

**European Union-Caribbean relations revisited**  
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*Options for Service-dependent Caribbean Economies*

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# Objective of the presentation

- ❑ To place the spotlight on the role of Caricom services sectors and economy
- ❑ To make the case for putting service industries at the centre of development strategies of Caricom countries (and small countries in general)
- ❑ To emphasize the importance of attention to the services initiatives in EU-CARIFORUM relations

# Services-dependent Region

- ❑ In his path-breaking work of the 1950s, Arthur Lewis argued for industrialization as the engine of growth for Caribbean countries. A revolutionary proposal at the time.
- ❑ With the passage of time and given global developments, it is evident that service industries hold special opportunities for Caribbean countries
- ❑ Proven track record in services area.
- ❑ Potential for existing services to be enhanced and for new ones to be created
- ❑ The region cannot compete with the major manufacturers of the world
- ❑ Unable to sustain the required scale of production
- ❑ Competitive manufacturing wage levels unacceptable, given accustomed living standards of Caribbean citizens

# Complementary activities

- ❑ This does not mean that primary activities and manufacturing should be neglected
- ❑ Opportunities should continue to be pursued in:
  - ❑ Agriculture, to achieve self-sufficiency in food,
  - ❑ Sustainable mining and forestry where resources exist
  - ❑ Complementary agricultural activities (e.g., food production as input to tourist industry)
  - ❑ Niche markets for specialty items

# Definition of services

- ❑ Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets.
- ❑ Services may be change-effecting or margin services.
- ❑ **Change-effecting services** are outputs produced to order and typically consist of changes in the conditions of the consuming units realized by the activities of producers at the demand of the consumers.
- ❑ Change-effecting services are not separate entities over which ownership rights can be established. They cannot be traded separately from their production.

# Service components

1. Manufacturing services on physical inputs owned by others. Examples include oil refining, liquefaction of natural gas and assembly of clothing and electronics.
2. Maintenance and repair services not included elsewhere (n.i.e.). includes maintenance and repair work by residents on goods that are owned by non-residents (and vice versa).
3. Transport.
4. Travel.
5. Construction.
6. Insurance and pension services.
7. Financial services.
8. Charges for the use of intellectual property not included elsewhere (n.i.e.).
9. Telecommunications, computer and information services.
10. Other business services.
11. Personal, cultural and recreational services.
12. Government goods and services not included elsewhere (n.i.e.).

# Major service industries in the Region

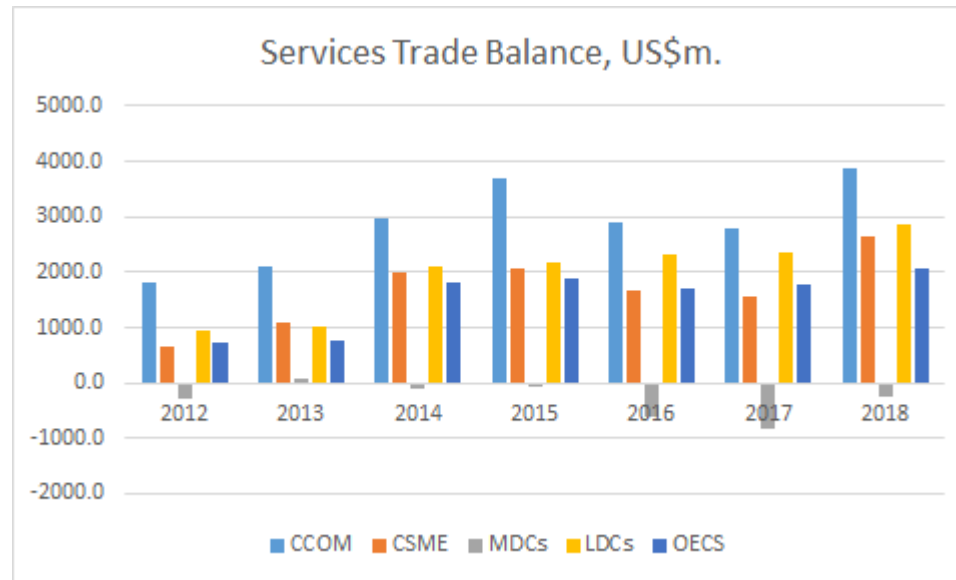
- ❑ Tourism - the Caribbean is the most tourism-dependent region of the world. Tourism has many categories
- ❑ Financial services
- ❑ Entertainment
- ❑ Sport
- ❑ Education
  - ▶ Health education
  - ▶ Languages
  - ▶ Bio-diversity
  - ▶ Tourism
- ❑ Port facilities
- ❑ Transportation
- ❑ Leisure boating
- ❑ Refining

