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Logistics and trade facilitation between CARICOM and Central America

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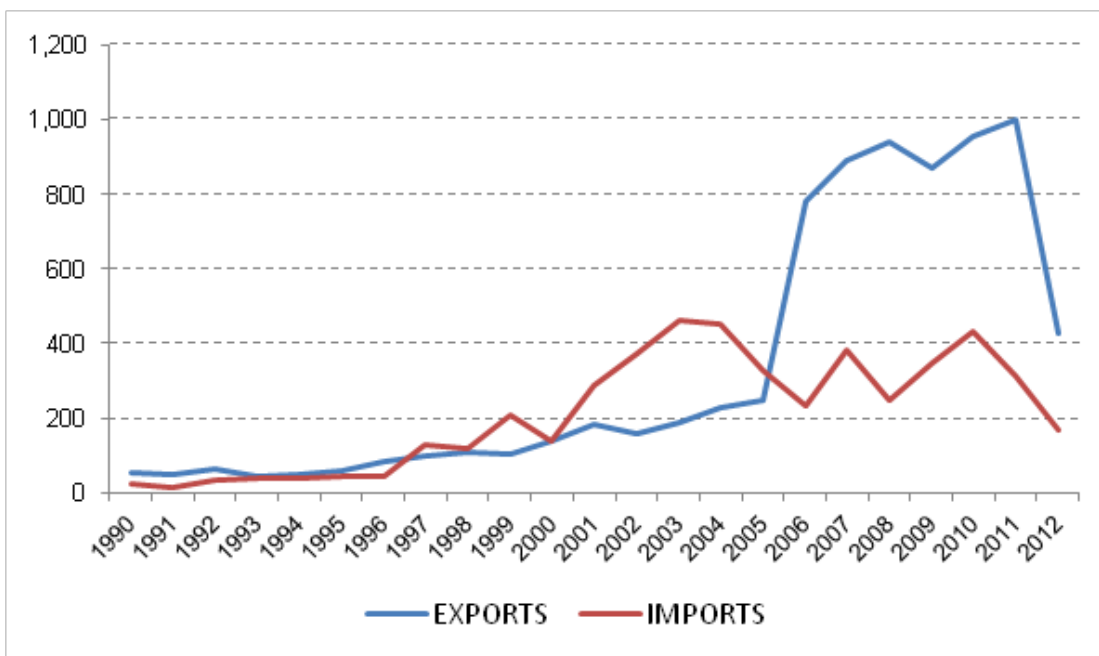
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Steps forward in trade and investment



The commercial dynamics between CARICOM and Central America countries has grown positively in recent years

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



Fuente: Elaborated by the author based on COMTRADE data.

The X and M from CA to CARICOM has increased at an average annual rate of 9.9% and 9.7% , respectively, from 1990 to 2011.

The X and M from CA to CARICOM meant 1.2% of its total X and 0.2% of its total M in 2011.

For CARICOM, its exports and imports to CA meant 0.7% and 2.4% of its total X e M, respectively, in 2011.

52% of Panama's exports are re-exports of the FTA to CARICOM.



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The specializations of production CARICOM, Central America and Panama can facilitate greater commercial integration among these economies

CARICOM

- The insular countries account a quarter of the total territory of the CARICOM. Most of them are dedicated to service activities, as tourism.
- The largest land area of the continental countries favors agricultural activities.
- Trinidad and Tobago is highly specialized in the exploitation and processing of oil.

CENTRAL AMERICA

- Although agricultural activities have been reduced they have not ceased to be important.
- Industrial activities represent a third of the Central America countries economy. Among the major industrial products stand consumer products that could be exported to satisfy the demand of CARICOM and Panama.

PANAMA

- Its geographical location has encouraged its specialization in financial , transportation and logistics services.

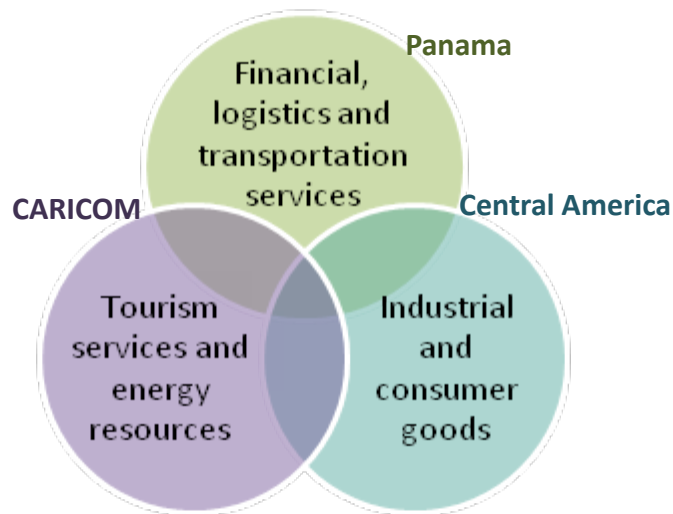


However, in this economic complementarity, two aspects must be taken into account:

On the one hand, characteristics, progress and objectives of its own economic integration systems of CARICOM and Central America;

On the other hand, competition that could exist in some sectors, such as medical tourism services or consumption supplies.

