

# Private Sector *Trade Note*

## CARICOM's Mercosur Trade Performance

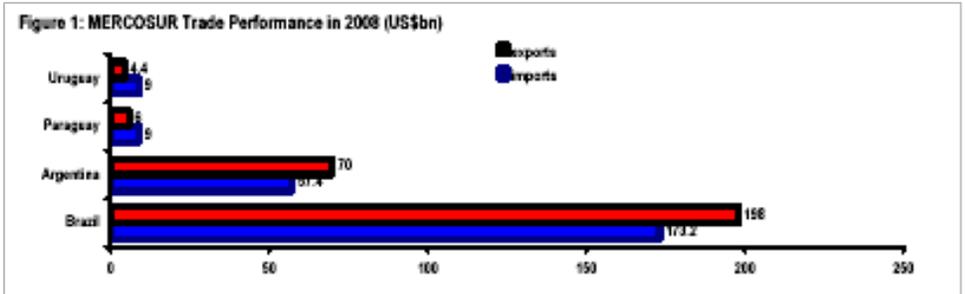


### ► MERCOSUR TRADE OVERVIEW

MERCOSUR is an acronym for the Common Market of the South. This is basically a regional agreement which facilitates free trade and economic cooperation amongst Argentina, Brazil, Paraguay and Uruguay. In 2008, firms in MERCOSUR generated US\$278.3bn in merchandise export revenues and spent US\$248.5bn on merchandise imports. Hence, MERCOSUR cannot be ignored as it accounted for 2% of global expenditure on imports in 2008. This region is also quite dynamic with merchandise imports growing by 28% per annum between 2004 and 2008; almost double the global import growth rate during this period.

In 2008, Brazil and Argentina were the major trading economies in MERCOSUR both recording merchandise trade surpluses (see figure 1). Paraguay and Uruguay jointly accounted for only about 7% of the import spending in MERCOSUR 2008, and both recorded trade deficits. The top exports from MERCOSUR in 2008 included soya beans (US\$17.3bn), petroleum oils (US\$15bn), soya bean oil cake (US\$12bn), iron ores/concentrates (US\$11bn), soya bean oil crude

(US\$7.2bn), frozen bovine cuts boneless (US\$5.5bn), aircraft of unladen weight exceeding 15,000kg (US\$5.2bn), automobiles with engines between 1500 and 3000 cc (US\$5.2bn), maize (US\$4.9bn), coffee not roasted or decaf (US\$4.1bn), raw sugar cane (US\$3.8bn) and frozen cuts and offal of fowls-gallus domesticus (US\$3.8bn). These areas include some sensitive areas for CARICOM.



The top imports in 2008 included crude petroleum oils, light petroleum distillates, automobiles with engines of 1500-3000 cc, potassium chloride, natural gas in gaseous state, aviation spirit, telephones for cellular networks, telephone parts, medicaments, coal, copper cathodes, motor vehicle parts, wheat/meslin and appliance parts. The most dynamic imports included light petroleum distillates, natural gas in gaseous state, aviation spirit, optical devices, urea, antisera and other blood fractions, sulphur, superphosphates, automobiles with engines exceeding 3000 cc, drive axles for motor vehicles, polypropylene, liquefied natural gas, video games, animal feed, aluminum waste/scrap and yarn of artificial fibres. Some of these areas offer trade potential for CARICOM.

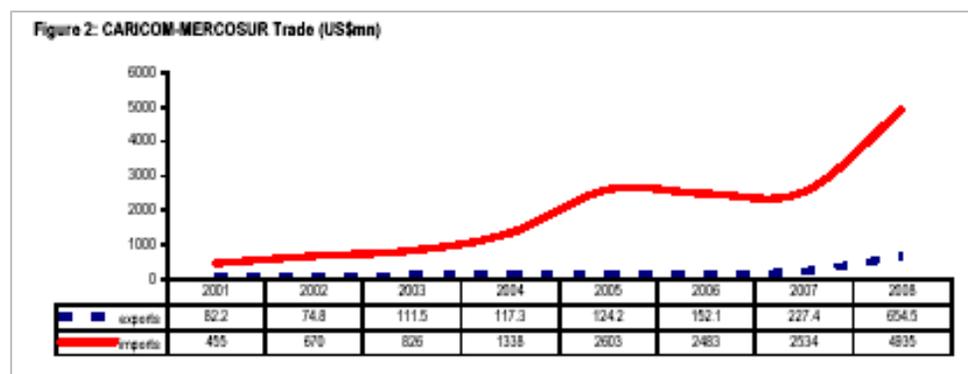
In 2008, MERCOSUR imported mainly from the USA (US\$33bn), China (US\$30bn), Brazil (US\$22bn), Argentina (US\$17bn), Germany (US\$15bn), Japan (US\$8.7bn), Nigeria (US\$6.7bn), Rep of Korea (US\$6.3bn), France (US\$6.3bn) and Italy (US\$6bn). The most dynamic import sources between 2004 and 2008 included Bolivia, The Ivory Coast, Lithuania, Bermuda, Bangladesh, Cyprus, Lebanon, Togo, Guatemala, Bahrain, Suriname, Iceland and Jordan.

