

Private Sector *Trade Note*

CARIFORUM- EU Trade Performance



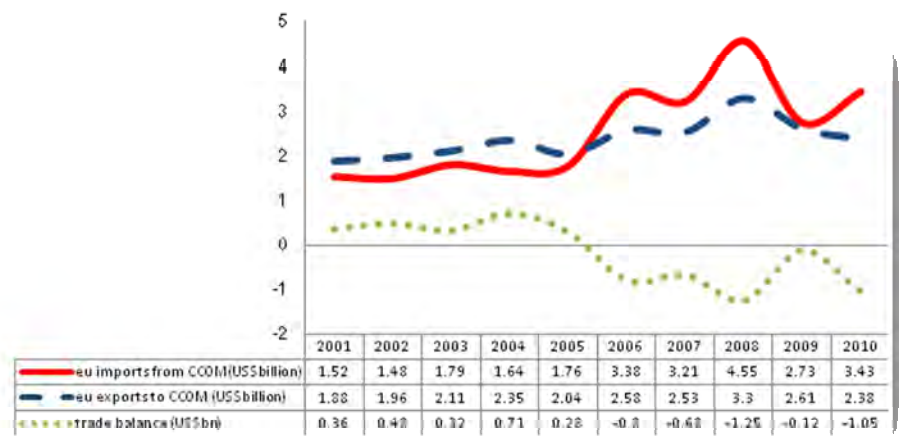
► TRADE OVERVIEW

CARIFORUM refers to the group of countries comprised of CARICOM member states (namely Antigua & Barbuda; The Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Suriname; St. Lucia; St. Kitts & Nevis; St. Vincent & The Grenadines; Suriname; Trinidad & Tobago) Cuba and The Dominican Republic. The European Union (EU27) is an economic and political union of 27 member states comprised of Austria; Belgium; Bulgaria; Cyprus; The Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; The Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; and The United Kingdom. The EU27 is the world's largest market with over US\$5.2 trillion spent on importing goods/merchandise in 2010, increasing to US\$6 trillion dollars in 2011.

Since 2008, both regions have enhanced their economic relations with the enacting of a trade and economic pact called the CARIFORUM-EU Economic Partnership Agreement (EPA). This agreement, amongst

other features, provides for duty free and quota free trade in selected goods amongst the parties aforementioned. *Currently, all certified CARIFORUM exports enjoy duty free and quota free market access into the*

Figure 1: European Union trade with CARICOM (US\$bn).



Source: TradeMAP. Retrieved March 16, 2012.

EU27. CARIFORUM committed to a schedule which details the manner in which each Party will reduce their tariffs on imports from the EU27 (for further details on the EPA see: http://www.cnm.org/index.php?option=com_content&view=article&id=276&Itemid=76). This tradenote will provide a summary of the merchandise (i.e. goods) trade performance between CARICOM and The EU.

In 2010, CARICOM generated US\$3.4bn in export sales from the European Union (EU), whilst spending US\$2.4 billion (bn) on imports from that region. CARICOM's export sales generated from markets in the EU expanded by 9.5% annually between 2001 and 2010. Export sales generated from CARICOM's non-mineral fuels exports expanded by a much slower rate of 3.7% annually between 2001 and 2010. CARICOM's imports from the EU grew by a much slower rate of 2.7%. CARICOM generated a trade surplus of US\$1.05bn in 2010 in comparison to a trade deficit of US\$0.36 billion in 2001. This positive outturn was almost totally attributable to the growth in exports of mineral fuels, oils and distillation products (HS chapter 27). Export sales of this class of products grew from US\$224mn in 2001 to US\$ 1.6bn (or circa 47% of CARICOM's total exports to the EU27) in 2010.

CARICOM's exports grew by 13.3% annually between 2001 and 2007, and 4.6% annually from 2008 to 2010. This performance correlates closely to the general economic performance in the European Union (EU). Europe's Real Gross Domestic Product (GDP), (i.e. an estimate of the total estimate activity occurring in Europe adjusted for inflation) grew by 2.2% in 2010 and by 2% in

2011 and is projected to grow 1.5% in 2012. Therefore, the EU remains a viable export target for CARICOM.