CARICOM, CENTRAL AMERICA AND PANAMA: COMPLEMENTARITIES FROM ITS PRODUCTION SPECIALTIES





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Some CARICOM investment experiences

- The Almo International Corporation group, based in the Bahamas, has strategic alliances with the Honduran company Sistemas de Logística Avanzada to offer transportation services.
- The Royal Bank of Trinidad and Tobago (RBTT), with Canadian and London capital, has begun a process of expansion outside of the English- and Dutch-speaking market to establish its first office in Costa Rica in 2005.
- Goddard Enterprises of Barbados has expanded its activities to Guatemala, El Salvador and Honduras to provide food catering services to airlines.
- Grupo Bermudez, a Trinidad and Tobago company dedicated to food, constructed a plant to produce and export for the elaboration of its banana chips sold in the CARICOM market.
- The Sagicor Life Jamaica company, from Barbados, expanded its services of life and health insurance to Panama, since 2003.



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Some Central America investment experiences

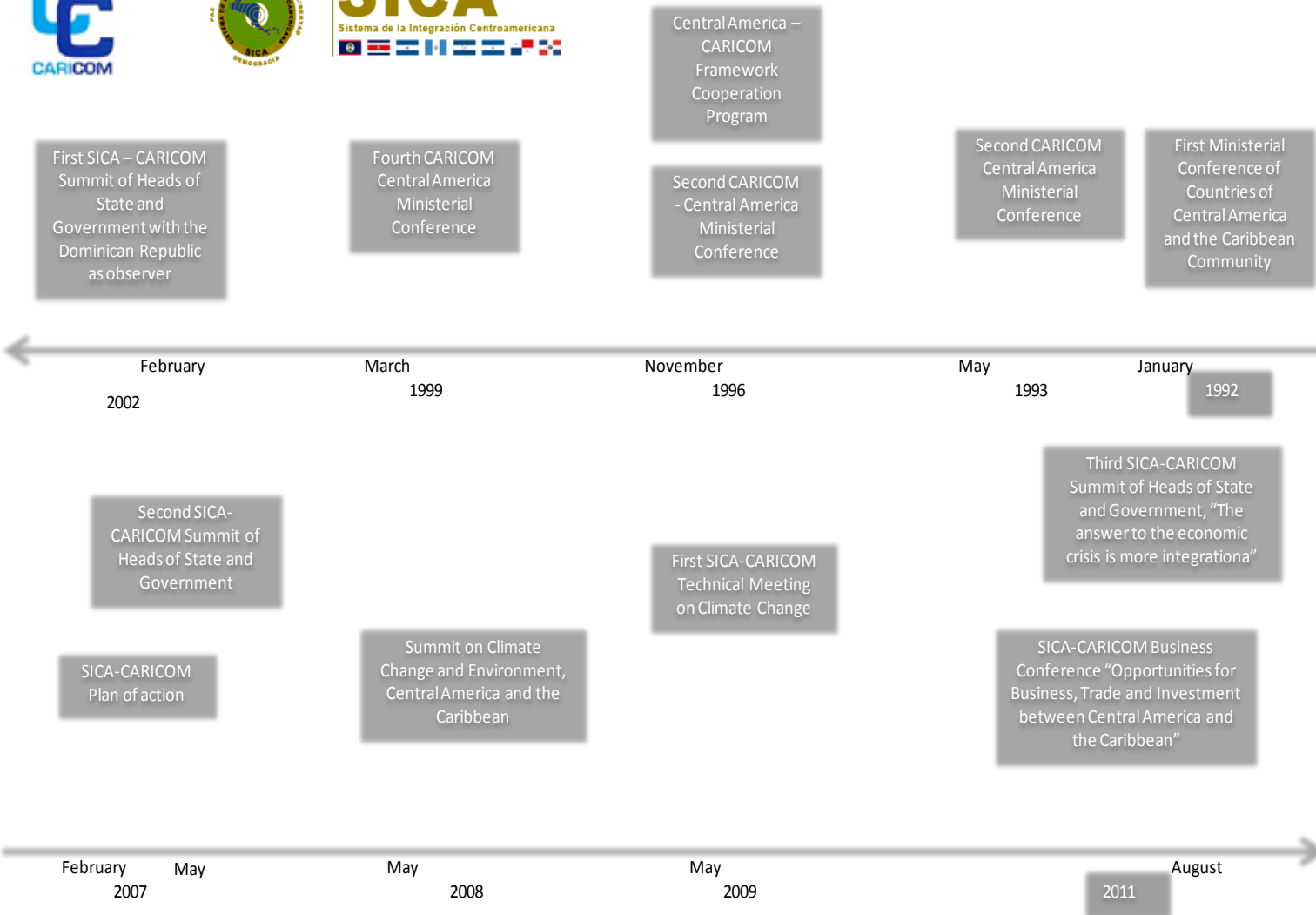
- **Conservas Panameñas Selectas, S. A.** through its brand **Del Prado**, ventured to the Caribbean in 2006, with its juices and nectars. It started in Curacao, Aruba and San Andrés in Colombia and later expanded its sales to others Caribbean countries such as Granada, Cuba, Bonaire, Trinidad and Tobago and St. Martin.
- **Carnes de Coclé** exported 40 tons of beef to Trinidad and Tobago in 2011.
- The Guatemalan company **Tecnifibras**, producer of polypropylene bags, supplies the markets of Jamaica and Trinidad and Tobago from Dominican Republic, where it set up a production plant since 2009.