In 2008, MERCOSUR focused on merchandise exports to the USA (US\$33bn), China (US\$23bn), Argentina (US\$19bn), Brazil (US\$15bn), Netherlands (US\$13.6bn), Germany (US\$11bn), Chile (US\$10bn), Spain (US\$7.2bn), Venezuela (US\$7.1bn) and Japan (US\$6.7bn). These countries jointly accounted for 52% of the region's total export revenue in 2008. The most dynamic export markets between 2004 and 2008 included China, St. Lucia, Kuwait, Cameroon, Benin, Congo, Moldova, Kazakhstan, Latvia, Luxembourg, Guinea and Tajikistan.

### ► CARICOM-MERCOSUR TRADE

CARICOM and MERCOSUR have established deep bilateral trade ties for goods. In 2008, CARICOM generated export sales of US\$655mn from MERCOSUR, with MERCOSUR exporting US\$4.9bn to CARICOM. Hence, MERCOSUR is an important import source for the region, as they accounted for 13% of CARICOM's total import spending in 2008. However, CARICOM was a negligible exporter to MERCOSUR in 2008.

US\$551 mn, which represented 84% of the region's export revenue from that region. Other top CARICOM exporting nations to MERCOSUR in 2008 were Barbados (US\$36mn), Suriname (US\$29mn) and the Bahamas (US\$28mn). The most dynamic exporters to MERCOSUR from CARICOM between 2004 and 2008 were Trinidad/Tobago (80% growth in export sales annually), Suriname (150%), Jamaica (222%), Haiti (62%) and St. Kitts/Nevis. St. Lucia has basically given up on the MERCOSUR



The region ran a significant and growing trade deficit with MERCOSUR up to 2008. CARICOM's exports to MERCOSUR expanded by 35% annually between 2001 and 2008, with MERCOSUR's exports to the region expanding by 40% annually.

Between 2001 and 2008, the top CARICOM importer from MERCOSUR was St. Lucia, with Trinidad/Tobago and Jamaica the other major importers in 2008. These three countries accounted for 96% of the import spending from MERCOSUR in 2008. St. Lucia has also been the most dynamic importer from MERCOSUR, expanding imports by 54% annually. All CARICOM countries registered increases in imports from MERCOSUR, with Belize being the only exception, with a decline of 2.4% annually over the 2001 to 2008 period. Brazil has consistently been the top exporter from MERCOSUR to CARICOM between 2001 and 2008, accounting for almost 98% of the total exports to CARICOM in 2008.

The top CARICOM exporter to MERCOSUR in 2008 was Trinidad and Tobago exporting

market as in 2008 export sales was US\$24,000 in comparison to the US\$9.2mn in 2004.

CARICOM exporters have been finding sales markets in MERCOSUR mainly in Brazil and Argentina who jointly accounted for 99% of total exports in 2008. CARICOM exporters have been penetrating the Argentinean market to a great extent, with average export sales growth of 66% annually between 2001 and 2008. Similarly, there has also been some dynamism in the Brazilian market, with export sales growth of 50% annually between 2001 and 2008. CARICOM exporters have had less success in penetrating the Uruguay market with export sales growing by 18% annually between 201 and 2008 in that market. Unfortunately, CARICOM exporters have lost their foothold in the Paraguay market with export sales plummeting from US\$52mn in 2001 to US\$99,000 in 2008.

## ► MAIN CARICOM EXPORTS TO MERCOSUR

CARICOM exports a narrow range of products to the MERCOSUR region. In 2008 only 25 tariff lines registered exports sales above US\$100,000 with 10 tariff lines recording sales in excess

important export mode. Between 2001 and 2008, the most dynamic exports from CARICOM to MERCOSUR included anhydrous ammonia (69.5%), light petroleum distillates, hot rolled bars/rods, Aluminium oxide (29.6%), waste/scrap of Aluminium, expansible polystyrene (26%) and urea (50%). Products that experienced

to CARICOM. The top 15 exports are detailed below (see table 2).

