caribbean enjoy a relative abundance of tropical, mineral, and marine resources that, with the populations of these islands, might sustain more vibrant economies, not only in agriculture and light manufacturing but also tourism and professional services. However, the Eastern Caribbean states today face the danger of marginalization in the new global economy, similar to the experience of Sub-Saharan African countries during the last decade. Preferences for ECS exports, extended

[27] OAS (1997), WTO (1998), and Kotschwar (1999). On the history and evolution of special and differential treatment for developing countries under GATT/WTO and under regional integration arrangements, see Hudec (1987), OAS (1996), and Michalopoulos (2000).
[28] See footnote 21.

principally by the European Union and United States, are steadily being eroded by the combined juggernaut of advancing trade liberalization worldwide and increasing international competitiveness of developing countries in other regions, most prominently, emerging-market countries in Latin America and Asia that have pursued significant unilateral trade liberalization during the last decade or more – while the Eastern Caribbean states have clung to protectionism and cultivated a rhetoric appealing for special international treatment to compensate for their small size and alleged vulnerability to adverse external economic and environmental factors.

In addition to ensuring a social and institutional infrastructure conducive to higher economic growth, led by greater opportunities for advanced education, manpower training, and private sector initiative and enterprise, ECS countries should look particularly to liberalizing their trade regimes. In the context of ongoing WTO and FTAA negotiations to liberalize international and regional trade on a reciprocal basis, continued ECS pursuit of special and differential treatment threatens the economic future of the Eastern Caribbean states, foreclosing opportunities for attracting more outward-oriented foreign investment, and for achieving greater international competitiveness, economies of scale, and economic diversification. The service sector is a prime example. Notwithstanding recent criticism by OECD governments of offshore financial services and their regulation in several Eastern and other Caribbean countries (with the notable exception of Barbados) that have attracted substantial investment funds and "black money" seeking shelter from taxes abroad, the outlook for tourism and trade in other

services, including financial services, is reasonably positive for the Eastern Caribbean.[29] However, continued resistance to trade liberalization in the Eastern Caribbean states will ultimately hinder the international competitiveness of the Eastern Caribbean states further, by maintaining a relatively high real exchange rate and thereby making the services of Eastern Caribbean labor less attractive to foreign purchasers, including potential tourists.

ECS participation in multilateral or regional negotiations to liberalize trade on a broad and reciprocal basis, under WTO or FTAA, should be expected to result in considerable economic gains for the Eastern Caribbean countries, provided that they pool their scarce negotiating expertise and other resources through ACS and CARICOM, and take full advantage of other possible sources of regional and international assistance. In the event that WTO and FTAA negotiations fail to make substantial headway in the coming years, the Eastern Caribbean states might look more seriously to following the example of emerging market countries during the last decade. That is, to the extent domestic political opposition to trade reform can be overcome, they might look more seriously to pursuing unilateral trade liberalization or, possibly, a form of "open regionalism" under the auspices of the Organization of Eastern Caribbean States.[30]

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[29] On the controversy surrounding offshore financial services and tax havens in Caribbean countries, see for instance AP (2000). On the prospects for tourism and other tradable services in the English-speaking Caribbean countries, see World Bank (1996) and Dixon et al. (2000).

[30] Open regionalism refers to trade liberalization negotiated on regional basis but extended to trading partners within and outside the region on a nondiscriminatory basis. Open regionalism in the context of Latin America and the Caribbean is discussed in World Bank (1997).

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Table 1. Population, Area, and Trade of Caribbean Countries, 1996