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The diplomatic agenda between CARICOM and the SICA has been very active since 1992

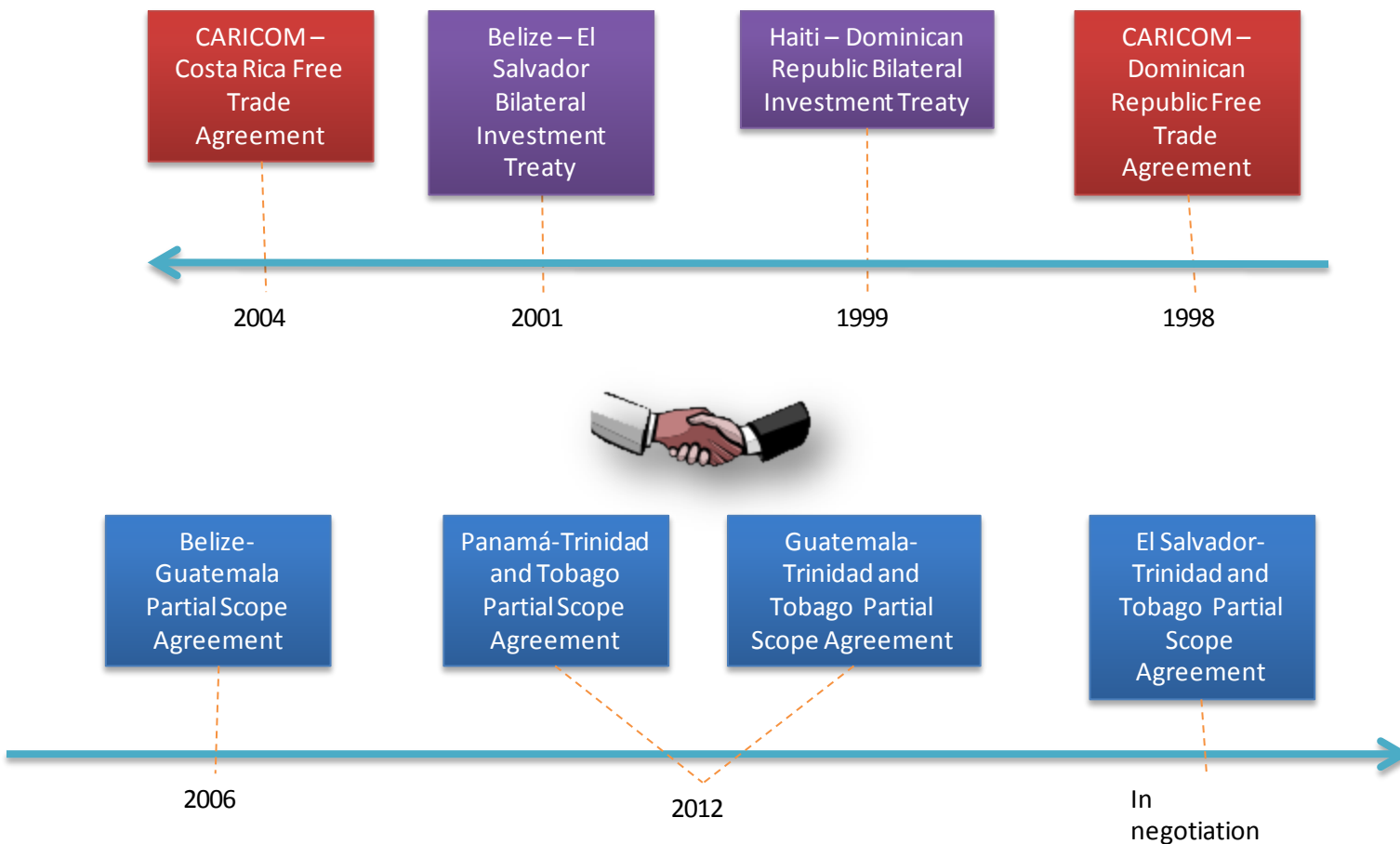




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Some countries have accelerated their integration, signing bilateral trade agreements





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Elements that restrain commerce and investment



The CARICOM countries have a higher level of tariff rate than the Central America countries

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

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

The FTA CR-CARICOM decreased the tariffs applied by the first one to Barbados, Guyana and Trinidad and Tobago.

