

IMPACT OF THE CARICOM ECONOMIC INTEGRATION ARRANGEMENTS
ON THE ECONOMIC GAINS OF SELECTED CARICOM COUNTRIES

By

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To my wife J. Patricia Gordon, my sons Joseph and Sekou and my siblings who individually and collectively provided constant encouragement and invaluable support throughout this journey

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The Caribbean Community (CARICOM) was formed in 1973, driven by inter-related political and economic considerations which were fuelled by the relatively small sizes of the respective members. Regionalism resulting from CARICOM was anticipated to provide greater scope for the economic growth of the countries. This study evaluates the extent to which the CARICOM policies contributed to the countries' economic gain by interviewing and surveying entrepreneurs and policy makers and by conducting trade and investment analyses. The study focuses on the countries of Dominica, Guyana, Jamaica, St. Lucia and Trinidad and Tobago as representative of CARICOM.

The interviews of entrepreneurs and policy makers indicate that both groups considered CARICOM a good concept. However, in contrast to policy makers, entrepreneurs did not perceive CARICOM strengthening their business environment. The survey responses reveal considerable heterogeneity within the business environment of the five countries, particularly when the responses are examined by country, firm size or sub-sector of operation. Ordered probit econometric analysis of the survey responses was completed for four business variables: *cost of capital*, *exchange rate*, *access to markets* and *availability of technology*. The results indicate that

national policy was perceived to have a statistically significant influence on each variable, for both the current business environment and future investment climate. CARICOM policy was seen to have a statistically significant influence only on *the availability of technology* in the current business environment. Most firms are only weakly optimistic about the contribution of CARICOM to their countries' economic gains.

A gravity analysis of the trade flows between pairs of the countries over the period 1981-2005 indicates that countries experienced both trade creation, evidence of potential welfare gains and trade diversion, suggesting potential welfare losses. The analysis was inconclusive about net welfare gains. An ordinary least squares regression analysis of investment and productivity changes over the same period showed strong evidence of investment and capital stock formation. The research results suggest the need for a more inclusive CARICOM policy formulation process with respect to diversity in firms' and country circumstances.

CHAPTER 1 INTRODUCTION

Background to the Caribbean Community

The Caribbean Community (CARICOM) is the product of an evolutionary process driven by political and economic considerations. The initial membership comprised entities with similar cultural and historic background promoting thoughts of political and economic cooperation and a common destiny.

Political Impetus

The West Indies Federation comprised the ten island territories of Antigua and Barbuda, Barbados, Dominica, Grenada, Jamaica, Montserrat, the then St Kitts-Nevis-Anguilla, Saint Lucia, St Vincent and the Grenadines and Trinidad and Tobago. It was established in 1958 by an Act of the British Parliament with the ultimate goal of political union among its members. The leadership of the Federation promoted economic ventures in which the territories were jointly involved. Cooperation was also evident in social areas such as tertiary education. However the group faced difficulties pertaining to matters such as taxation, the issue of central planning and the ceding of power from the Territorial Governments to the Federal Government. Jamaica, the member with the largest population, withdrew following a 1961 national referendum on its participation in the Federation. Trinidad and Tobago soon followed, leading to the formal demise of the Federation in 1962(CARICOM Secretariat, 2006f).

A subsequent attempt at fostering economic cooperation among the Caribbean territories was initiated with the Caribbean Free Trade Association (CARIFTA) founded in December 1965 by the governments of Antigua and Barbuda, Barbados, Guyana and Trinidad and Tobago. Beginning mid-1968 the membership of CARIFTA was incrementally expanded with the group

eventually comprising 12 members when Belize joined in 1971¹. Among the economic goals of CARIFTA were

- More diversified, increased and liberalized intra-regional trade
- The equitable distribution of gains from trade
- Growth and rationalization of production within the agricultural sector with attention to specific commodities
- The promotion of industrial development and revenue stability among the smaller territories dubbed the Least Developed Countries (LDCs)(CARICOM Secretariat, 2006e)

CARIFTA evolved into the Caribbean Community and Common Market with the signing of the Treaty of Chaguaramas on July 4, 1973 which went into effect on August 1, 1973

(CARICOM Secretariat, 2006d). The Treaty embodied a unique feature reflecting two separate legal entities, the Caribbean Community and the Caribbean Common Market, thus enabling a state to opt for membership in one and not the other². The Caribbean Common Market, with a focus on trade cooperation, envisaged the creation of a customs union among its members with the ultimate purpose of fostering their economic growth and development. This was envisioned to be effected through a harmonization of foreign policy, intra-regional trade regimes and various cooperation programs in sectors such as agriculture, industry, health, education and tourism.

Toward this end the Member States agreed upon and implemented trading instruments such as common border tariffs and area origin criteria to stimulate manufacturing particularly from indigenous raw material. Collective agreements have also been made in matters relating to foreign policy and international relations intended to promote a Community approach to trade

¹ The CARIFTA membership with year of joining in parenthesis was: Antigua and Barbuda (1965), Barbados (1965), Belize (1971), Dominica (1968), Grenada (1968), Guyana (1965), Jamaica (1968), Montserrat (1968), Saint Lucia (1968), St Kitts-Nevis-Anguilla (1968), St Vincent and the Grenadines (1968) and Trinidad and Tobago (1965).

² The Bahamas made use of this juridical hybrid when in 1983 it became a member of the Community but refrained from joining the Common Market.

agreements with some developed countries or country blocs such as Canada, the United States of America, the European Union (EU), The North American Free Trade Agreement (NAFTA), the Association of Caribbean States (ACS), Colombia, Venezuela, and Cuba (CARICOM Secretariat, 2006a; CARICOM Secretariat, 2006b; CARICOM Secretariat, 2006c)

Initial Economic Considerations

A review of the economic considerations pertaining to economic integration among the countries of the Caribbean was undertaken by a research team at the University of the West Indies in the mid-1960s, shortly after the launching of CARIFTA (Brewster and Thomas, 1967). The researchers proposed a concept of integration that was claimed to be positive with ‘potential benefits to the region as a whole as well as that of the component parts’ (Brewster and Thomas, 1967, p2). The concept embodied a wide range of associations across the countries, including economic, social and cultural. They also cautioned about the absence of empirical analyses pertaining to the assessment of the impact of economic integration in the context of developing countries as well as the ‘intuitive generalizations and dubious clichés’ made pertaining to the potential gains from countries’ participation in the Federation and CARIFTA (Brewster and Thomas, 1967, p7). Based upon an evaluation of the extant production, consumption and trade profiles, they devised a strategy for integration that was not limited to cooperation in trade but also involved production integration in the industrial and agricultural sectors. The concept of regional industrial programming was influenced, *inter alia*, by the then dominant view of import substitution industrialization (ISI), the relatively small market size available on an individual country basis and the attendant scale economy production challenges for both agricultural and industrial growth. This strategy was supported by recommendations for institutional arrangements deemed critical for researching, facilitating and supporting potential integration policies and activities (Brewster and Thomas, 1967).

In 1989 a conference of the Association of Caribbean Economists discussed the issue of regional integration. At those deliberations Girvan (1990) posited that the integration process should be more inclusive and interactive. He succinctly outlined the case for gradually addressing the various dimensions of the integration process such as economic, social, cultural and political (Girvan, 1990). At the same conference Samuels (1990) delivered an extensive treatise in support of greater regional economic cooperation as a strategy for development in the Caribbean. His discussion reinforced the positions outlined earlier by Brewster and Thomas with regard to the agricultural and industrial sectors and extended the considerations of regional cooperation to finance and the non-economic issues such as health, education, culture, and information. The scope of Samuels' (1990) treatise also included consideration of cooperation with other countries and islands in the Caribbean basin.

The West Indian Commission Review of the CARICOM Integration Arrangements

The July 1989 meeting of the Heads of Government of the Caribbean countries in Grand Anse, Grenada issued a declaration addressing policy goals pertaining to the advancement of the integration movement. That meeting also established an *Independent West Indies Commission for Advancing the Goals of the Treaty of Chaguaramas* and mandated that the Commission submit its report in July 1992 (The West Indian Commission, 1994).

The 1989 decision by the Heads of Government on the transformation of the integration process, envisaged the achievement of the concept of a CARICOM Single Market and Economy (CSME). This necessitated the adoption of the 'Revised Treaty of Chaguaramas Establishing the Caribbean Community Including the CARICOM Single Market and Economy' (CARICOM Secretariat, 2006h). In addition to the features of the earlier common market, the CSME emphasized trade in services and the unrestricted movement of the factors of production, including labor. Within CARICOM many features of a classic customs union have not been

attained to date. For example, the complete removal of intra-zonal tariffs on trade and the establishment of a common external tariff in respect of trade with third countries have yet to be fully implemented. Despite this, proponents of the CSME envisage a common market with the unrestricted movement of factors of production and ultimately the possible creation of an economic union with the coordination of macro-economic and monetary policies (CARICOM Secretariat, 2006g).

Members of the West Indies Commission (WIC) consulted extensively with representatives of all conceivable interest groups across the thirteen members of CARICOM as well as with the Caribbean Diaspora and neighboring Caribbean countries and islands. The comprehensive WIC report identified some notable achievements such as the maintenance of a domestic market that provides valuable learning experience for entrepreneurs wishing to eventually export globally as well as successful cooperation in the fields of health, education and external relations. In contrast, except for the introduction of the rules of origin, progress was intermittent on trade related issues like the implementation of the common external tariff (CET) regime and a related payment arrangements facility. In summary, the WIC described the progress as ‘depressingly slow’ (The West Indian Commission, 1994, p38). The WIC report offered a broad suite of recommendations for the consideration of the Heads of Governments.