Country	Population & Area (Th; Km^2)	GDP & Per capita GDP ($ Mn; $)	Goods Exports: Value ($ Mn)	Goods Exports: Major Products (% Gds Exports)	Goods Exports: Under Prefs (%)	Gds & Servs Trade (% GDP)	Services Trade (% GDP)
Eastern Caribbean States							
Antigua and Barbuda	69-th 440-km^2	733-mn 10,623	34-oecd 67-wrld	diversified	15-oecd 7-wrld	162	95
Barbados	265-th 430-km^2	1,997-mn 7,536	85-oecd 184-wrld	sugar (20) petrol prds (19) electrical components (15)	72-oecd 33-wrld	120	68
Dominica	75-th 750-km^2	234-mn 3,120	40-oecd 93-wrld	bananas (55) soap (21)	85-oecd 36-wrld	111	46
Grenada	99-th 340-km^2	294-mn 2,970	14-oecd 26-wrld	spices (52) cocoa (28) bananas (15)	62-oecd 34-wrld	111	51
St. Kitts & Nevis	44-th 360-km^2	248-mn 5,636	10-oecd 21-wrld	sugar (41)	99-oecd 47-wrld	128	59
St. Lucia	147 620-km^2	598-mn 4,068	104-oecd 128-wrld	bananas (56)	72-oecd 59-wrld	124	65
St. Vincent	112-th 390-km^2	269-mn 2,402	52-oecd 115-wrld	bananas (48) flour (20)	50-oecd 23-wrld	121	54
Other Caribbean Countries							
Bahamas	284-th 13,880-km^2	3,615-mn 12,729	434-oecd 635-wrld	fuels (17)	32-oecd 22-wrld	106	65
Belize	221-th 22,960-km^2	604-mn 2,733	157-oecd 197-wrld	sugar (32) fruits (15) garments (12)	69-oecd 55-wrld	110	38
Dominican Rep	8,000-th 48,730-km^2	13,169-mn 1,646	2,982-oecd 3,092-wrld	metal ores (42) sugar (28)	34-oecd 32-wrld	65	23
Guyana	778-th 214,970-km^2	705-mn 906	330-oecd 433-wrld	gold (32) bauxite (24) sugar (20)	52-oecd 40-wrld	165	n.a.
Haiti	7,000-th 27,750-km^2	2,617-mn 374	158-oecd 167-wrld	garments (26)	27-oecd 26-wrld	37	15
Jamaica	2,516-th 10,990-km^2	5,948-mn 2,364	1,033-oecd 1,477-wrld	alumina (48) bauxite (10)	47-oecd 33-wrld	156	55
Suriname	400-th 163,270-km^2	n.a. n.a.	260-oecd 546-wrld	alumina (94)	58-oecd 28-wrld	125	n.a.
Trinidad and Tobago	1,264-th 5,130-km^2	5,680-mn 4,494	826-oecd 1,547-wrld	petrol & petrol prds (80)	49-oecd 26-wrld	92	11

Sources: Caribbean Development Bank, *Social and Economic Indicators 1997*, 1999; John Harrington, *Impact of Tariff Preferences on Caribbean Exports*, 1997; Organization of American States, *Small and Relatively Less Developed Economies and Western Hemisphere Integration*, 1998; and World Bank, *World Development Indicators*, 1998.

Notes: Oecd=Canada, European Union, and United States; and wrld=world. Details for goods exports refer to either 1995 or 1996.