Tariffs applied by Costa Rica to Trinidad and Tobago, for example decreased from 8.8% (MFN) to 2.4% (preferential rate). At the same time, it increased the Costa Rica imports from Trinidad and Tobago by 86 % between 2006 (year of the Treaty's entry into force) and 2011.

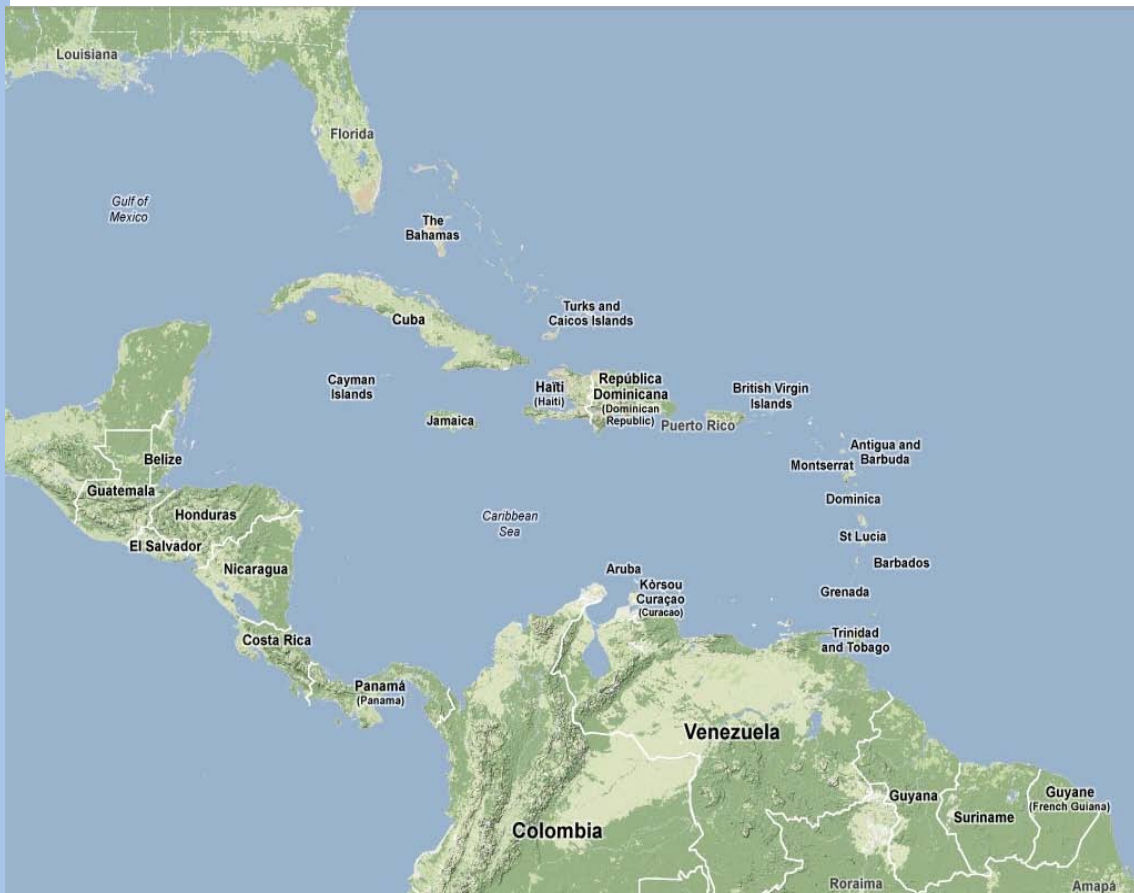
Source: Author, based on information from the International Trade Center, 2012 Market Access Map.



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Even when the distance between CARICOM and Central America is relatively short...