These included

- Pursue and support an export-led growth strategy and reduce direct public sector involvement in the production of goods and services
- Speed the implementation of the CET by delinquent countries, together with the curtailment of options for exemptions there from
- Reaffirm and specify implementation measures for a single currency as an essential component of a Single Market and Economy
- Establish investment, savings and related financial sector targets

- Agriculture, manufacturing and tourism should be developed on a symbiotic basis with a common set of agricultural health regulations across the region

When he presented the report to the Heads of Government the Chairman of the WIC noted that the Commission's basic finding was that there was a structural inadequacy in the CARICOM arrangements that allowed and accommodated inordinate delays in the implementation critical CARICOM policy and urged that remedial action be taken (The West Indian Commission, 1994, pxxix).

A Recent World Bank Perspective on Caribbean Development

The 2005 report of a World Bank research team cited some of the unique development challenges of the Caribbean countries including their small size, open economies, and vulnerability to natural disasters with attendant economic volatility (World Bank, 2005). The analysis of the region's development strategy and growth performance focused both on national and regional issues. For the latter, it acknowledged the emphasis on a regional integration policy and the thrust towards the establishment of the CSME. The lag in the CSME implementation was noted and the observation made that 'integration within CARICOM suffers from possibly large trade diversion, owing to still relatively high external tariffs on many products' (World Bank, 2005, pxxvii). Policy changes were perceived as a necessary precursor to the achievement of improved and sustained economic growth. Among the areas identified in need of reinvigorated policy were

- An investment climate promoting private-sector driven growth and de-emphasizing subsidies
- Human capital enhancement to support knowledge-based growth
- The promotion of a competitive trade regime and
- The deepening of regional integration through the acceleration of the trade related aspects of the CSME

The World Bank report advocated dialogue among all the relevant stakeholders with the goal of developing a path to achieve improved growth and competitiveness and dissipate the ‘business as usual’ syndrome (World Bank, 2005, pxxviii). Thomas (2005) delivered an insightful comment on the World Bank (2005) report at a Caribbean Development Bank (CDB) sponsored Caribbean Development Forum. He observed that the report displayed some methodological strength in its quantitative approach to identifying the sources of growth. However, while citing other weaknesses, Thomas (2005) perceived that a critical deficiency of the report was the absence of micro level analysis of issues pertaining to the competitiveness of Caribbean firms and enterprises in the global market.

Some Current Perspectives of CARICOM

Gordon and VanSickle (2007) investigated perspectives in the Caribbean Community of entrepreneurs and policy makers in five countries, through interviews with selected firm and policy representatives from Dominica, Guyana, Jamaica, St. Lucia and Trinidad and Tobago. The five countries were selected as a representative sample of CARICOM. This activity was intended to contribute to the enhancement of the understanding of the impact of the CARICOM integration agreement on the economic gains of its members, from the perspective of firms and policy makers. One objective was to evaluate the scope of impact of the CARICOM policies and or national government policies on the production and investment decisions of firms. For policy framers, another objective was to determine the scope of impact of the CARICOM policies and or national government policies on the economic and institutional environment influencing firms’ production decisions. Firm representatives were interviewed from agricultural production, agricultural marketing, agro processing, agricultural services, fisheries, manufacturing, professional services and tourism and hospitality services. Policy makers from ministries of

agriculture and fisheries, finance, trade and industry, planning and tourism were also interviewed.

Firm interviewees were questioned on their perception of CARICOM, the impact of the CARICOM arrangements on aspects of their business as well as opportunity to input into the design of CARICOM policy. They were also invited to elaborate following their initial response. Policy interviewees were questioned about their perception of CARICOM, the impact of the CARICOM arrangements on their national policy development activities as well as their business environment and opportunity to input into the design of CARICOM policies. They too were invited to elaborate following the initial response. A total of 47 firms and 18 policy makers were interviewed across the five countries (Gordon and VanSickle, 2007).

All respondents thought of the grouping of states when reference was made to CARICOM. A majority of both groups perceived that CARICOM was good, citing in support a larger market, opportunity for increased competitiveness and improved prospects for economic growth. In contrast, some reservations were voiced concerning, protracted decision-making, the non-involvement of the grass roots and the apparent lack of focus on the optimization of national level resources. Some firms viewed the CARICOM arrangement as contributing to a decrease in business partly because of increased protectionism among members. Others perceived an increase in the cost of their doing business or constraints on their target market because of greater protectionism or the presence of non-tariff barriers (NTBs). A few firms indicated having an opportunity to input into the design of CARICOM policy but many were of the view that the CARICOM arrangements did strengthen their business environment. A small number of policy makers said that national policy development was made easier by the CARICOM arrangements and many indicated opportunity to provide input into the design of CARICOM

policies. However, in contrast to the firms, few thought that the CARICOM arrangements strengthened their business environment.

A subset of the firms and policy makers were questioned about the impact of the NTBs and the intrinsic structural characteristics of some national economies. The firms indicated that NTBs ultimately constrain a firm's growth and can negatively impact a country's economic gains. Policy makers advocated that greater cognizance be taken of the structural weaknesses of the economies of some states as a prerequisite to arriving at regional policy. A differential approach to policy design, focusing on a sub-group of countries, was tabled as an option to level the playing field within the Community.

In summary, there was no strongly dominant view among firms or policy makers of the beneficial effects of the CARICOM arrangements on the member states, as represented by the target countries. The interviews indicated that the positive perception of firms concerning the CARICOM arrangements contribution to a stronger business environment contrasted with that of policy makers, despite both groups viewing CARICOM as being good (Gordon and VanSickle, 2007). In essence, there is uncertainty among segments of the population about the extent to which the CARICOM integration arrangements have proved beneficial to the countries involved.

Among other contributors to the continuing discussion on the economic integration process in the CARICOM are McIntyre (1995), Bryan (1995), Lewis (1996), Ross-Brewster (1996), Blake (2007) and Girvan (2007). Ross-Brewster proposed a political union of the states while Lewis argued for strategic alliances with neighboring countries and entities. The contributions of McIntyre, Blake and Girvan are cast within the ambit of the CSME with varying emphases. The Girvan (2007) report is the most comprehensive, with a vision encompassing economic, social

and foreign policy dimensions at both the national and regional levels. This vision was recently adopted by the Heads of Government of CARICOM (CARICOM Secretariat, 2007).

A common thread that permeates all of these reports is that the matter of economic growth and development in the countries of the Caribbean Community is extremely multi-faceted. The implication is that there is need for continuing attention to issues pertaining to the economic wellbeing of the Caribbean Community.

Problem Statement and Research Questions

Problem Statement

At its inception in 1973 the Caribbean Community was conceptualized and developed with a view to increasing trade and general economic cooperation among its members, with the underlying rationale that the grouping of states would be able to better enhance their economic gains and growth as a collective than as individual nation states. This rationale was based on economic theory pertaining to economic integration arrangements which hypothesize that economic and welfare gains were realizable from the process of amalgamation of separate economies into larger free trading regions (Balassa, 1961; El-Agraa, 1997). However the expectation of economic benefits from the embracing of preferential trading arrangements (PTAs) has been questioned by Bhagwati and Panagariya (1999).

The implementation of the various CARICOM policy arrangements has been non-uniform and spotty. This trend begs the investigation of the appropriateness of the policy instruments since CARICOM members should not hesitate to implement policy measures perceived to be beneficial to their economic well being. To date there has not been any attempt to validate, or otherwise, the economic theory applicable to the circumstances of the Caribbean Community at the member state level. As a consequence, CARICOM policy measures are continually being pursued without any empirical evaluation as to their efficacy or impact in relation to the

underlying goals of the Caribbean Community. This dissertation aims to evaluate whether the CARICOM policy measures have contributed to the economic gains of the members of the Caribbean Community, from an empirical analysis of the historic data on intra-regional trade performance of the economies as well as from an evaluation of the perspective of the agents that are germane to the generation of economic output.

Research Questions

The empirical analyses of the trade and economic performance data together with the survey of economic agents and their policy makers are being undertaken to address two testable hypotheses, namely

- Economic agents within CARICOM recognize benefits from the preferential trading arrangements of CARICOM and
- CARICOM preferential trading arrangements have contributed to the economic gains of its members

The hypotheses will be tested through research focused on a subgroup of five countries deemed to be representative of CARICOM, namely: Dominica, Guyana, Jamaica, Saint Lucia and Trinidad and Tobago.

Objectives of the Study

The overall objective of this research is to empirically estimate the contribution of the Caribbean Community policy measures (CCPMs) to the economies of its members and the operations of their constituent economic agents. An enhanced understanding of the impact of the CCPMs is expected to provide a more robust foundation for establishing a policy environment that promotes economic gains and encourages economic growth.

