

CRNM CARICOM-US TRADE NOTE¹

Merchandise Trade Overview: With roughly 60% of CARICOM's merchandise exports and 37% of the region's imports in 2004, the US is CARICOM's main trading partner. In 2004, CARICOM exporters had 0.5% market share in the US (i.e. only US\$8.1bn of the US\$1.5 trillion import spending). However, over the 2000 to 2004 period, CARICOM's exports to the US grew at 19% per annum, while imports grew at 2% p.a. signaling continued improvement in the region's over US\$2bn positive trade balance.

Additionally, CARICOM is growing export share in the US market (mainly spurred by Trinidad's energy sector) with export revenue growing by over 19% p.a, while US import spending grew by 5% p.a between 2000 and 2004. It is also important to note that the US has been losing market share in CARICOM, as between 2000 and 2004 the region grew its import expenditure at 6% per annum, but US exporters only grew their CARICOM export sales by 2% per annum.

Export Profile: In 2004, the main exports from CARICOM to the USA included LNG² (US\$2.8 bn in 2004), anhydrous ammonia (US\$1bn in 2004), non-crude petroleum (US\$877mn), crude petroleum (US\$876mn), methanol (\$509mn), t-shirt/singlets/vests of cotton (\$138mn), aluminium oxide (\$135mn), pullovers/cardigans of cotton (\$119mn), hot rolled bars/rod of iron/steel less than 14mm diameter (\$114mn), expansible polystyrene (\$89mn), urea (\$73mn), aluminium ores/concentrates (\$71mn), frozen shrimps/prawns (\$67mn), rock lobster (\$66mn), ferrous products obtained by direct reduction of iron ore (\$66mn) and undenatured ethyl alcohol (\$58mn). These represent mature export sectors which could be promoted in a trade agreement (FTA) with the US as their market access under the current "Caribbean Basin Initiative" (CBI) could be challenged post September 30, 2008.

Import Profile: In 2004, CARICOM's main imports from the US included non-crude petroleum oils (US\$665bn), automobiles with engines between 1500-3000cc (US\$47bn), medicaments (\$27bn), transmission apparatus for radio telephony (\$161bn), wheat (\$105bn), books/brochures (\$22mn), taps/cocks/valves (\$15mn), motor vehicle parts (\$13mn), plywood (\$33mn), food preparations (\$33mn), mineral/aerated waters (\$11mn), jewelry (\$66mn), animal feed (\$32mn), wooden furniture (\$24mn), gallus domesticus (fowls) frozen (\$47mn), milk powder (\$14mn), new pneumatic tyres (\$15mn), t-shirts/singlets/vests of cotton/knitted (\$104mn) and coniferous lumber 6mm and thicker (\$54mn). These represent import threats and threats to fiscal revenue which may need to be protected in any possible FTA arrangement with the USA.

Dynamic "Bullish" Exports: Over 2000 to 2004, the most dynamic exports were LNG (growing by 72% per annum), anhydrous ammonia (28% p.a), petroleum oils (14% p.a.), methanol (17%), pullovers/cardigans/similar articles of cotton (41%), expansible polystyrene (14%), urea in packages more than 10kg (18%), ferrous products obtained by direct reduction of iron ore (65%), undenatured ethyl alcohol (16%), t-shirt/singlets/vests not of cotton (214%), fresh papayas (13%), limestone flux (23%), frozen crustaceans (1163%), pebbles (14%), fertilizers (555%), mens/boys

¹ Data from the UN Comtrade Database and the US Census Bureau.

² Liquefied Natural gas.

anoraks (1326%), mens/boys trousers (47%), womens/girls trousers (50%), electrical relays (292%), tunas (65%), frozen fish fillets (43%), electric lamps/lighting fixtures (40%), cocoa beans (31%) and unwrought gold (594%). These sectors represent champion sectors in most cases as their export growth was accompanied by US import growth as well.

Bullish Imports: Over 2000 to 2004, the most dynamic imports were non-crude petroleum (growing by 26% per annum), transmission apparatus for radio telephony (38% p.a.), diesel powered trucks with a GVW not exceeding 5 tonnes (16%), bars/rods of iron (36%), iron/steel structures (13%), wheat/meslin (10%), transporter/bridge cranes (16%), cargo vessels (30%), taps/cocks/valves (18%), glass containers (17%), pipes/lines or iron/steel (46%), sweet biscuits/waffles/wafers (24%), new pneumatic tyres (10%), unsweetened milk/cream (82%), parts for electrical appliances (19%), jewellery (13%), tiles/cubes/glazed ceramics (25%), orange juice (11%), plant machinery (16%), malt extract (11%), milk powder (52%), frozen boneless bovine cuts (15%), soups/broth preps (35%), non alcoholic beverages (31%) and dentifrices (10%). These represent sectors which are growing market threats in some instances. However in some cases, the growing imports are production inputs and are already duty free for regional firms.

Trade Potential: It is estimated that CARICOM merchandise firms can tap into around \$6bn more export sales into the US, based on the import patterns into the market. In this regard, CARICOM's merchandise exports with the greatest level of trade potential (measured as the difference between the US's imports from all partners and CARICOM's exports to the US) include Non-Crude Petroleum (Potential additional exports of US\$593mn), methanol (\$162mn), Aluminium oxide (\$298mn), Ferrous products of iron/steel (\$112mn), unwrought gold (\$243mn), liquefied butanes (\$27mn), green coffee (\$37mn), mineral waters/aerated beverages (\$18mn), raw cane sugar (\$288mn) and rum/tafia (\$23mn). CARICOM exporters can also consider penetrating states outside of those with Diaspora connection. In this regard, states such as Virginia, New Mexico, Texas, Utah, Hawaii, Oregon, DC and California had the highest rates of growth of Gross state Consumption expenditure in 2005.

However, US exports which have potential for greater penetration into CARICOM's market include crude/non-crude petroleum (\$1.1bn), automobiles with reciprocating engines of between 1500 and 3000 cc (\$312mn), air/gas compressors (\$159mn), motorboats other than outboard motorboats (\$138mn), automobiles with reciprocating engines of between 1000 and 1500 cc (\$134mn), Iron ores/concentrates (\$128mn), medicaments (\$96mn), Cheese (\$49mn), wheat (\$42mn), refined sugar (\$41mn) and Portland cement (\$38mn).

US Services Imports Thumbnail: In 2005, the US imported \$315bn of services, up 9% from the \$290bn of services imports recorded in 2004. Up to July 2006, the trend continued with services imports for January to July 2006 growing by 9.4% over that recorded for January to July 2005. Professional services imports (such as financial services, education, ICT services etc) accounted for over one third of the services imports in the January to July period, with Travel and other transportation the other main services groups imported.

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