99.2% of CA imports and 96% of CA exports to CARICOM use maritime transportation (volume)



4.2% of CA imports and **26%** of CA exports to CARICOM use air transportation (value)



...the availability of transport routes between them is scarce



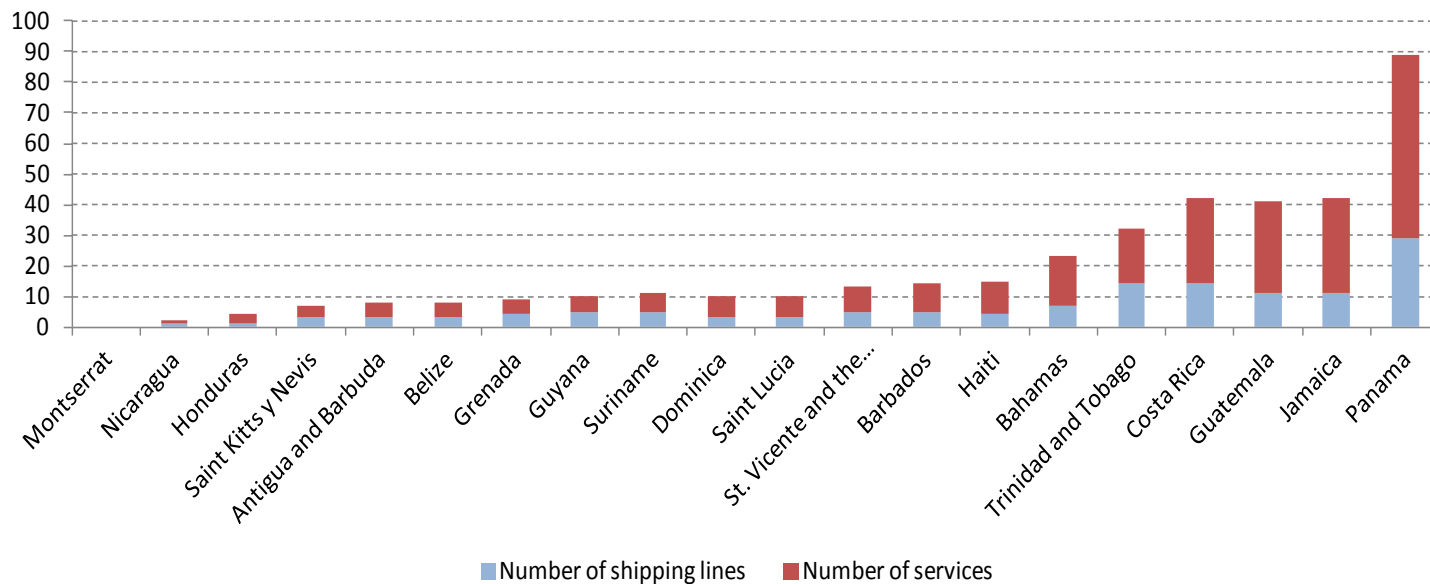
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Panama take part in 60 maritime shipping services offered by 29 companies in the region, which makes this country the most frequented by these companies in the region.

➤ According to the project "Map of Maritime Routes in the Greater Caribbean", Panama is the one that receives the majors maritime services compared to Central America and CARICOM.

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



The amount of shipping services between Central America and CARICOM is low as a result of its low market share and, at the same time, of the lack of regular shipping routes

CENTRAL AMERICA, CARICOM AND PANAMA: NUMBER OF MARITIME SERVICES MAKING LINK BETWEEN CARICOM AND CENTRAL AMERICAN COUNTRIES, 2012

	CENTRAL AMERICA	PANAMA	CARIBBEAN	
Antigua and Barbuda	0	0	...	
Bahamas	0	1	...	
Barbados	0	0	...	
Belize	6		...	
Costa Rica	...	18	2	Jamaica
Dominica	0	0	...	
Grenada	0	1	...	
Guatemala	...	8	7	Jamaica Belize
Guyana	0	1	...	
Haiti	0	2	...	
Honduras	...	4	6	Jamaica Belize
Jamaica	5	9	...	
Montserrat	0	0	...	
Nicaragua	...	0	0	
Panama	19	...	12	Jamaica TyT Grenada Guyana Haiti St. Lucia SV&G Suriname
Saint Kitts and Nevis	0	0	...	
Saint Lucia	0	1	...	
Saint Vincent and the Grenadines	0	1	...	
Suriname	0	1	...	
Trinidad and Tobago	0	6	...	

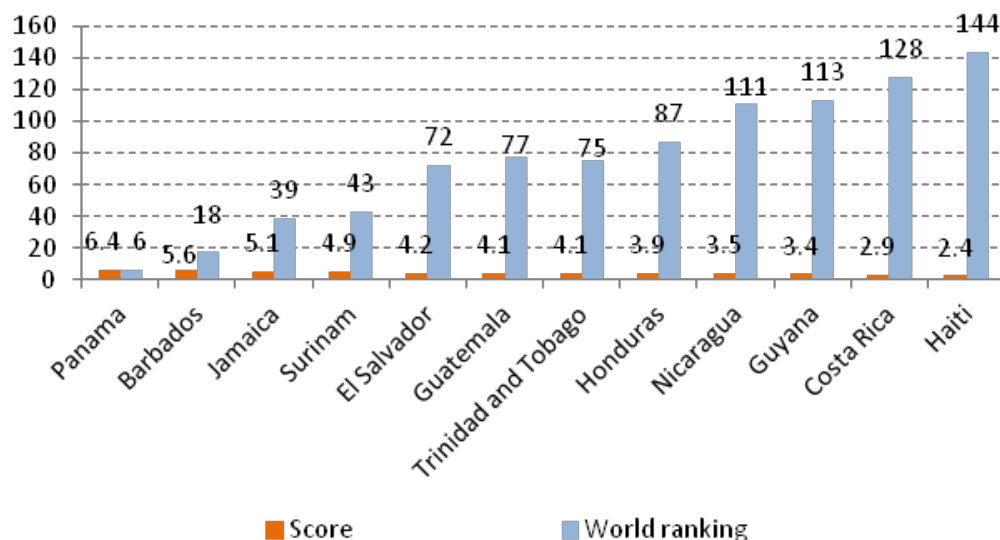
Source: Elaborated by the author, based on information from the Association of Caribbean States, report listing maritime services by country, 15/06/2012