Specific objectives are

- **Specific objective 1:** Empirically estimate the static economic and potential welfare gains to members *ex post* the establishment of the customs union of CARICOM, against the theoretical construct of economic integration arrangements.³
- **Specific objective 2:** Empirically determine the dynamic impact of the economic integration arrangements on the level of investment and the growth in output of the target countries
- **Specific objective 3:** Empirically evaluate the perception of firms and policy makers of the target countries within CARICOM of the source of the policy measures that influence their business environment
- **Specific objective 4:** On the basis of the above evaluations, assess the impact and role of the CCPMs, if any, in influencing the economic gains achieved by the target countries over the period and
- **Specific objective 5:** Discuss alternatives and evaluate policies and strategies that can be pursued by the Caribbean Community to enable increased contribution to the economic gains and welfare of its members

³ The selection of the period was influenced by the availability of the data and the implementation of the major trade policies. In the latter instance despite earlier agreements the phased implementation of the common external tariff (CET) commenced in 1993.

CHAPTER 2 REVIEW OF LITERATURE AND METHODOLOGY

Regionalism in Context

The growth of regionalism in the world economy commenced in the late 1940s. Two phases are evident, the first in the 1960s and the second in the 1980s (Bhagwati, 1999). Balassa (1961, p1) defines regionalism as “a process and as a state of affairs”. El-Agraa, (1997, p1) has a somewhat more expansive concept of “a state of affairs or a process which involves the amalgamation of separate economies into larger free trading regions”. In an amplification of his concept, Balassa (1961) indicates that the process entails measures to eliminate discrimination between economic units of different nation states while pursuing equitable treatment between national economies. Therefore, an economic integration arrangement involves the removal of trade restrictions between two or more countries and the implementation of elements of cooperation and coordination between or among them, in contrast to distinct and different policies applied to non-members or third countries. The forms of reciprocal economic integration arrangements generally recognized, in increasing hierarchal order, are(Balassa, 1961; El-Agraa, 1997):

- Free-trade area
- Customs union
- Common market
- Economic union
- Complete economic integration

Free trade areas and customs unions are basic forms of economic integration arrangements (EIAs) in which tariffs and quantitative restrictions are removed for trade between participating members but applied to trade with non-members or third countries. In customs unions, there is the additional policy of the equalization of tariffs for trade between members and third countries, through the adoption of a common external tariff or CET (Balassa, 1961; El-Agraa, 1997;

General Agreement on Tariffs and Trade (Organization), 1953). In a common market, trade restrictions are abolished and factor movements are unregulated. An economic union has the characteristics of a common market as well as some degree of harmonization of economic policies in an attempt to redress any discrimination resulting from disparities in those policies (Balassa, 1961). El-Agraa (1997) characterizes economic unions as EIAs in which there is complete unification of monetary and fiscal policies through the establishment of a central authority.⁴

Initially, free-trade areas (FTAs) and customs unions (CUs) were projected to contribute to trade creation or trade diversion within participating countries, based on the classical static analysis of Viner (1950). The formation of these EIAs was encouraged as a sub-optimal step towards the maximization of world welfare by virtue of discrimination against non-members (El-Agraa, 1997; Lipsey, 1957; Lipsey and Lancaster, 1956; Meade, 1955). However, Bhagwati and Panagariya (1999) expressed strong reservations about the ultimate welfare benefits obtainable by most countries from such arrangements, except perhaps those among developing countries that individually have minimal impact on world trade. They argued that eventual benefits should be determined on a case-by-case basis.

The rules of the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization (WTO) permit the establishment of preferential trading arrangements or economic integration arrangements. Among the better known EIAs are the European Union (EU), European Free Trade Association (EFTA), North American Free Trade Agreement (NAFTA), Southern Common Market (MERCOSUR), Association of South East Nations Free

⁴ The North American Free Trade Agreement (NAFTA) and the European Free Trade Association (EFTA) are examples at the less complex end of this spectrum. The European Communities (EC) was established as a customs union in January 1985. It subsequently evolved into a common market and more recently into an economic union. Further evolution of the European Union into a political union was stymied, with the failure of ratification of a proposed constitution by the citizens of France and Netherlands, May and June 2005 respectively.

Trade Area (AFTA), and Common Market of Eastern and Southern Africa (COMESA) (World Trade Organization, 2007). Blomstrøm et al. (1997) suggest that a combination of economic and political considerations motivated the formation of these arrangements but posit that economics was generally the driving force.

Writing at the time when the European Union comprised 15 members, El-Agraa (1997) deemed this EIA to be successful as measured by the record of enhanced intra-EU trade. Four years after the European Union implemented the economic and monetary union (EMU) phase of its economic integration arrangements the study of Barr et al. (2003) concluded that the trade creation effects experienced by members were significant. They also found that had countries, like the United Kingdom, joined the EMU, they would have benefited from marginal gains in GDP. The study of Micco et al. (2003) also established that the EMU increased trade amongst its members as well as with the rest of the world. Initially established by six founding members, the EU has since grown to 27 in 2007 with other states actively considering accession. This EIA has therefore achieved success in both dynamic elements referred to above. The majority of the other EIAs cannot point to similar achievements. Mwebeih (2004, p244) describes the EIAs in Eastern and Southern Africa (ESA) as being “overly ambitious, setting economic and political integration targets and timetables often premised upon political rhetoric”. He cites a characteristic of overlapping membership that has hampered rather than promoted trade liberalization since membership obligations often conflict. Yeats (1998) highlights some more fundamental issues pertaining to the functioning of EIAs in the less industrialized countries of sub-Saharan Africa (SSA) based upon an empirical analysis of the available trade data. He concluded that the level of SSA intra-trade was relatively low, dominated by a few commodities and countries and not associated with the prevailing EIAs. Panagariya (1993) projected that the

formation of the AFTA was likely to be counterproductive on account of, inter alia: small internal markets, low levels of intra-regional trade, higher tariffs and a reluctance to liberalize in the larger countries and perceived difficulties with the distribution of the gains. This view was substantiated empirically by Lewis et al. (1995) who demonstrated that AFTA provided marginal benefits to its members. El-Agraa (1997) reported that the Central American Common Market (CACM) experienced a nine-fold increase in intra-regional exports during its first decade. But problems pertaining to market size, fiscal policy, war between two partners and subsequent political turmoil left the CACM moribund despite attempts at its revival (The Columbia Electronic Encyclopedia, 2007).

Hirsch (2005) reinforced the arguments of Blomstrøm et al. (1997) that Mexico was mainly motivated to enter NAFTA in order to attract foreign direct investment (FDI) and contended that empirical studies have confirmed the achievement of that goal. In contrast, the Canada-United States Free Trade Agreement (CUSFTA) did not have a similar impact since the trade between Canada and the United States was already relatively liberalized (Blomstrøm et al., 1997). Fernández (1997) argued that NAFTA also provided non-traditional (non-economic) gains for both Mexico and the United States such as domestic policy assurance to investors for the former and long-term economic stability together with reduced illegal migration pressures for the latter. Blomstrøm et al. (1997) also examined the effects on South-South regional integration as found in MERCOSUR. They concluded that there would be a positive impact on FDI but of varying magnitude among the four countries because of their different competitive strengths among other circumstances. The analysis of the trade flows in MERCOSUR by Estevadeordal et al. (2000) demonstrated that, *ex post* trade liberalization, there was a dramatic expansion of intra-zonal trade directly attributable to the formation of the EIA.

The study of Gonzales (2002) concluded that there have been weak economic gains from the CARICOM EIA as evidenced by moderate trade and investment integration, low growth of extra-regional exports and weak attraction of FDI. He identified persisting national policies concerning trade tariffs as impeding the achievement of a regional common external tariff. However, Andriamananjara et al.. (1998) advanced, and demonstrated using CARICOM as a model, that in lieu of economic benefits from EIAs, micro-states can use the grouping as a political instrument in trade and investment negotiations with larger countries and other trading blocs. This conclusion supported the concept of Fernández (1997) that there are non-traditional gains from regional trading arrangements. Egoumé-Bossogo and Mendis (2002) analyzed trade in CARICOM over the period 1980-1999, incorporating point and period average estimates of trade into a gravity model framework. They concluded that intra-CARICOM trade increased over the period even though the grouping's trade with the rest of the world had also increased because of trade liberalization measures.

Theoretical Considerations for Free Trade Areas and Customs Unions

Trade creation refers to the replacement of domestic production by less costly imports from a partner country while trade diversion is the replacement of cheaper third country or non-member imports with more expensive goods from a member country (El-Agraa, 1997). Trade creation reflects a shift from an inefficient to an efficient source of supply while trade diversion is movement from an efficient supplier to an inefficient one (Bhagwati and Panagariya, 1999). Globally, trade creation represents a movement towards the free-trade position and is welfare enhancing while trade diversion is in the opposite direction and welfare depleting. Under the assumption of constant costs, the welfare impact of a trade-creating union of two countries in a three-country world can be modeled following Viner as depicted in Figure 2-1 while that of a

trade-diverting union of two countries can be depicted as in Figure 2-2 (Bhagwati and Panagariya, 1999).

Figure 2-1 depicts a model of trade between countries A and B with the rest of the world represented by C. A's import demand for a specific product is represented by M_A and $P_B E_B$ and $P_C E_C$ the export supplies of the same product from B and C respectively. The supply prices of B and C are assumed to be constant a la Viner. Prior to a union between A and B, A's imports are OM_0 , solely from B for which A receives areas 1 and 2 in tariff revenues. Following an FTA between A and B the tariff revenue is removed and A's imports of the good increases to OM_{FTA} . The new price to consumers falls to P_B and their welfare increases. The union results in trade creation since partner B is the lower cost producer relative to C. In summary A suffers a tariff revenue loss of areas 1 and 2 but A's consumers have a gain in surplus equal to the sum of areas 1, 2, 3 and 4. The union of A and B results in a net welfare gain of areas 3 and 4.