Between 2001 and 2008, the most dynamic exports from MERCOSUR to CARICOM included crude petroleum oils (54%), iron ores/concentrates (39%), undenatured ethyl alcohol (50%), raw cane sugar (96%), fowls frozen (36%), bovine frozen cuts boneless (43%), cereal preps for infant use (135%), unmanufactured tobacco (22%), wooden furniture (23%), ground-nuts shelled (15%) and stoppers/lids/caps/closures of plastic (43%).

In closing, there are major considerations in fostering a more mutually beneficial trade framework with MERCOSUR. MERCOSUR's strong export potential in a number of competing sectors such as beef, poultry, coffee, sugar, energy products and rice has to be underscored. These industries have to pay close attention to discussions with MERCOSUR as there is potential for greater competition. There is a huge potential trade possibility with MERCOSUR. The ITC estimates that the region lost out on some US\$25bn in sales in 2008 by not taking this market seriously enough. Illustratively, it is estimated that the region lost out on potential export sales in MERCOSUR of US\$4.7bn in light petroleum distillates, US\$19.4mn in sales of essential Oils and US\$51.7mn in potential export sales of expansible polyesterene.

Next issue will look at CARICOM –EU trade post the EPA.

Table 1: Top 15 Exports to MERCOSUR in 2008

Product	Exports (US\$'000)	Growth rate (2001/2008)
Liquefied Natural Gas (LNG)	249,038	n/a
Anhydrous ammonia	192,509	69.5%
Light petroleum distillates	57,432	n/a
Hot rolled bar/rod, irregular coils < 14mm diameter	44,088	n/a
Semi finished products of iron and steel	40,871	n/a
Aluminium Oxide	28,905	29.6%
Ferrous products obtained by direct reduction of iron ore	22,193	n/a
Waste and scrap of Aluminium	7,871	n/a
Expansible polystyrene	3,966	26%
Urea resins	1,041	n/a
Electrical machines and apparatus having individual functions	921	49%
Essential oils	573	81%
Gears/gear boxes	453	139%
Rock drilling/earth boring tools	444	n/a
Dogfish and other sharks, frozen	395	22%

of US\$1mn. The main products exported to MERCOSUR are listed (see table 1). These include mainly manufacturing products and a few agro processing items. MERCOSUR is not currently a major destination for exports with the region only generating 2.1% of total sales in that region. In 2008, LNG was the top export to MERCOSUR from CARICOM, with anhydrous ammonia and light petroleum distillates other top exports. It is also clear with exports such as gear boxes and electrical machines, that re-exports are also an

notable declines in exports to MERCOSUR included nutmeg (a decline from US\$1.3mn in 2001 to US\$68,000 in 2008), liquefied butanes and plastic/rubber footwear.

## ► MAJOR MERCOSUR EXPORTS TO CARICOM

MERCOSUR has a much more diverse range of exports to CARICOM than is the reverse case. In comparison to the 10 tariff lines that CARICOM earned over US\$1mn in 2008, MERCOSUR has 85 tariff lines that they register over US\$1mn in export sales

Table 2: Top 15 Imports from MERCOSUR in 2008

Product	Exports (US\$'000)	Growth rate (2001/2008)
Crude Petroleum oils	3,711,582	54%
Iron ores and concentrates	367,143	39.3%
Undenatured ethyl alcohol	285,639	49.7%
Tiles, cubes and similar glazed ceramics	29,567	14%
Bovine meat and meat offal prepared or preserved	25,486	15.3%
Aircraft of an unladen weight between 2000 and 15000kg	24,713	n/a
Soya-bean oil	23,460	5.1%
Plywood	21,622	n/a
Aviation spirit	21,376	n/a
Refined sugar in solid form	17,764	19.1%
Raw sugar cane	16,655	96%
Fowls (gallus domesticus) frozen	15,232	36%
Telephones for cellular networks	13,416	n/a
Rice	11,956	-4.2%
Ethyl alcohol	11,914	n/a

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

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**Mr. Lincoln Price**  
**Private Sector Liaison**  
[lincoln.price@crnm.org](mailto:lincoln.price@crnm.org)