The subregion has, in general terms, a good maritime infrastructure that could be harnessed to improve the link between the two parties.

Figure 3

CARICOM AND CENTRAL AMERICA: QUALITY OF ITS PORT INFRASTRUCTURE ACCORDING TO THE GLOBAL COMPETITIVENESS REPORT 2013-2014

(Score and ranking within the 144 countries assessed)



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

The Central American countries have 13 ports of significance, plus a few others of local or regional importance. CARICOM countries amounted to 17, plus a few other mostly used in the regional Caribbean market. Panama has six ports of international significance and the Panama Canal de Panamá which is of great importance to reduce distances and cost in transportation.

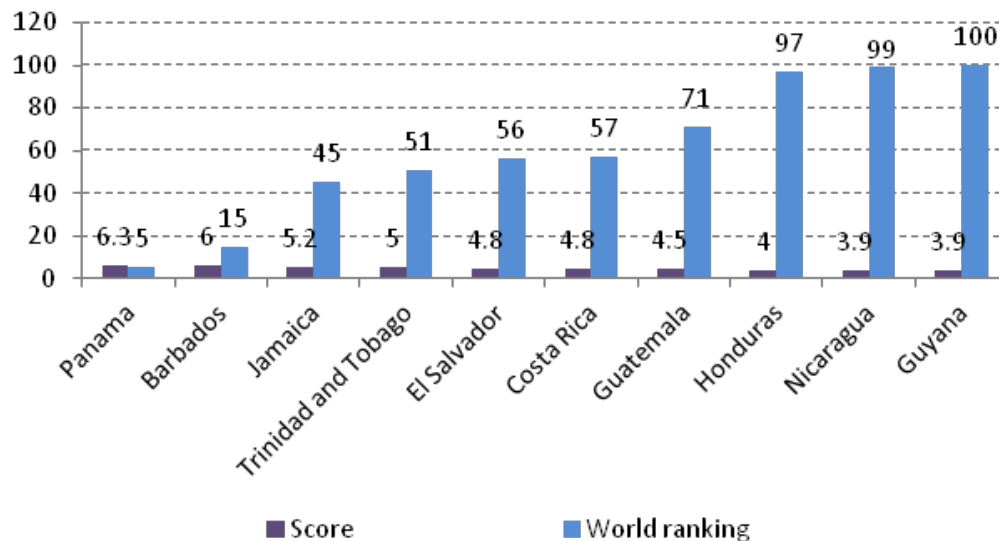


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Their have also a good air infrastructure, specially Panama and Barbados

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



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

Panamá is the best rated country in air infrastructure of the region. Barbados is the second best qualified country.

The position of Panama is the 5th in the ranking, behind countries like Singapore, Hong Kong, United Arab Emirates and the Netherlands

Barbados is at 15th position. Its main airport is the Bridgetown International Airport.



Air transportation between Central America and CARICOM has several similarities with the maritime transportation.

- First, **both groups of countries are more connected to the major world markets than between them.** Among the major regional airlines TACA, COPA, Bahamas Airlines and Caribbean Airlines, only COPA offers 5 direct flights from Panama to CARICOM countries, to the airports of: Nassau, in Bahamas; Port of Spain, in Trinidad and Tobago; Montego Bay and Kingston, in Jamaica; and Puerto Principe, in Haiti.
- Secondly, countries such as **Dominica, St. Lucia, Grenada, SK&N, Guyana and Suriname have less or no connections to the Central American countries.** This situation restrains the increase of trade, investment and tourism between the 2 regions and fosters greater concentration of Central American trade with those who have direct connections: Bahamas, Jamaica, Haiti and Trinidad and Tobago.
- Thirdly, the **international airlines** as Air Canada, American Airlines, British Airways, U.S. Airways, United Airlines, **provide connections, but doing stopovers in the US.** Even when the costs are similar to a direct flight, time costs, immigration procedures and the requirement of an American visa can discourage tourism and business travel between the two blocs.