In figure 2-2 the import demand and export supply parameters are similarly represented as in figure 2-1. However, now B produces at a cost higher than that of C. A nondiscriminatory tariff prior to a union results in all of A's imports, OM_0 , now coming from C. The union between A and B forces A to source its imports from the higher cost producer B and imports expand to OM_{FTA} . But the supply source is now switched to the higher cost producer B. Some trade creation results consequent upon increased imports and the displacement of some inefficient domestic production⁵ and higher consumption in A. But trade in the quantity of OM_0 is diverted from C to B. Country A experiences a tariff revenue loss of areas 1 and 2 while the gain in surplus is represented by areas 1 and 3. The net gain or loss to the union would be the difference

⁵ Assumed to be of minimal impact. Note that displacement of domestic production will cause an outward shift in A's demand curve, not specifically reflected in Figure 2-2.

between areas 3 and 2. The loss represented by area 2 would be larger than the gain represented by area 3 unless the cost differences between B and C are small.

Bhagwati and Panagariya (1999) extended their theoretical analysis of preferential trading arrangements to encompass unions between two countries with rising costs from the partner country as shown in Figure 2-3 as well as those with rising costs from the outside country as in Figure 2-4. In both of these figures $M_A M_A$ represents A's import demand for a product for which $E_B E_B$ and $P_C P_C$ are B's and C's upward sloping and horizontal supply curves respectively. Figure 2-3 analyzes and compares the situation of a nondiscriminatory tariff with that of free trade and a country specific FTA while Figure 2-4 compares an initial nondiscriminatory tariff with an FTA. In figure 2-3, the case of an initial specific nondiscriminatory tariff, at tariff level t , depicts supplies from B and C being perceived by consumers in A as $E_B^t E_B^t$ and $P_C^t E_C^t$ respectively. Imports into A total OQ_3 comprised of OQ_1 from B and $Q_1 Q_3$ from C. A receives tariff revenue equivalent to the rectangle GHNS and the gains from trade for A amount to GHNS plus the triangle KSG. For B, the gains from trade are equivalent to the area above $E_B E_B$ and below the net price received, P_C , and this is represented by the triangle HUD. Country C neither gains nor loses as is summarized in column 1 of table 2-1. Now if there were free trade with the tariff being eliminated on a nondiscriminatory basis the price in A falls to P_C resulting in unchanged imports from B and those from C increasing by NR . A loses tariff revenue, but the loss of tariff revenue is exactly offset by a lower consumer price. In addition, the gains from trade increase by triangle RNS due to the higher level of consumption at a lower price. There is no change in B or C and the net effect is summarized in column 2 of Table 2-1. In the instance when A forms an FTA with B by eliminating the tariff on imports from B while retaining it on those from C, imports from B rise by $Q_1 Q_2$ to OQ_2 and those from C fall to $Q_2 Q_3$. B now gains from the FTA

owing to an improvement in its terms of trade. B's exporters now receive a price increase from P_C to P_C^t and B's gains increase by GFUH. C's perfectly elastic supply allows the continuation of imports after the formation of the FTA and the price in A remains the same but A suffers the loss of the tariff revenue on imports from B. The FTA therefore diverts imports Q_1Q_2 from the more efficient producer C to the less efficient B resulting in A's loss exceeding B's gain by the area FLU as summarized in column 3 of Table 2-1. In contrast to the assumptions of less than perfect elasticity of supply in a union partner and perfectly elastic supply in a non-partner as in Figure 2-3, Figure 2-4 considers the circumstances where A's union partner C is a less efficient supplier compared to the rest of the world represented by B. Following the initial nondiscriminatory tariff, t , the FTA lowers the price in A to P_C . As a result A's net gain (equal to RNS + HWYZ) exceeds what would have obtained under free trade by the equivalent of the tariff revenue on all imports (HWYZ). However, B suffers a net loss as summarized in column 2 of Table 2-2.

Bhagwati and Panagariya (1999) use the analysis described above, together with extensions considering a non-uniform external tariff in the union and selective consumption of the product, to conclude that the welfare effect of preferential trading arrangements will be ambiguous in general and potentially harmful to a member of the union even in the absence of trade diversion. Emphasizing that their conclusion applied to varying circumstances of PTAs, they wrote:

'Our analysis of the static effects of PTAs is far less sanguine than is customarily assumed by several policy economists, bureaucrats, and politicians today. It also challenges and undermines the validity of the claims made in behalf of "regional" PTAs, whether the regions are defined in terms of countries with relatively high intraregional trade or in terms of proximity with or without common borders.

Therefore, if we were to assume that PTAs result from a variety of non-economic factors, we need not be complacent even if those PTAs were to be essentially regional in scope,

when “regional” means geographic proximity or higher volumes of trade, among rather than outside, members)’(Bhagwati and Panagariya, 1999, p67).

The above theoretical discussion pertains to the static effects of an economic integration arrangement. The dynamic impact of an EIA must also be considered and in this regard there are two elements. The first is the ‘time-path’ issue pertaining to the expansion of the membership of PTAs articulated by Bhagwati (1999) and analyzed from different perspectives by various researchers (Krugman (1999); Levy, (1999)1999, Deardorff and Stern,(1999), Baldwin, (1999) and Krishna, (1999). The second relates to issues such as productivity, investment and economic growth influenced by the increased market size resulting from the economic integration arrangement (Balassa, 1961). There has been marginal expansion of the membership of the CARICOM integration arrangement since its inception in 1973. This study will therefore ignore the ‘time-path’ aspect pertaining to CARICOM and focus on the second set of dynamic effects.

One characteristic difference between developed and developing countries that can result in the theory of EIAs not being directly applicable to developing countries’ EIAs is the absence of some functioning market structures in the latter group of countries (Balassa, 1961; El-Agraa, 1997; Mikesell, 1992; Scitovsky, 1958). Scitovsky (1958) identified some characteristics of developing countries such as high degrees of market imperfection, risk and uncertainty associated with political instability and policies of some firms reflected in high margins, low output and unwillingness to invest in plants that will be optimal for future demand. He suggests that these act against the realization of economies of scale from EIAs within developing countries. Cooper and Massell (1999) analyzed the impact of customs union participation on developing countries in pursuit of industrialization. They concluded that potential gains would be influenced by: the marginal cost of protection in the countries, their preference for industry, whether their economies are complementary and the relative dominance in industrial production.

Rules governing the formation and operation of the CU together with a flexible and cooperative policy environment were identified as supportive in the achievement of gains from economic integration (Cooper and Massell, 1999).

In summary, the theoretical analysis indicates that the formation of an EIA is not necessarily Pareto-optimal since there is ambiguity with respect to overall benefits despite some individual country gains. In addition, because of characteristics such as market imperfections, scale economy issues, openness to externalities and sometimes relatively weaker policy environments, developing countries should undertake considerably more analysis to guide policy formulation as they embrace economic integration.

Research Methodology, Analytics and Data

Methodological and Analytical Procedures

Static effects

DeRosa (1998) observed that it was a challenge to identify a theoretically robust evaluation technique for studying the impacts of regional integration arrangements. He stated that some quantitative studies are *ex ante* or analytical, projecting the course of variables based on a minimum theoretical structure using *a priori* estimates of key parameters. DeRosa (1998) described others as *ex post* or empirical utilizing historic data to explain past trends in trade flows and variables of interest. The *ex post* empirical approach is being adopted for this research.

Ex post evaluation of economic integration arrangements usually measure the effects of economic integration as depicted by the data and compares these with the presumed trade under projected identical circumstances in the absence of integration. This latter estimation is termed the *anti-monde* (DeRosa, 1998; Winters, 1987). Winters (1987) posits that the main difference among studies of the impact of economic integration rests with the treatment of the *anti-monde*. The residual imputation method of Mayes (1978) conceptually overestimates the effects by

taking the difference between stochastic observations of actual integration effects and a non – stochastic *anti-monde* based on the non-integration level values of the variables affected by integration.

Busse and Shams (2005) empirically evaluated the trade effects of the East African Community (EAC) utilizing trade and tariff data for the three countries with the tariffs transformed into the Standard International Trade Classification (SITC, Revision 3) and the products at the two-digit level. These researchers used a partial equilibrium model based on the Verdoorn (1960) model which allowed the identification of the commodities that were particularly affected by the customs union of the EAC (Busse and Shams, 2005). They compared the merits of using a partial equilibrium model with that of a general equilibrium model and concluded in favor of using a partial equilibrium model because it required less data and fewer assumptions about key variables. They downplayed the limitation of the feature of partial equilibrium models, namely the exclusion of aspects of trade liberalization with the non-accounting for inter-sectoral linkages and income effects of tariff preferences. However the model assumed product differentiation between supplying countries and specifically that imported goods were imperfect substitutes (Busse and Shams, 2005). This assumption may not hold for countries within the CCIA unless the majority of intra-zonal trade is in manufactured goods. Other assumptions of partial equilibrium analysis on which the Verdoorn model is based are no exchange rates or income effects due to changing trade flows, iso-elastic import-demand functions and infinite supply elasticities. This latter assumption might be troubling for the current study since the elasticities of supply of the CARICOM countries are not expected to be infinite.