# Dominant position of services in cariforum trade





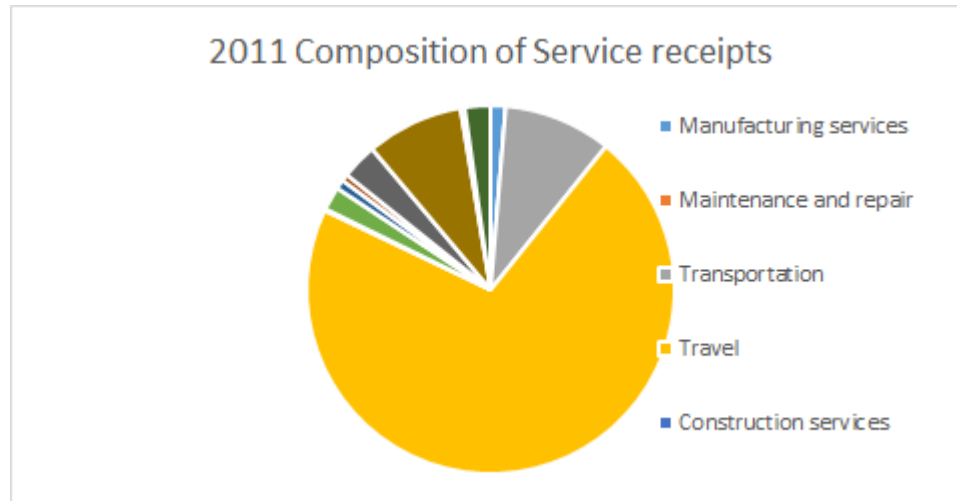
# Balance of Trade in Services of CARICOM Sub-groups, 2012 - 2018



# TIS Trends in the Caribbean

- ❑ Trade in services balance is overwhelmingly positive
- ❑ MDCs are the only group with a negative balance
- ❑ The negative MDCs TIS balance due to T&T, Guyana and Suriname.
- ❑ Services deficits of Guyana and Suriname are narrowing. T&T deficits ballooning due probably to refinery closures

# Percentage composition of service receipts



# Leading Services components in 2011

- ❑ **Travel:** \$US7.1 billion or 71.3 percent of Total Services Receipts.
- ❑ **Transportation:** \$US 0.9 billion or 9.5 percent of total services.
- ❑ **Other Business Services:** \$US0.86 billion or 8.5 percent.
- ❑ **Telecommunications, Computer and Information Services:** \$US 0.3 billion.
- ❑ For Transportation services Jamaica was the highest with \$US283.6 million or 29.8 percent of CARICOM receipts, followed by Trinidad and Tobago with \$US264.1 million or 27.8 percent and The Bahamas with \$US131.5 million or 13.8 percent.
- ❑ Other Business Services: Trinidad and Tobago earned \$US236.7 million, The Bahamas was second with \$US172.6 million and Barbados third with \$US142.6 million or 16.7 percent.

# Intra-regional and extra-regional composition of services trade

- ❑ Preliminary findings of one country pilot indicated:
  - ❑ 16 % of total services exports was exported intra-regionally and 84% extra-regionally.
  - ❑ 20% of total services imports were imported intra-regionally and 80 % extra-regionally.

# CARICOM TIS Initiatives

- ❑ Capacity building efforts have been undertaken since 2001 to develop statistics on International Trade in Services for key users such as trade analysts and negotiators.
- ❑ Work undertaken during the EU 9th (EDF), including Caribbean Integration Support Programme (CISP), Statistical Component, Improved and Harmonised Economics Statistics Delivered and Disseminated project. The overall objective of this project was to provide information to decision makers for the establishment and monitoring of the CARICOM Single Market and Economy (CSME).

# implications

- ❑ It is possible that EU-CARIFORUM relations are influenced overwhelmingly by historical perspectives based on merchandise trade
- ❑ Programming initiatives should be careful to support services development
  - ❑ Relevant education and training
  - ❑ Infrastructure
  - ❑ Market access
  - ❑ investment