We can observe an heterogeneity in the visa policy as well as the prevalence to request a visa for tourism and business travels in most of these countries.

CARICOM AND SICA: VISA POLICY FOR TOURISM AND BUSINESS TRAVELS

↗ ↘	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Antigua and Barbuda	T N	T N	T N	T N	T N	T N
Bahamas	T N	T N	T N	T N	T N	T N
Barbados	T N	T N	T N	T N	T N	T N
Belize	T N	T N	T N	T N	T N	T N
Dominica	T N	T N	T N	T N	T N	T N
Grenada	T N	T N	T N	T N	T N	T N
Guyana	T N	T N	T N	T N	T N	T N
Haiti	T N	T N	T N	T N	T N	T N
Jamaica	T N	T N	T N	T N	T N	T N
Saint Kitts and Nevis	T N	T N	T N	T N	T N	T N
St Vincent and the Grenadines	T N	T N	T N	T N	T N	T N
Saint Lucía	T N	T N	T N	T N	T N	T N
Suriname	T N	T N	T N	T N	T N	T N
Trinidad and Tobago	T N	T N	T N	T N	T N	T N

In CARICOM, the most open countries for tourists and business people from CA are: the Bahamas, SK&N and St. V&G.

T&T, the country with the largest trade relations with CA, requires business visa for almost all CA citizens, with the exception of Costa Rica and El Salvador nationals.

The most open country to receive tourists and business people is Panama.

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

● No tourist visa is required; ● No business visa is required; ■ Tourist visa is required; ■ Business visa is required



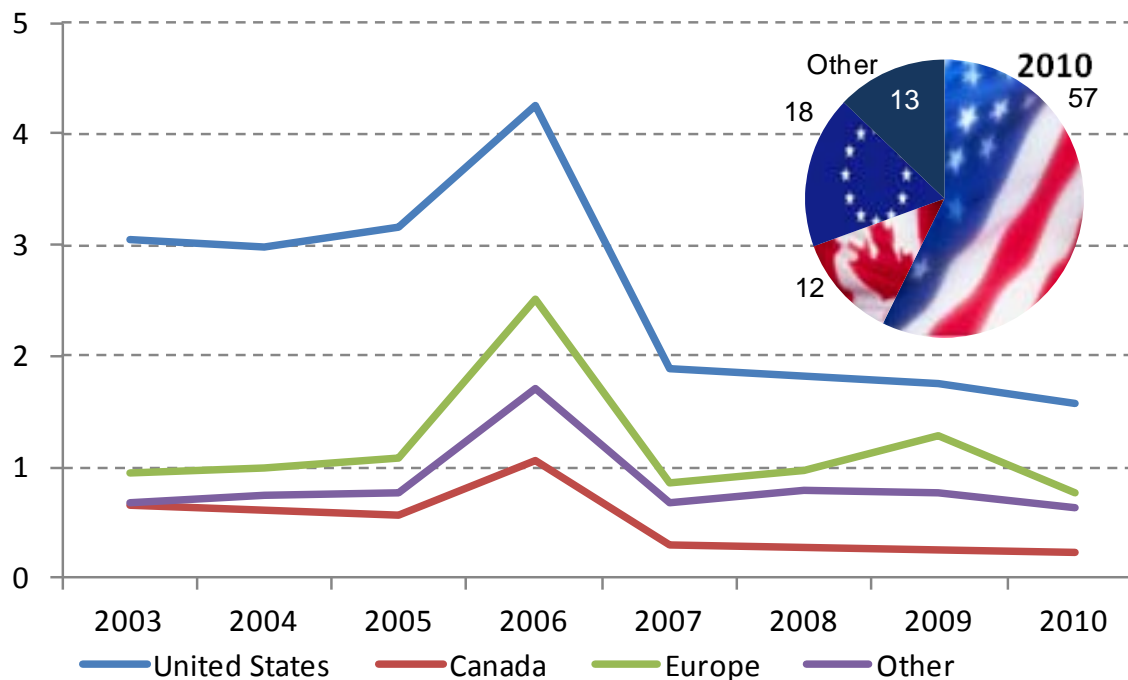
Destination: Central America;



Destination: CARICOM.

The existence of direct flights and visas has an impact on tourism flows and investment attraction. The United States, Europe and Canada are the major sources of tourist to the CARICOM market.

CARICOM: TOURISM ARRIVALS BY MAIN POINTS OF ORIGIN, 2003- 2010
(In millions of tourists and percentages in 2010)



However, there is a flow of tourists from Central America to the Caribbean islands that can be increased, mostly from Panama and Costa Rica to Jamaica and Trinidad and Tobago.



In logistics terms, it is necessary that the countries carry out reforms in customs, infrastructure and quality of services.