Busse and Shams (2005) observed that the estimation of the static effects of economic integration, namely trade creation and trade diversion, using the differentiated product model

required estimates of import demand and substitution elasticities, respectively. The absence of reliable estimates of these parameters for CARICOM countries can be overcome by using a different analytical approach.

Tinbergen (1962) was one of the pioneers in the evolution of what became known as the gravity model in its application to the analysis of international trade. Linnemann (1966) refined Tinbergen's (1962) approach and provided a theoretical basis for the use of this model in evaluating bilateral trade. Brada and Mendez (1983) observed that the gravity equation was commonly employed to quantify the effect of intra-regional trade among preferential trading arrangements and Adams et al. (2003, p31) considered it the 'key ex post econometric technique for examining the determinants of bilateral trade flows'. In the gravity model the trade between two countries is positively related to their size and inversely related to the distance separating them. Other explanatory variables are usually added to analyze various trade policy issues. The general form of Linnemann's gravity model is:

$$X_{ijt} = e^{\beta_0} \frac{Y_{it}^{\beta_1} Y_{jt}^{\beta_3} e^{\sum_k \gamma^k P_{kij}}}{N_{it}^{\beta_2} N_{jt}^{\beta_4} D_{ij}^{\beta_5}} \quad 2-1$$

or

$$X_{ijt} = e^{\beta_0} Y_{it}^{\beta_1} N_{it}^{-\beta_2} Y_{jt}^{\beta_3} N_{jt}^{-\beta_4} D_{ij}^{-\beta_5} e^{\sum_k \gamma^k P_{kij}} \varepsilon_{ijt} \quad 2-2$$

where

X_{ijt} = value of exports from country i to country j in period t

e^{β_0} = constant

Y_{it} , Y_{jt} = income in the exporting and importing country respectively at period t

N_{it} , N_{jt} = population in the exporting and importing country respectively at period t

D_{ij} = distance between countries i and j

P_{ijk} = dummy variable(s) representing influences on bilateral trade flows; and

ε_{ijt} = white noise disturbance term.

Brada and Mendèz (1983) used a similar model to analyze and compare the benefits derived to members of preferential trading arrangements among both developed and developing countries. In their study Adams et al. (2003) investigated the trade and investment effects of preferential trading arrangements using a gravity model augmented with the inclusion of PTA specific dummy variables to capture the trade creation and trade diversion effects based upon studies by Bayoumi and Eichengreen (1995) and Frankel et al. (1997).

Adams et al. (2003) indicated that the explanatory variables used in gravity models can be grouped into four categories, namely: size, geographical, monetary/price and policy/institutional. They emphasize that the omission of an important determinant of trade can lead to bias in the coefficient of the PTA specific dummy variable if the latter is correlated with the omitted variable. Consequently, it is important to include in the model as many normal determinants of the bilateral trade as possible.

Soloaga and Winters (2001) citing Winters (1997) posit that the welfare of a country is influenced more directly by what is consumed rather than what is exported although the latter does impact on consumption. From this perspective this study will estimate the effects on imports between trading partners in CARICOM. In the model used in this study the variables were included to represent:

- Size (income and population) of the exporting and importing countries
- Geographical: Distance between capitals

- Monetary/price: Common currency and exchange rate⁶
- Policy/institutional: Tariffs
- The effects of extra-bloc trade: Imports from and exports to the rest of the world

In summary, the gravity model to be estimated is:

$$X_{ijt} = \beta_0 Y_{it}^{\beta_1} N_{it}^{-\beta_2} Y_{jt}^{\beta_3} N_{jt}^{-\beta_4} D_{ij}^{-\beta_5} e^{\beta_6 Cur_{ij}} RER_{ijt}^{\beta_7} Tar_{ijt}^{\beta_8} IMP_{it}^{\beta_9} EXP_{it}^{\beta_{10}} \varepsilon_{ijt} \quad 2-3$$

where

X_{ijt} = value of imports of country i from country j (i.e. exports from j to i)

β_0 = constant

Y_{it} , Y_{jt} = income in the importing and exporting country respectively in period t

N_{it} , N_{jt} = population in the importing and exporting country respectively in period t

D_{ij} = distance between countries i and j, measured by the distance between the capitals

Cur_{ij} = Dummy variable that takes the value of zero if the countries have the same currency, 1 otherwise

RER_{ijt} = A ratio of the real exchange rate of the importing and exporting country

Tar_{ijt} = A ratio of the average tariff levels of the importing and exporting country

IMP_{it} = Variable reflecting the value of extra-bloc imports of country i in period t

EXP_{it} = Variable representing extra-bloc exports of country i in period t

ε_{ijt} = white noise disturbance term

⁶ Of the 5 target countries two, Dominica and St Lucia share the same currency-the Eastern Caribbean dollar, at a fixed rate of exchange to the US dollar. The other national currencies are at various market determined exchange rates to the US dollar.

The nonlinear equation 2-3 can be linearized by taking the natural logarithms to yield the following linear model:

$$\begin{aligned} \ln X_{ijt} = & \alpha + \beta_1 \ln Y_{it} - \beta_2 \ln N_{it} + \beta_3 \ln Y_{jt} - \beta_4 \ln N_{jt} - \beta_5 \ln D_{ij} \\ & + \beta_6 Cur_{ij} + \beta_7 \ln RER_{ijt} + \beta_8 \ln Tar_{ijt} + \beta_9 \ln IMP_{it} + \beta_{10} \ln EXP_{it} + \varepsilon_{ij} \end{aligned} \quad 2-4$$

The estimated coefficients of the continuous variables can then be interpreted as elasticities of bilateral import flows with respect to the factors of influence. Income of either trading partner, measured by GDP (Y), can be expected to have a positive impact on trade flows while the size of either country, measured by population (N) which indicates a degree of self-sufficiency of a country, can be expected to exert a negative influence with larger countries being assumed more self-sufficient than smaller ones (Breus and Egger, 1997). The distance separating countries acts as a trade-resistance factor and is expected to be negative. The impact of the other variables is ambiguous and cannot be predicted *a priori*. The determination of the effect of the CARICOM arrangements will be based on an evaluation of the signs and significance of the estimated parameters.

Equation 2-4 can be reformulated through simple algebraic operations to reflect the per capita income of the importing and exporting countries giving:

$$\begin{aligned} \ln X_{ijt} = & \beta_0 + \beta_1 \ln \left(\frac{Y_{it}}{N_{it}} \right) + (\beta_1 - \beta_2) \ln Y_{it} + \beta_4 \ln \left(\frac{Y_{jt}}{N_{jt}} \right) + (\beta_3 - \beta_4) \ln Y_{jt} - \beta_5 \ln D_{ij} \\ & + \beta_6 Cur_{ij} + \beta_7 \ln RER_{ijt} + \beta_8 \ln Tar_{ijt} + \beta_9 \ln IMP_{it} + \beta_{10} \ln EXP_{it} + \varepsilon_{ijt} \end{aligned} \quad 2-5$$

or equivalently

$$\begin{aligned} \ln X_{ijt} = & \beta_0 + \beta_1 \ln \left(\frac{Y_{it}}{N_{it}} \right) + (\beta_1 - \beta_2) \ln N_{it} + \beta_3 \ln \left(\frac{Y_{jt}}{N_{jt}} \right) + (\beta_3 - \beta_4) \ln N_{jt} - \beta_5 D_{ij} \\ & + \beta_6 Cur_{ij} + \beta_7 \ln RER_{ijt} + \beta_8 \ln Tar_{ijt} + \beta_9 \ln IMP_{it} + \beta_{10} \ln EXP_{it} + \varepsilon_{ijt} \end{aligned} \quad 2-6$$

Bergstrand (1989) demonstrated that, when the gravity model is expressed as in equations 2-5 or 2-6, the exporter's per capita GDP (Y_j/N_j) is a proxy for its capital-labor ratio and an increase in the GDP per capita raises its capital endowment relative to labor. He also argued that the importer's per capita GDP (Y_i/N_i) is an indicator of the demand in the importing country. With these formulations of the model, an elasticity coefficient greater than unity suggests that the imported goods are luxury goods and a coefficient less than unity indicates the goods are necessities (Breus and Egger, 1997). Breus and Egger (1997) also suggest that existing multicollinearity between the GDP and population variables that is present in the model formulation of equation 2-5 is avoided by using the model specification of per capita income and population as in equation 2-6. All three models, equations 2-4, 2-5 and 2-6, will be used to analyze the data.