Table 2. Import Restrictions in Caribbean Countries

Country (Preferential Trade Arrangements) a/	Ad Valorem Tariffs and Para-Tariffs: MFN Tariff Structure (%)	Average MFN Tariff (%)	Other Charges b/ (%)	Nontariff Barriers: Frequency c/ (%)	QRs & Import License (ML)	Other NTBs (State Trading)	Restrs on Foreign Exchange Transactions
Eastern Caribbean States							
Antigua and Barbuda (ACS, CARICOM, OECS)	0-70% for all 0-45% for agr.	19.0% for all 23.9% for agr.	CS=5% CT=10-15%	N.a.	ML for agr. goods and other special goods	STE for rice & sugar	1% tax application
Barbados (ACS, CARICOM)	0-70% for all 0-45% for agr.	19.1% for all 22.5% for agr.	CS=75%, ET VAT=15%	N.a.	ML & QR for food & other sp. goods	STE for chicken wine, sugar, milk	1% tax application
Dominica (ACS, CARICOM, OECS)	0-45% for all 0-45% for agr.	18.4% for all 22.6% for agr.	CS=15-16% CT=25%	N.a.	ML for manuf gds QR for beverages	STEs for rice & sugar	prior approval
Grenada (ACS, CARICOM, OECS)	0-40% for all 0-40% for agr.	18.9% for all 23.9% for agr.	CS=5% CT=25%, OT	N.a.	ML for agr. goods QR for cars	STEs for rice, sugar, milk prod	5% tax
St. Kitts & Nevis (ACS, CARICOM, OECS)	0-70% for all 0-40% for agr.	18.6% for all 22.1% for agr.	CS=3% CT=15%	N.a.	ML for some manuf goods	STEs for chicken, sugar, flour wheat, eggs	adv. payment
St. Lucia (ACS, CARICOM, OECS)	0-70% for all 0-45% for agr.	18.6% for all 22.6% for agr.	CS=4%, ET CT=3-45%	N.a.	ML for food & other sp. goods	STEs for rice, sugar, flour, fish	2% tax
St. Vincent (ACS, CARICOM, OECS)	0-40% for all 0-40% for agr.	18.2% for all 22.4% for agr.	CT=0-65% CS=2.5%, ET	N.a.	ML for food & other gds; some banned	STEs for oils& fat, sugar, daily prod	2% tax
Other Caribbean Countries							
Bahamas (ACS, CARICOM)	0-42% for all 30-62% durable	N.a.	ST=2-7%	N.a.	ML for agr. goods	few other NTBs no imp monopoly	prior approval
Belize (ACS, CARICOM)	0-70% for all 0-45% for agr.	19.6% for all 24.7% for agr.	VAT=15% OT	N.a.	ML for agr. goods, many gds banned	STE for rice	1.25% tax prior approval
Dominican Rep (ACS)	3-40% for all 3-40% for agr.	14.8% for all 18.4% for agr.	CS=5-20% ST=3%, CT=6%	N.a.	no ML many gds banned	STEs for petro. resale	dual exch rates applied
Guyana (ACS, CARICOM)	0-100% for all 0-100% for agr.	20.6% for all 27.5% for agr.	CT=0-85% OT (envir tax)	N.a.	ML for petro. & agr, many gds banned	STEs for papers & agr. goods	adv. deposit
Haiti (ACS, CARICOM)	5-15% for all 25% for gasoline	N.a.	OC=4% ET=1-5%	N.a.	ML for agr. gds & others some banned	STEs for agr. & machinery	application
Jamaica (ACS, CARICOM)	0-40% for all 0-40% for agr.	18.8% for all 24.2% for agr.	ST=65-90% CT=15%	N.a.	ML for agr. goods; many gds banned	STEs for food & cars	auction sys.
Suriname (ACS, CARICOM)	0-50% for all 0-50% for agr.	18.7% for all 24.1% for agr.	CS=2% ET=5-18%	N.a.	ML for all imports; some QRs & ban	STEs for some food items	prior approval
Trinidad and Tobago (ACS, CARICOM)	0-40% for all 0-40% for agr.	19.1% for all 23.8% for agr.	CS=5-103% VAT=15%, ET	1% for all 10% for agr.	ML for consumer gds and many gds banned or with QR	STEs for rice, wheat, fats & oils; petro	only for some goods

Sources: Caribbean Export Development Agency, *Country Reports on Import Regimes*, 1997; International Monetary Fund, *Exchange Arrangements & Restrictions*, 1997; UNCTAD, *Handbook of Trade Control Measures of LDCs,* 1987 and *Trade Analysis and Information System*, 2000; and World Bank, *Trade Policies in the Caribbean Countries*, 1998.

Notes: a/ ACS=Association of Caribbean States; CARICOM=Caribbean Common Market; and OECS=Organization of East Caribbean States. b/ CS=Customs surcharges; ST=Stamp tax; CT=Consumption tax; ET=Excise tax; VAT=Value Added Tax; and OT=Other charges. c/ Coverage of national tariff lines in category by nontariff barriers.

Table 3. Protection in Emerging Market Countries and Caribbean Countries, 1987 and 1998

