

CRNM PRIVATE SECTOR TRADE NOTE (REVISED): DOMINICA

1.0 General Overview

Dominican-based exporters generated over US\$135mn in goods and services in 2005, of which almost US\$94mn were generated from commercial services (i.e. travel-tourism). Therefore, it is safe to say that Dominica's export earnings are heavily services based. It is also important to note that Dominica's total export revenue (i.e. goods and services) has grown by 4% per annum since 2001.

However, where we disaggregate goods and commercial service, we find that commercial services export sales has been dynamic, growing by 6% per annum since 2001, however, goods export revenue has declined by 1% per annum since 2001, reflecting amongst other things, difficulties in replacing the revenue lost from Bananas (the major goods export) with another goods export. In fact, what is apparent is a replacement of the revenue being lost from bananas with increase in tourism revenue. On examining the services export sales, we find that of roughly US\$94mn, travel dominates, with US\$67mn, and other commercial services (which would include financial, professional services) generating some US\$20mn. Transportation accounts for the remainder of the services export sales generated.

On examining the ease with which traders can move their containers, the World Bank Doing Business Survey for 2006 estimated that, on average, it costs US\$1,477 and takes 11 days to export a 40 foot (standardized) container from Dominica. The study also revealed that it was more costly to import a standardized 40-foot container into Dominica than to export as the cost for importing was US\$1,512, and the average time taken to clear a container was 17 days. The study also revealed that Dominican exporters into Major markets would face less customs hurdles exporting than importing into their own country. For example, the study revealed that it takes 7 days and costs US\$700 to clear a 40-foot container in Canada. It also takes 6 days and costs \$731 to clear a container in Germany, 12 days and \$676 in the UK and 6 days and \$625 in the US.

2.0 Trade profile

2.1 Major exports: Based on 2005 export sales, the top ten exports from Dominica globally are bananas (US\$8.2mn), toilet soap/preps (\$7mn), dentrifices (\$5.7mn), soap/organic surface preps (\$3mn), paints/varnishes (\$2.9mn), natural sands (\$1.6mn), disinfectants (\$1.6mn), arrowroot (\$1.3mn), pebbles/gravel/broken or crushed/aggregates (\$1.2mn) and avocados (\$907,000). These ten products accounted for almost 80% of Dominica's merchandise goods exports in 2005.

2.2 Most dynamic exports: Over 2001 to 2005, the most dynamic exports from Dominica included paints/varnishes (26% growth per annum), natural sands (19% p.a.), avocados (12% p.a.), non alcoholic beverages (34% p.a.) and potable waters not containing sugars (320% p.a.).

2.3 Declining exports: Over 2001 to 2005, declining exports (i.e. those export product groups experiencing over 5% decline in sales per annum) include essential oils(-18% per annum), grapefruit(-10% p.a.), oranges (-8% p.a.), sauces(-24% p.a.) and coconuts (-13% p.a.). It should also be noted that the major product, bananas, has been experiencing a 4% per annum decline in export sales since 2001.

3.0 Regional export performance

Dominican exporters focused on three regions to generate sales, namely, CARICOM, The EU(25) and NAFTA¹. Specifically, export revenue from CARICOM and the EU(25) account for roughly US\$37mn, or over 90% of Dominica's total merchandise (goods) export earnings. Therefore, mainly exploratory export activity was

¹ North America Free Trade Area: Refers to a trade bloc comprising Canada, Mexico and the USA.
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detected in the MERCOSUR², Andean (see 3.4 below) and the ASEAN³ community, three major global trading blocs, which for Dominican exporters however, only generated under 10% of their goods export sales.

3.1 Exports to CARICOM: Dominican exporters generated US\$24.9mn in sales to CARICOM in 2005, which accounted for over half of the country's merchandise export revenue. However, there was marginal growth in export sales generated from CARICOM over 2001 to 2005. The major export product groups have been edible fruits/nuts (e.g. bananas), paints, essential oils/cosmetics/perfumes, chemical products and boilers/similar machines. The most dynamic export groups to CARICOM include beverages, salt/sulphur/stone, paints, boilers, and furniture. There have also been some apparent re-export of vehicles. Declining export groups to CARICOM include Tobacco products, essential oils/perfumes/cosmetics and soaps. Dominica receives duty free market access to all CARICOM territories by virtue of being a member of the CSME.

3.2 Exports to the EU(25⁴): In 2005, Dominican exporters generated some US\$11.6 mn in sales from the European Union (25). Dominica's top export to the EU(25) is bananas generating over half of 2005's export revenues (from this market), or some US\$6.6mn. Other top exports to the EU(25) include arrowroot(\$762,000), pebbles(\$571,000), avocados (514,000), essential oils (\$157,000), natural sands (\$1.4mn), grapefruit (\$211,000), sauces (\$342,000) and waters including minerals & aerated beverages (\$113,000).

It is interesting to note that Dominican export revenue from the EU(25) has been declining by 2% per annum since 2001, where the EU(25) has been growing their import expenditure by 15% per annum, signifying a loss of trade share for Dominican exporters into this market. Over 2001 to 2005, dynamic exports to the EU(25) include avocados(26% growth in sales per annum), natural sands (28% p.a.), arrowroot (7% p.a.) and waters including minerals & aerated beverages (157% p.a.). Dominican exporters receive duty preferences for their exports into the European Union under the existing Cotonou Trade deal.

3.3 Exports to NAFTA: Dominican exporters to the NAFTA market generated some US\$1.9mn in sales in 2005. However, Dominica has basically been retreating from the NAFTA market, as over 2001 to 2005, exporters have been generating 14% less sales per annum from this regional market. It must be noted here that this market accounted for 22% (or over a fifth) of the world's import expenditure in 2005, and other traders were able to generate 10% growth in export sales per annum into this market. Therefore, Dominica crudely lost trade share into the NAFTA market. The main export product groups into the NAFTA market include soaps, essential oils/cosmetics (including toothpaste) and beverages. Dominican exporters receive duty preferences into the US market via the Caribbean Basin Initiative (CBI) Trade Deal, and into Canada through the CARIBCAN Trade Deal. However, there are no special market access arrangements into the Mexico market.

3.4 Exports to Andean Community

Dominican firms have not exploited much export business in the Andean community-AC (the Andean Community is a regional trade bloc which includes Venezuela, Colombia, Ecuador and Peru). In 2005, Dominican exporters generated US\$10,000 in export revenues from sales of footwear, most likely an exploratory shipment. However, based on matching Dominica's dynamic global exports to the AC's dynamic imports, there is trade potential in milling products, mining products (stone, sand etc), paints and manufactures of plaiting material. Currently Dominican exporters get access into Colombia and Venezuela for some of their products based on the existing CARICOM based trade agreements with these countries. Dominican exporters do not receive any special trade treatment into Ecuador and Peru because there are no trade deals with these countries.

² Refers to a trade bloc comprising Argentina, Brazil, Paraguay and Uruguay.

³ Association of South East Asian Nations: Refers to a trade bloc comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

⁴ The EU(25)= the European Union including the 10 new Central European members.