Dynamic effects

Brada and Mendèz (1988) proposed that the dynamic effects of economic integration impact to increase output either through the growth of factor inputs or an increase in the rate of technological progress. The larger market implicitly available as a result of economic integration is assumed to create opportunities for cost reduction through economies of scale for firms (Balassa, 1961; Brada and Mendèz, 1988) and promote increased investment from a reduction in the risk and an increase in the return to capital (Brada and Mendèz, 1988). The integration scheme is projected to have an overall positive impact on investment taking into consideration changes in trading partners' commercial policies, the interaction of national capital markets consequent upon integration, the occurrence of factor mobility and any short-term dis-investment on account of competition in the market (Brada and Mendèz, 1988). They modeled the investment effects of economic integration over the long-term using a flexible accelerator model

in which the capital stock was assumed to be proportional to the expected or planned level of future output. The equation that Brada and Mendèz (1988) used for developing countries was:

$$I / Y_{i,t} = a_0 + a_1 \Delta Y / Y_{i,t} + a_2 F / Y_{i,t} + a_3 CU_{i,t} + a_4 CU / t_{i,t} + \sum a_{4+j} COUN_j + \varepsilon_{i,t} \quad 2-7$$

where

$I / Y_{i,t}$ = real gross domestic capital formation (I) divided by real gross domestic product (Y) in country i in year t ,

$\Delta Y / Y_{i,t}$ = growth of real gross domestic product in country i in year t ,

$F / Y_{i,t}$ = real foreign capital inflow divided by real gross domestic product in country i in year t ,

$CU_{i,t} = 0$ if country i was not a member of the integration scheme in year t ,

= 1 otherwise,

$CU / t_{i,t} = (CU_{i,t} / (t - 1950))$

$COUN_j = 1$ when $i = j$,

= 0 otherwise,

$e_{i,t}$ = disturbance term

This research focuses on a group of countries that are all members of the same integration arrangement. As a consequence there is no need for the integration scheme membership dummies of the Brada and Mendèz (1988) model. The resulting model for this aspect of the analysis will then be:

$$I_{i,t} / Y_{i,t} = a_0 + a_1 \Delta Y / Y_{i,t} + a_2 F_{i,t} / Y_{i,t} + \sum a_{4+i} COUN_i + \varepsilon_{i,t} \quad 2-8$$

where

$I_{i,t} / Y_{i,t}$ = real gross domestic capital formation (I) divided by real gross domestic product

(Y) in country i in year t ,

$\Delta Y / Y_{i,t}$ = growth of real gross domestic product in country i in year t ,

$F_{i,t} / Y_{i,t}$ = real foreign capital inflow divided by real gross domestic product in country i in year t ,

$COUN_i = 1$ when the observation pertains to country i

= 0 otherwise

$\varepsilon_{i,t}$ = disturbance term

Technological progress is stimulated by increased competition, research and development and improved management practices (Corden, 1970; Martin, 1978) and an EIA is likely to promote increased firm sizes, greater specialization, and greater industrial activity (Balassa, 1961; Brada and Mendèz, 1988). Brada and Mendèz (1988) posit that economic integration should increase total factor productivity (TFP) and that the dynamic effects can be estimated by examining the rate of technological progress. They modeled output growth as a function of growth of labor and capital inputs. Their implicit assumption is that since these are critical for TFP they reflect TFP changes. Brada and Mendèz (1988) evaluated the impact of integration on productivity growth using the equation:

$$\Delta Y / Y_{i,t} = b_0 + b_1 \Delta K / K_{i,t} + b_2 \Delta L / L_{i,t} + b_3 CU_{i,t} + \sum_i b_{4+j} COUN_j + u_{i,t} \quad 2-9$$

where

$\Delta K / K_{i,t}$ = rate of growth of capital stock in country i in year t ,

$\Delta L / L_{i,t}$ = rate of growth of labor force in country i in year t ,

$COUN_j = 1$ when $i = j$,

= 0 otherwise,

$u_{i,t}$ = disturbance term.

Applying the same rationale as indicated above for the investment model the Brada and Mendèz (1988) model for evaluating impact on productivity growth will be modified to the following:

$$\Delta Y / Y_{i,t} = b_0 + b_1 \Delta K / K_{i,t} + b_2 \Delta L / L_{i,t} + \sum_i b_{4+j} COUN_i + u_{i,t} \quad 2-10$$

where

$\Delta K / K_{i,t}$ = rate of growth of capital stock in country i in year t ,

$\Delta L / L_{i,t}$ = rate of growth of population in country i in year t ,⁷

$COUN_i = 1$ when the observation pertains to country i

= 0 otherwise

$u_{i,t}$ = disturbance term.

Surveys

Litchfield et al. (2003) report on the use of detailed multi-period household surveys to evaluate the impact of agricultural and other trade liberalization policies on the dynamics of poverty in three developing countries. Winters (1997) reports on the ranking of barriers to intra-European Union (EU) trade through a survey of EU businesses. This literature and the report of VanSickle et al. (2005) on the survey of the grower perspectives in the U. S. nursery industry informed the methodological approach used here with respect to the survey. Firms and policy makers were surveyed from each of the five countries included in this study. Two structured four

⁷ In the instance of unavailability of data on employment, population will be used as a proxy for labor.

part questionnaires were designed, one for each of the two groups of respondents (See Appendix A). The questionnaires and informed consent protocol for the survey were reviewed by the University of Florida Institutional Review Board (UF-IRB) for compliance with ethical standards for human subjects' research. The general focus of the two survey instruments was similar although there were differences in the questions posed to the respective respondent groups.

Firms

For the firms, the first section sought characteristics on the respondents. These data pertained to country and location of enterprise, sub-sector of operation, geographic scope of operations, number of workers employed and size of the firm based on their annual sales volume in US dollars. For this variable firms were categorized into four groups. Firms with a sales volume less than US \$ 1.0 million were included in the micro group and those with a sales volume greater than US \$ 1.0 million but less than US\$2.5 million were classified as small. Firms with a sales volume greater than US\$ 2.5 million but less than US \$6.5million were considered medium sized and those with a sales volume greater than US\$ 6.5 million were classified as large.

Section II invited the respondent's ranking of concepts commonly accepted as critical to a business (Acs and Szerb, 2007; Alvarez and Crespi, 2003; Cook, 2001; Stel et al., 2007).

Eleven critical success factors were identified for ranking with respect to their impact on business operations, national policies impacting on the factors, and CARICOM policies impacting on the factors. These factors were

- 1) The cost of capital
- 2) The exchange rate
- 3) Exchange rate management
- 4) The rate of inflation
- 5) The cost of unskilled labor
- 6) The cost of skilled labor
- 7) The cost of local inputs

- 8) The cost of foreign inputs
- 9) The availability of technology
- 10) The ease of access to markets
- 11) Institutional structures or rules for operating businesses

The Treaty of Chaguaramas broadly outlines a policy agenda in several areas in support of the preferential trading agreement among member states of CARICOM. This policy agenda relates, *inter alia*, agricultural and industrial development, services, tourism, trade and transportation. A summary of the respective policy goals was provided to respondents with respect to:

- The tariff regime
- The rules of origin
- Joint negotiation of trade agreements
- Agriculture and fisheries
- Industry and services
- Tourism
- Transportation
- Establishment, capital and movement of persons

Information on the CARICOM policies was distilled primarily from the Revised Treaty of Chaguaramas (CARICOM Secretariat, 2006h).

Firms were also invited to rank their perception of the impact of CARICOM policy areas on their business operations. The policies areas indicated were:

- The implementation of the CET
- The Rules of Origin
- Trade Negotiations (WTO)
- Trade Negotiations (EU)
- Trade Negotiations (Other)
- Agriculture
- Fisheries
- Industry
- Services (Tourism & Hospitality)
- Services (Professional & other)
- Transportation

For the questions in section II, the ranking scale was from -3 to +3 where -3 = a strong negative impact, 0= no impact (neutral) and +3 a strong positive impact. Respondents were also able to indicate U if they had no view or were uncertain or N/A if not applicable.

Section III sought responses on a desirable investment climate. Respondents were invited to rank the importance of the factors from three perspectives, namely: their contemplation of future investment in their business environment, the influence of their national government's policies on the factors and their future investment decisions and the influence of the CARICOM policy agenda on the factors and their future investment decisions. In addition, respondents were also invited to indicate whether any of the eleven specific CARICOM policy areas listed above seem likely to influence their investment decisions. The scale for ranking the responses in this section was (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respondents were able to indicate U if they had no view or were uncertain or N/A if not applicable.

The fourth section of the questionnaire sought a comparative evaluation on the impact of national and CARICOM policies with respect to their influencing the critical business factors important to the viability of their enterprise or firm. Responses were indicated on a scale of 1 to 4 where 1= least important and 4= very important. A response of U or N/A was given if the respondent was uncertain or considered the question not applicable to their circumstances. This section also elicited respondents' perspective on the contribution of the CARICOM integration arrangements to: countries' economic gains and the potential for increased investment in the country. Responses for either question were recorded on a ranking scale of 1 to 4 where 1= no impact, 2 = minimally, 3 = somewhat and 4 = considerably. Those who were uncertain or had no

view could have elected to respond 'U'. Respondents were also invited to make any general or specific comment to supplement their responses to the structured portion of the questionnaire.

Policy makers

For the policy makers the first section sought general data and information on the respondents. These data pertained to country and ministry of assignment, years of service at the current ministry, service at another ministry, area of specialization and highest level of academic training.

Section II elicited respondents' perception of the impact of national policies on the business factors, the impact of the collective of CARICOM policies on the business climate, as filtered through the business factors, the extent to which the collective of CARICOM policies are perceived supportive or unsupportive of national policies in relation to the critical business factors and specific CARICOM policies having an impact on the national business climate. The listing of business factors was the same as was used with the firms, as was the CARICOM policy agenda and the CARICOM policy areas. Similarly, for the questions in this section, the ranking scale was from -3 to +3 where -3 = a strong negative impact, 0= no impact (neutral) and +3 a strong positive impact. Respondents were also able to indicate U if they had no view or were uncertain or N/A if not applicable.