Country (Preferential Trade Arrangements) a/	1987 b/ Ad Valorem MFN Tariffs Structure (%)	1987 b/ Ad Valorem MFN Tariffs Average (%)	1987 b/ Nontariff Barriers Frequency c/ (%)	1998 b/ Ad Valorem MFN Tariffs Structure (%)	1998 b/ Ad Valorem MFN Tariffs Average (%)	1998 b/ Nontariff Barriers Frequency c/ (%)
Emerging Market Countries – Latin America						
Argentina (MERCOSUR, LAIA)	0-55% for all 0-38% for agr.	27.0% for all 22.0% for agr.	32% for all 6% for agr.	0-33% for all 0-23% for agr.	15.1% for all 12.5% for agr.	64% for all 90% for agr.
Brazil (MERCOSUR, LAIA)	0-105% for all 0-105% for agr.	55.6% for all 52.0% for agr.	35% for all 9% for agr.	0-35% for all 0-31% for agr.	15.8% for all 12.5% for agr.	41% for all 82% for agr.
Chile (LAIA)	0-30% for all 0-20% for agr.	19.9% for all 20.0% for agr.	10% for all 5% for agr.	0-10% for all 0-10% for agr.	10.0% for all 10.0% for agr.	29% for all 81% for agr.
Colombia (AG, LAIA)	0-200% for all 0-70% for agr.	33.6% for all 33.5% for agr.	73% for all 82% for agr.	0-35% for all 0-20% for agr.	12.2% for all 14.8% for agr.	50% for all 82% for agr.
Mexico (NAFTA, LAIA)	0-20% for all 0-20% for agr.	11.3% for all 11.5% for agr.	13% for all 20% for agr.	0-260% for all 0-260% for agr.	17.9% for all 22.5% for agr.	48% for all 78% for agr.
Peru (AG, LAIA)	0-120% for all 0-120% for agr.	48.9% for all 41.8% for agr.	53% for all 92% for agr.	12-20% for all 12-20% for agr.	13.4% for all 14.4% for agr.	35% for all 77% for agr.
Venezuela (AG, LAIA)	0-135% for all 0-100% for agr.	32.9% for all 41.8% for agr.	44% for all 61% for agr.	0-35% for all 5-20% for agr.	12.4% for all 14.7% for agr.	35% for all 87% for agr.
Emerging Market Countries – Asia						
China (APEC)	0-209% for all 0-150% for agr.	39.5% for all 41.8% for agr.	10% for all 25% for agr.	0-122% for all 0-122% for agr.	17.5% for all 23.0% for agr.	18% for all 17% for agr.
India (SAARC, BA)	0-300% for all 0-27% for agr.	98.8% for all 98.8% for agr.	81% for all 90% for agr.	0-260% for all 0-260% for agr.	30.1% for all 26.9% for agr.	29% for all 44% for agr.
Korea (APEC, BA)	0-100% for all 0-100% for agr.	22.9% for all 27.5% for agr.	9% for all 27% for agr.	0-50% for all 0-50% for agr.	9.2% for all 14.4% for agr.	n.a.
Malaysia (ASEAN, APEC)	0-300% for all 0-150% for agr.	13.6% for all 10.8% for agr.	4% for all 6% for agr.	0-177% for all 0-177% for agr.	10.2% for all 14.4% for agr.	9% for all 30% for agr.
Philippines (ASEAN, APEC)	0-60% for all 0-50% for agr.	28.1% for all 32.8% for agr.	45% for all 51% for agr.	0-65% for all 0-65% for agr.	9.7% for all 13.4% for agr.	n.a.
Singapore (ASEAN, APEC)	0-45% for all 0-5% for agr.	0.3% for all 0.1% for agr.	15% for all 21% for agr.	0-50% for all 0-5% for agr.	0.4% for all 0.0% for agr.	18% for all 41% for agr.
Thailand (ASEAN, APEC)	0-150% for all 0-65% for agr.	31.2% for all 36.8% for agr.	12% for all 32% for agr.	0-100% for all 0-65% for agr.	23.1% for all 38.0% for agr.	24% for all 65% for agr.
Taiwan (APEC)	n.a.	n.a.	n.a.	0-50% for all 0-50% for agr.	8.3% for all 18.4% for agr.	10% for all 24% for agr.