CENTROAMÉRICA Y CARICOM: LOGISTICA, 2012

Posición	LPI	Aduanas	Infraestructura	Envíos internacionales	Calidad y competencia logística	Seguimiento	Tiempo	
Panamá	61	2,93	2,56	2,94	2,76	2,84	3,01	3,47
Guatemala	74	2,80	2,62	2,59	2,82	2,78	2,80	3,19
Bahamas	80	2,75	2,69	2,77	2,72	2,69	2,65	2,99
Costa Rica	82	2,75	2,47	2,60	2,85	2,53	2,81	3,19
El Salvador	93	2,60	2,28	2,46	2,57	2,60	2,60	3,08
Honduras	105	2,53	2,39	2,35	2,70	2,00	2,83	3,83
Jamaica	124	2,42	2,22	2,27	2,43	2,21	2,43	2,91
Guyana	133	2,33	2,29	2,15	2,35	2,33	2,14	2,67
Haití	153	2,03	1,78	1,78	1,94	1,74	2,15	2,74

Fuente: Elaboración propia sobre la base de Banco Mundial (2012) Connecting to Compete: Trade Logistics in the Global Economy.

Panama was the country best qualified in terms of logistics of both regions.



Cross-border trade is still expensive and slow in many CARICOM and Central America countries

CARICOM AND CENTRAL AMERICA: TRADE FACILITATION, 2013

	Export			Import			
	Documents	Time	Cost per container	Documents	Time	Cost per container	
Saint Vincent and the Grenadines	5	12	385	Trinidad and Tobago	10	14	1260
Panama	3	10	625	Guyana	7	22	720
Guyana	6	19	730	Panama	3	9	965
Saint Kitts and Nevis	4	13	805	El Salvador	7	10	970
Barbados	5	9	810	Costa Rica	5	14	1070
Trinidad and Tobago	5	11	843	Suriname	6	19	1165
St. Lucia	7	14	935	Grenada	6	9	2235
El Salvador	7	13	980	Dominica	8	14	1600
Dominica	6	13	990	Guatemala	7	17	1500
Suriname	8	22	1000	Bahamas	5	13	1770
Bahamas	5	19	1005	Nicaragua	5	20	1245
Costa Rica	5	13	1015	Honduras	7	16	1500
Antigua and Barbuda	5	16	1090	Saint Kitts and Nevis	7	12	2615
Nicaragua	5	21	1140	Haiti	10	31	1555
Haiti	8	33	1200	Jamaica	7	17	2130
Grenada	4	9	1300	Belize	7	19	1580
Honduras	5	12	1345	Barbados	5		1615
Belize	5	17	1355	Antigua and Barbuda	7	23	1520
Guatemala	8	17	1435	Saint Vincent and the Grenadines	7	13	1425
Jamaica	6	20	1530	St. Lucia	8	13	2260

Source: Elaborate by the author, based on World Bank's "Doing Business".



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Aid for trade



Despite the proportion of aid received to facilitate trade, 10 of the 17 countries focused on projects to improve economic infrastructure, such as road transport and transportation policies.

- According to the ECLAC database “Aid for Development and Trade”, **six of the 17** CARICOM and Central America **countries** with information available in 2012, **received a higher proportion of international aid for carrying out projects related with trade facilitation, in 2012.**
- **In Belize, Costa Rica, Dominica, Guyana, St. Kitts and Nevis and Suriname 56% of the total aid received was for such kind of activities.** In the rest of the countries a highest proportion of the international aid received was spent on other activities not related to trade.
- This data shows the **importance that these countries have given to transportation to improve their trading.** Also, energy and electrical transmission projects were prioritized.



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Some conclusions and recommendations



- **A trade complementarity** between Central America and CARICOM **is feasible due to the observed productive specialization**. But, **it is necessary to create transport routes**. In this regard, cooperation between countries of the region for the creation of a public-private shipping operator could be a possible option.
- **The use of Panama as a transport hub could be an option to reduce the transaction costs** between both regions. Panama as a logistics hub can offer to Central America and CARICOM countries a wide range of logistics services.
- In that regard, **the development of the cabotage project** in Central America is also important to reduce the cost associated with transportation in the region.
- In **air transport, cooperation** between the blocks and the airlines **is indispensable to create new routes**. The Countries could also explore the possibility to negotiate **open skies agreements** and move forward the negotiations for the **creation of a business visa and the facilitation of a tourism visa**.



- In terms of trade, **CARICOM** could take advantage of the Central America need to import energy products and resource-based products.
- More efforts are also needed in terms of facilitation of cross-border trade. Special attention should be put in the reduction of the **cost and time** to import and export goods.
- Finally, the Central American countries need **to establish stronger links of communication and cooperation with CARICOM**. It is necessary to provide **more information to entrepreneurs, government officials and associations about** the members, functions, rules and features of CARICOM, in order to facilitate them the creation of strategies for commercial entry.



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Thanks for your attention

Merci de votre attention

Gracias por su atención

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