Section III invited responses on a desirable investment climate. Respondents were requested to rank the importance of the business factors from three perspectives. These were their perception of importance in relation to future investment in their country, the likely impact of their national government's policies on the factors and the future investment climate in the country and the influence of the CARICOM policy agenda on the business factors and consequential future investment climate in their country. In addition, respondents were also invited to indicate whether any of the eleven specific CARICOM policy areas listed earlier seem

likely to influence the investment climate in their country. The scale for ranking the responses in this section was (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respondents were able to indicate U if they had no view or were uncertain or N/A if not applicable.

The fourth section of the policy makers' questionnaire sought a comparative evaluation on the impact of national and CARICOM policies with respect to their influencing the critical business factors for the investment climate in their country. Responses were indicated on a scale of 1 to 4 where 1= least important and 4= very important. A response of U or N/A was an option if the respondent was uncertain or considered the question not applicable to their circumstances. This section also elicited respondents' perspective on the contribution of the CARICOM integration arrangements to countries' economic gains and increased investment in the country. Responses for either question were recorded on a ranking scale of 1 to 4 where 1= no impact, 2 = minimally, 3 = somewhat and 4 = considerably. Those who were uncertain or had no view could have elected to respond 'U'. Respondents were also invited to make any general or specific comment to supplement their responses to the structured portion of the questionnaire.

Field testing and survey administration

The questionnaires were field-tested, through individual or focus group discussions in each of the target countries and modified based upon the feedback received. One important change was the division of each of the questionnaires into two parts, the first dealing with the current environment and the second with future investment. This change reduced the time required for the completion of each part and was advised as a prudent measure to encourage a greater response. The survey was administered electronically, initially through an online survey service

provider.⁸ Questionnaires were also distributed by email in a PDF file format, to facilitate ease of completion. A CARICOM Secretariat letter of support for the research being undertaken was transmitted with the PDF file. Field visits, electronic and telephone contacts were undertaken in order to improve the response rate.

In-Person Interviews

Firm interviewees were questioned on their perception of CARICOM and the impact of the CARICOM arrangements on aspects of their business. Policy makers were similarly questioned but in relation to national policy formulation and the business environment. A total of 47 firms and 18 policy makers were interviewed across the five countries.

Analysis of Survey Data

Firms

The scope of the analysis of the firms' responses covered the demographics of the respondents, the current business environment and policy impacts thereupon, the investment climate, a comparative policy impact evaluation and an economic impact overview. Econometric modeling was undertaken on the firms' data pertaining to the current business environment.⁹ The econometric analyses were on four business variables only, namely: cost of capital (factor # 1), exchange rate (factor #2), availability of technology (factor # 9) and access to markets (factor # 10). For this analysis, the respondents' ranking of the importance of the business variable in their respective business or investment environment was designated the core rating of that variable. The model used for this econometric analysis was: Core rating of business variable = f [(country), (sub-sector), (firm size), (national policy), (CARICOM policy)]. The sub-sectors used in the model were agriculture and manufacturing, services (tourism and hospitality)

⁸ The firm Survey Monkey was used for this service.

⁹ These data are from the firms' Survey A.

and services (professional). An ordered probit estimation was undertaken, given the ordinal nature of the dependent variable (Greene, 2003; Kennedy, 1998; Long, 1997).

Mathematically, ordered probit models can be represented by the model:

$$y^* = \mathbf{x}'\boldsymbol{\beta} + \varepsilon \quad 2-11$$

where y^* is unobserved. Instead, categories in to which y^* falls are observed such that

$$\begin{aligned} y &= 0 \text{ if } y^* \leq 0. \\ &= 1 \text{ if } 0 < y^* \leq \mu_1 \\ &= 2 \text{ if } \mu_1 < y^* \leq \mu_2 \\ &\cdot \\ &\cdot \\ &= J \text{ if } \mu_{J-1} \leq y^* \end{aligned}$$

The unknown values of the parameter μ are estimated with β (Greene, 2003). In this model the disturbance term ε is assumed to be normally distributed across observations with a normalized mean and variance of zero and one. The following probabilities then apply:

$$\text{Prob. } (y = 0 | \mathbf{x}) = \Phi(-\mathbf{x}'\boldsymbol{\beta}).$$

$$\text{Prob. } (y = 1 | \mathbf{x}) = \Phi(\mu_1 - \mathbf{x}'\boldsymbol{\beta}) - \Phi(-\mathbf{x}'\boldsymbol{\beta}).$$

$$\text{Prob. } (y = 2 | \mathbf{x}) = \Phi(\mu_2 - \mathbf{x}'\boldsymbol{\beta}) - \Phi(\mu_1 - \mathbf{x}'\boldsymbol{\beta}).$$

·

·

$$\text{Prob. } (y = J | \mathbf{x}) = 1 - \Phi(\mu_{J-1} - \mathbf{x}'\boldsymbol{\beta}), \text{ with } 0 < \mu_1 < \mu_2 < \dots < \mu_{j-1} \text{ (Greene, 2003).}$$

Similar econometric modeling was undertaken on the investment environment responses, for the same variables.

Policy makers

The scope of the analysis of the policy makers' responses covered the demographics of the respondents, the national and CARICOM policy impacts on the current business environment and investment climate, a comparative policy impact evaluation and an economic impact overview. No econometric modeling was undertaken on the policy makers' responses because of the paucity of the data.

Data

Three sets of data were utilized in this study. The static trade effects of economic integration were analyzed using data on intra-CARICOM trade over the years 1982-2005 obtained from the UN Comtrade database. These data were supplemented with intra-CARICOM trade data obtained from the CARICOM Secretariat. Data on trade tariff levels from the CARICOM Secretariat were also utilized in the construction of a tariff variable to reflect the implementation of the common external tariff (CET). There were three components to this variable, each comprising simple averages of applied tariffs.¹⁰ The first comprised a simple average of the applied tariffs computed from data for the year 1984 and applied over the years 1981 to 1992, under the assumption of no change in the CET over that period. The CET rate structure agreed to by the Heads of Government for application beginning January 1993 was used to compute a simple average of the applied tariffs over the period 1993 to 1998 and onwards (CARICOM Secretariat, 1993). This component was time weighted to reflect the lag in implementation of the CET by the respective countries¹¹ and comprised the second segment of the tariff variable. The third segment of this variable comprised data on the applied simple

¹⁰ The simple average is the sum of all applied tariffs divided by the number of tariff lines

¹¹ A weighting coefficient was constructed by comparing the countries' effective timeline for implementing the CET decision with that agreed to in the decision.

average tariffs obtained from the WTO for the period 2001-2005. In this instance, the average tariff levels that obtained in 2001 were assumed applicable through to 2005. The analysis was restricted to the period 1981 to 2005 since data from an earlier period were unavailable.

The analysis of the dynamic impact of the CARICOM economic integration arrangements was assessed using national economic data from the World Bank's World Development Indicators Online (2005) database. This is a comprehensive collection of data in the area of social and economic development.

Primary data were used in the evaluation of the business environment in CARICOM from the perspectives of entrepreneurs and policy makers. These data were obtained through the administration of surveys and interviews of respondents from entrepreneurs and policy makers in the five target countries. The scope of primary data on entrepreneurs encompassed data on the size, location, scope and areas of operations of their firms and the influence of critical business factors on their businesses. Data were also obtained on entrepreneurs' perceptions of the impact of national level policies, CARICOM policies and CARICOM policy areas upon the same critical business factors pertaining to their business environment and investment decisions. The surveys of policy makers yielded general data on their background, qualifications and specialization, experience, and their perspective of the source of policy influences on the same subset of factors deemed critical for a business environment. Both sets of respondents were polled on their perception of whether the CCIAs have contributed to the economic growth and investment in their country. The interviews had a similar focus. Firm interviewees were questioned on their perception of CARICOM and the impact of the CARICOM arrangements on aspects of their business. Policy makers were similarly questioned but in relation to national policy formulation and the business environment.

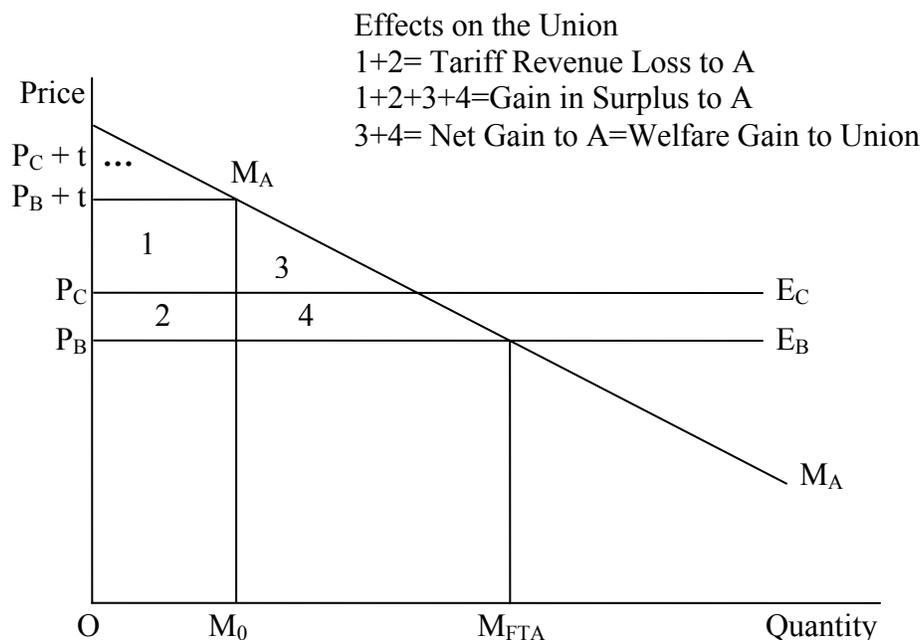


Figure 2-1: Trade-creating Union of A and B. Constant costs, Vinerian analysis. Source: (Bhagwati and Panagariya, 1999, Fig 2.1(a) p 40).