Table 3 (Cont.). Protection in Emerging Market Countries and Caribbean Countries, 1987 and 1998

Country (Preferential Trade Arrangements) a/	1987 b/ Ad Valorem MFN Tariffs Structure (%)	1987 b/ Ad Valorem MFN Tariffs Average (%)	1987 b/ Nontariff Barriers Frequency c/ (%)	1998 b/ Ad Valorem MFN Tariffs Structure (%)	1998 b/ Ad Valorem MFN Tariffs Average (%)	1998 b/ Nontariff Barriers Frequency c/ (%)
Emerging Market Countries and Caribbean Countries (Regional Averages)						
EMCs – Latin America	0-95% for all 0-68% for agr.	32.7% for all 31.8% for agr.	37% for all 39% for agr.	0-61% for all ** 0-55% for agr. **	13.8% for all ** 14.5% for agr. **	43% for all ++ 82% for agr. ++
EMCs – Asia	0-166% for all 0-112% for agr.	33.4% for all 35.5% for agr.	25% for all 36% for agr.	0-103% for all ** 0-99% for agr. **	13.6% for all ** 18.6% for agr. **	18% for all ** 37% for agr.
Eastern Caribbean States	0-70% for all 0-41% for agr.	13.8% for all 12.7% for agr.	7% for all 18% for agr.	0-58% for all ** 0-43% for agr.	18.7% for all ++ 22.9% for agr. ++	n.a.
Other Caribbean Countries	0-78% for all 0-68% for agr.	18.9% for all 18.1% for agr.	15% for all 29% for agr.	0-50% for all ** 0-54% for agr. **	18.6% for all 23.8% for agr. ++	n.a.

Sources: Table 2 and UNCTAD, *Handbook of Trade Control Measures of LDCs: Supplement,* 1989, and *Trade Analysis and Information System*, 2000.

Notes: In bottom panel, asterisks (**) denote substantial reductions and pluses (++) denote substantial increases in maximum or average rates of protection in 1998, relative to 1987. a/ AG=Andean Group; APEC=Asia-Pacific Economic Cooperation Group; ASEAN=Association of Southeast Asian Nations; BA=Bangkok Agreement; LAIA=Latin America Integration Association; MERCOSUR=Southern Common Market; NAFTA=North American Free Trade Association; and SAARC=South Asian Association for Regional Cooperation. b/ Years differ somewhat by individual country. c/ Coverage of national tariff lines in category by nontariff barriers.

Table 4. CARICOM: Restrictions on Imports

Country	Restrictions on imports from CARICOM partners	Number of product categories subject to quantitative import restrictions or restrictive licensing when imported from outside CARICOM a/
Eastern Caribbean States		
Antigua and Barbuda	import licenses required for 12 product categories when imports are from non-OECS c/	51 - includes most foods, consumer non-durables, household appliances
Barbados	import licenses required for 12 product categories, mostly vegetable oils.	20 - foods, beverages, motor vehicles
Dominica	duties on cigarettes, rum and motor vehicles from MDC b/	32 - food, beverages, consumer non-durables, wooden furniture
Grenada	duties on cigarettes, rum, motor vehicles import licenses required for 16 product categories - foods, beverages, appliances	45 - food, consumer goods, vehicles
St. Kitts and Nevis	import license required for sugar, beer, some appliances, foods, beverages	45 - food, beverages, vehicles, appliances
St. Lucia	duty on rum from MDC b/, import licenses required on 30 product categories	127
St. Vincent and the Grenadines	duty on rum import license required for 16 product categories when imported from Belize or from non-OECS c/	42 - food, beverages, cosmetics, carpets, mats, plastic pipes and tubing (used in the banana industry) recapped tires
Other CARICOM Countries		
Belize	import licenses required for 10 product categories; food, beverages, furniture	33 - foods, beverages, clothing
Guyana	import licenses required for wheat flour, animal and veg. fats and oils and products including waxes	meats, fruits, groundnuts; products made from
Jamaica	duties on milk and cream (fresh, evaporated or condensed), steel re-bars	25 - milk, cream and products; vehicles and parts; industrial chemicals
Suriname	Uncertain	quotas on 16 product categories prohibitions on 20 product categories - foods, footwear, wood products, fishing boats
Trinidad and Tobago	duties on selected products import licenses required for animal and vegetable fats and oils	35 - foods, beverages, cigarette paper, animal and veg. fats and oils, ships and boats

Source: Tabulated from reports of the Caribbean Export Development Agency. (Adapted from Finger, Ng, and Soloaga, *Trade Policies in Caribbean Countries*, 1998.)
Notes: a/ Excludes restrictions based on sanitation, security or public health or public morals. b/ More Developed Countries. c/ Organization of Eastern Caribbean States.