Trinidad & Tobago was the top exporter from CARICOM to the EU in 2010 accounting for over 51% of CARICOM's export earnings from the EU. This represents a change from 2001 when The Bahamas was the top merchandise exporter from CARICOM to the EU with under a quarter of export sales. Spain was the largest EU market for CARICOM merchandise exports in 2010 accounting for 23.2% of total export sales generated by CARICOM in the EU. This contrasts to 2001 when Spain was the 4th largest export market for CARICOM in the EU trailing The United Kingdom (UK); France and Germany.

The most dynamic export markets in the EU for CARICOM's merchandise trade between 2001 and 2010 included Slovakia (42.1% annual growth in export earnings); Bulgaria (32.8% *ib id*); Estonia (35.4%); Denmark (27.5%); Poland (23.8%); and The Czech Republic (28.9%). *Using the weighted average growth rate¹, the most dynamic markets for CARICOM exports in the EU27 were Spain; Poland; Belgium; and Germany. These could be targets for market development.*

► CARICOM'S EXPORTS TO THE EU27

CARICOM's merchandise exports to the EU27 grew by 11.8% annually between 2002 and 2011, whilst the EU's import spending expanded by 10.2%. In relation to merchandise exports, CARICOM has not been advancing in the EU27. CARICOM's import penetration (i.e. the share of the EU27's import spending that is

captured by CARICOM's exports) was 0.1% between 2002 and 2011.

Between 2002 and 2011, CARICOM exported mainly resource based products to the EU27. The top 20 exports in 2011 included liquefied natural gas (LNG) (US\$1.1bn); cargo vessels (US\$265mn); light petroleum distillates (US\$248mn); semi manufactured gold (US\$235mn); ferrous products obtained by direct reduction of iron ore (US\$213mn); aluminium oxide (US\$199mn); and crude petroleum oil (US\$198mn) (see table 1 below).

Of the top 20 products, those which made inroads in the EU27 market were aviation spirit (118% growth annually between 2002 and 2011); aluminium ores and concentrates (63% growth annually *ib id*); light petroleum distillates (44% growth annually *ibid*); semi manufactured gold; ferrous products obtained by direct reduction of iron ore; cruise ships; and tankers.

The EU27 is dynamic in importing almost every product that CARICOM exported between 2002 and 2011. The top 20 sectors represent areas that could be termed champion sectors for CARICOM and as such could be viewed as targets for market penetration initiatives by either trade promotion agencies, or by private sector stakeholders. LNG import spending in the EU27 was US\$29.7bn in 2011 and grew by 27% annually. CARICOM's exports grew by 31%, which outpaced the global rate at which all other LNG suppliers accessed the EU27. Notwithstanding CARICOM's dynamism in export of LNG to the EU27, the region only accounted for 3.8% of the import share for this product. The EU27 spent US\$200bn on imported

The most dynamic markets for CARICOM exports in the EU27 were Spain; Poland; Belgium; and Germany. These could be targets for market development at a macro level.

¹ To compensate for the fact that some of these markets generate negligibly to CARICOM's total export earnings from the EU27, the weighted average growth rate is applied.



light petroleum distillates in 2011. This spending grew by an average of 22% every year between 2002 and 2011, showing the dynamism in this market. CARICOM's growth in export sales to the EU27 for this product outpaced the growth in imports from the rest of the world. However, CARICOM exporters of light petroleum distillates only accounted for 0.1% of the EU27 import spending in 2011.

Major (i.e. top 20) CARICOM exports that have not been growing sales in the EU27 market include raw cane sugar (0.2% growth annually); aluminium oxide (-3.8% growth annually); rum and tafia (-6.5% growth annually); and husked brown rice (-1.2%).

The EU27 has actually been growing imports of raw sugar cane by 11.7% annually between 2002 and 2011. This indicates that CARICOM raw cane sugar exports to the EU27 have been static while the rest of the world has been expanding their exports to the EU27. Raw cane sugar is therefore a sector in which there is demand in the export market which CARICOM has been losing out on the opportunity to satisfy.

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The EU27 has been expanding imports of aluminium oxide by 9.4% annually between 2002 and 2011. CARICOM aluminium oxide exports to the EU27 have been declining while the rest of the world has been increasing exports to the EU27 and generated US\$1.8 billion in the EU27. Aluminium oxide is however not a dynamic import in the EU27 as the rate of import growth for this product does not outpace the growth rate for total import spending in the EU27 between 2002 and 2011.

The EU27 has been expanding imports of rum and tafia by 5.8% annually between 2002 and 2011. CARICOM rum and tafia exports to the EU27 have been declining while the rest of the world has been increasing exports to the EU27 and have generated US\$1 billion in the EU27. Rum

and tafia is however not a dynamic import in the EU27 as the rate of import growth for this product does not outpace the growth rate for total import spending in the EU27 between 2002 and 2011.

The EU27 has been expanding imports of husked brown rice by 9.5% annually between 2002 and 2011. CARICOM husked brown rice exports to the EU27 have been declining while the rest of the world has been expanding exports to the EU27 and generated US\$887 million in the EU27. Husked brown rice is however not a dynamic import in the EU27 as the rate of import growth for this product does not outpace the growth rate for total import spending in the EU27 between 2002 and 2011.

There were many other products that exhibited dynamism in export sales to the EU27, even though they were not in the top 20 rankings. The most dynamic exports to the EU between 2002 and 2011 include *natural polymers; undenatured ethyl alcohol (ethanol) of an alcoholic strength by volume of 80% volume and higher; melamine; broken rice; liquefied butanes; hot rolled bars/rods of less than 14mm in diameter; essential oils; beer made from*

Table 2: CARICOM's top 20 exports to the EU27 (US\$'000).

Product code	Product label	Value in 2002	Value in 2011
TOTAL	All products	1,483,437	4,136,262
'271111	Natural gas, liquefied	101,984	1,122,343
'890190	Cargo vessels nes&oth vessels for the transport of both persons & goods	200,302	265,501
'271019	Light petroleum distillates nes	9,594	247,873
'710813	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)	0	235,387
'720310	Ferrous products obtained by direct reduction of iron ore, nes	0	213,438
'281820	Aluminium oxide nes	283,774	199,431
'270900	Petroleum oils and oils obtained from bituminous minerals, crude	0	197,951
'170111	Raw sugar, cane	182,297	185,758
'290511	Methanol (methyl alcohol)	98,723	162,481
'310280	Urea/ammonium nitrate mx in aqueous/ammoniacal sol in pack of > 10 kg	0	143,307
'271011	Aviation spirit	116	127,954
'890110	Cruise ships, excursion boats etc principally designed for transporting persons	0	124,762
'890120	Tankers	0	124,322
'999999	Commodities not elsewhere specified	32,417	112,665
'080300	Bananas including plantains, fresh or dried	65,795	109,521
'260600	Aluminium ores and concentrates	728	57,155
'030611	Rock lobster & other sea crawfish, frozen in shell/not ,including boilt in shell	25,138	32,290
'220840	Rum and tafia	58,602	31,938
'100620	Rice, husked (brown)	34,673	31,235
'281410	Anhydrous ammonia	15,036	27,077

Source: TradeMAP. Retrieved March 29, 2012.

malt; diamonds; platinum waste and scrap; salt (pure sodium chloride); frozen yellowfin tuna; oranges; ferrous waste and scrap of iron and steel; heterocyclic compounds containing pyrimidin and piperazine; t-shirts, singlets and other vests of cotton, knitted; non coniferous lumber; orange juice; grapefruit juice; non alcoholic beverages except citrus juices;

rock lobster; non-coniferous logs; coffee not roasted, not decaffeinated; nutmeg; palm hearts; lumber, tropical hardwood; mace; liquefied propane; rock lobster; shrimps and prawns prepared or preserved; sails of synthetic fibres; sails of textile materials; soya bean oil cake; kerosene jet fuel; petroleum lubricating oils; live animals (unspecified); fish fillets

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Table 2: CARICOM's top 20 imports from the EU27 (US\$'000).

Product code	Product label	Value in 2002	Value in 2011
TOTAL	All products	1,964,258	3,283,306
'890190	Cargo vessels nes & oth vessels for the transport of both persons & goods	64,242	351,064
'999999	Commodities not elsewhere specified	15,315	177,150
'851761	Base stations of apparatus for the transmission or reception of voice,	0	88,801
'890120	Tankers	345	87,402
'870323	Automobiles w reciprocating piston engine displacg > 1500 cc to 3000 cc	43,505	55,841
'890392	Motorboats, other than outboard motorboats	66,776	47,935
'841199	Parts of gas turbines nes	447	45,395
'040221	Milk and cream powder unsweetened exceeding 1.5% fat	22,460	40,850
'300490	Medicaments nes, in dosage	47,188	40,679
'851770	Parts of telephone sets, telephones for cellular networks or for other	0	40,296
'850300	Parts of electric motors, generators, generating sets & rotary converters	2,781	40,049
'880230	Aircraft nes of an unladen weight > 2,000 kg but not exceeding 15,000 kg	0	39,009
'271011	Aviation spirit	161	38,018
'840890	Engines, diesel nes	1,915	37,194
'842952	Shovels and excavators with a 360 revolving superstructure	3,022	35,790
'220830	Whiskies	18,536	34,760
'890110	Cruise ships, excursion boats etc principally designed for transporting persons	92	33,148
'840999	Parts for diesel and semi-diesel engines	10,699	32,087
'490700	Unused postage, revenue stamps; cheque forms, banknotes, bond certificate etc	4,211	27,875
'271019	Light petroleum distillates nes	4,084	24,213

Source: TradeMAP. Retrieved March 29, 2012.

plants and plant parts used in pharmaceuticals; paintings, drawings and pastels executed by hand; wood articles not elsewhere specified; aluminium waste and scrap; egg plant fresh or chilled; builders wares of plastic; and fruits of the genus capsicum (pimento) dried, fresh or ground. Of these dynamic exports, the only ones that did not exhibit strong import demand in the EU27 were non coniferous lumber and grapefruit juice. The other products are robust in terms of the import demand in Europe, as well as export growth. Therefore, from a demand-supply approach, these sectors are primary trade opportunities.

Products in retreat (i.e. those products that have experienced significant decline in export sales between 2002 and 2012) include *rum and tafia; avocados; frozen*

and other fish meat; smoked fish including fillets; natural sponges of animal origin. These products could require some discussion on the nature of the competitiveness bottlenecks that are being encountered.

► CARICOM'S IMPORTS FROM THE EU27

In 2011, CARICOM economies spent US\$3.3bn on merchandise imports from the EU27. Import spending from the EU27 increased by 5.9% annually between 2002 and 2011. CARICOM's imports from the EU27 are generally non competing. In 2011, CARICOM's top 20 imports from the EU27 included cargo vessels; telecommunications equipment; automobiles; dairy products; and medicaments (see table 2 above).

Based on the dynamism in import spending, an import substituting framework to FDI could focus on attracting EU non-competing investments in the following sectors: *flexible tubings with or without iron or steel; Container, aluminium caps <300L, lined/heat insulated and fitted with mechanical/thermo equipment; automatic data processing equipment; wire of refined copper of a dimension of > 6 mm; electric conductors of a voltage not exceeding 80 v; refined soya-bean oils and its fractions; supported catalysts; furniture parts; paints and varnishes on polymers dissolved in a non aqueous solvent; and mixtures of odoriferous substances for use in the food/drink industries.*