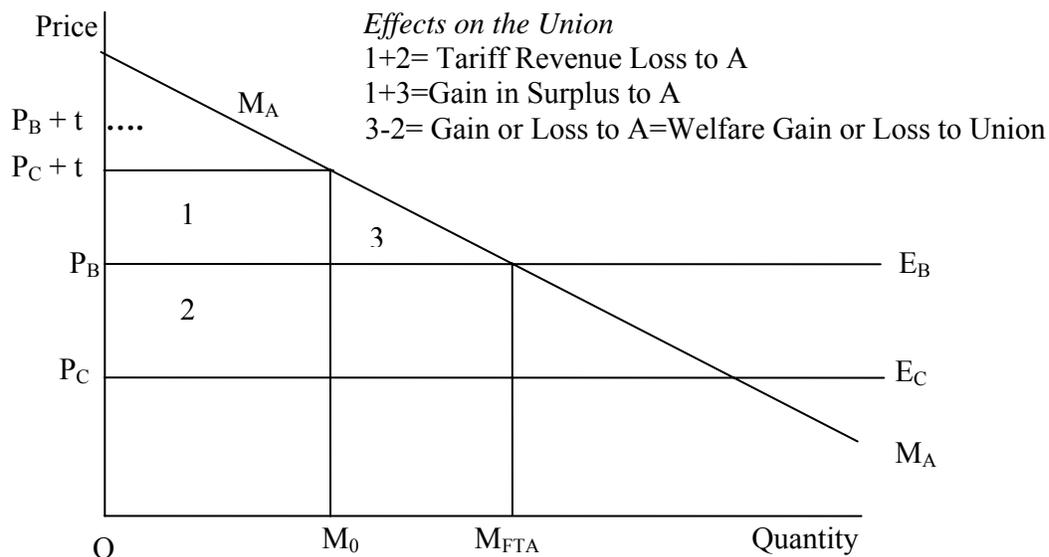


Figure 2-2: Trade Diverting Union of A and B. Constant costs, Vinerian analysis. Source: (Bhagwati and Panagariya, 1999, Fig 2.1(b) p 40).

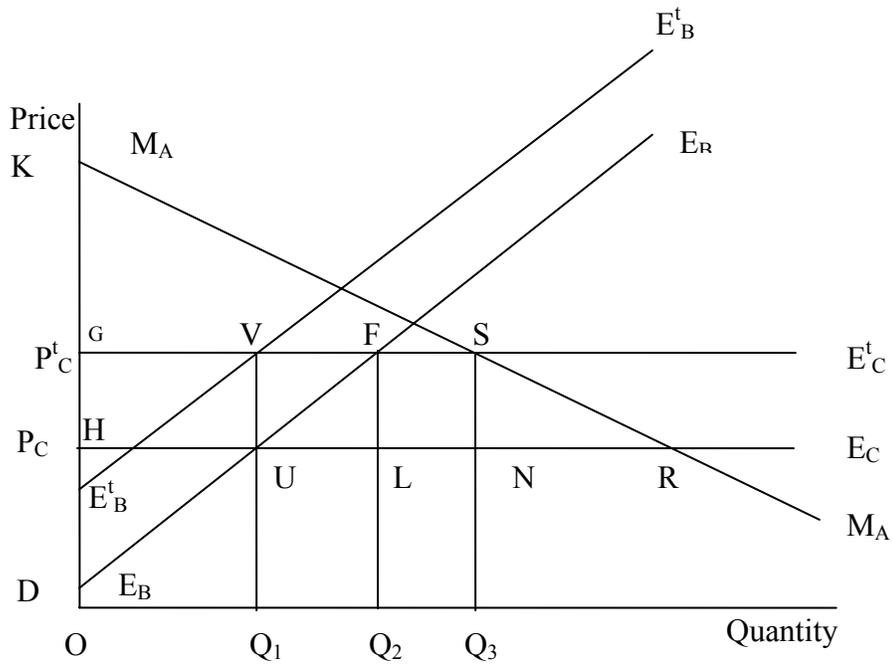


Figure 2-3: Union of Country A and Country B with Partner Country's Supply Curve Upward Sloping. Effect of union (A+B) with rising costs from partner country. Source: (Bhagwati and Panagariya, 1999, Fig 2.2, p 43).

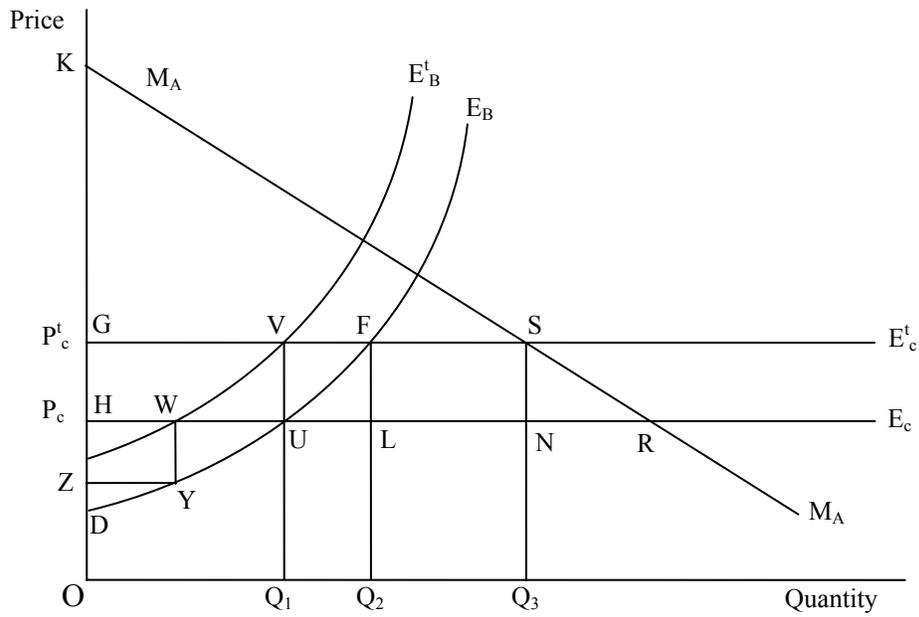


Figure 2-4: Union of Country A and Country C with third country's supply curve sloping upward. Effect of union (A+C) with rising costs from third country. Source: (Bhagwati and Panagariya, 1999, Fig 2.3, p 44).

Table 2-1 Gains from Trade under Unilateral Liberalization and Free Trade Area (Country A and Country B)

Country	Nondiscriminatory tariff (Initial situation) (1)	Free trade (FT) (2)	Free trade area (A and B) (3)
A	KGS + GHNS	KGS + GHNS + RSN (A gains)	KGS + GHNS – GFLH (A loses)
B	HUD	HUD (no change)	HUD + (GFLH- FLU) = GFUH (B gains)
C	0	0 (no change)	0 (no change)
World	KGS + GHNS + HDU	KGS + GHNS + HDU+ RSN (world gains)	KGS + GHNS + HDU – FLU (world loses)

Table refers to Figure 2-3. Source (Bhagwati and Panagariya, 1999, Table 2.1 p 45). World welfare loss from FTA compared with FT: FLU+RSN. World welfare loss from FTA compared with Initial Situation: FLU

Table 2-2 Gains from Trade under Free Trade Area (Country A and Country C)

Country	Nondiscriminatory tariff (1)	Free trade area (A and C) (2)
A	KSG + GHNS	KSG + GHNS+RSN+HWYZ (A gains)
B	HDU	ZYD=HDU-WYU-HWYZ (B loses)
C	0	0 (no change)
World	KGS + GHNS+HDU	KGS+GHNS+HDU+RSN-WYU (World may gain or lose according as RSN>WYU)

Table refers to Figure 2-4. Source (Bhagwati and Panagariya, 1999, Table 2.2 p 47).

CHAPTER 3 INTERVIEWS AND SURVEYS DATA ANALYSIS

Introduction

The results of the interviews and surveys are presented in three sections. The first section contains the analysis of the information collected through the interviews. This is followed by a presentation of the analysis of the responses to the surveys. The chapter concludes with the details of the econometric analysis of the survey responses to four of the business variables.

Interviews

Interviewees' Profile

A total of 47 firms and 18 policy makers were interviewed across the five countries. The firm interviewees were distributed as follows: Dominica (5), Guyana (17), Jamaica (6), St. Lucia (10) and Trinidad and Tobago (9). Eighteen policy makers were interviewed, distributed as follows: Dominica (3), Guyana (2), Jamaica (5), St. Lucia (4) and Trinidad and Tobago (4). A representation of the firms and policy makers interviewed is presented in Tables 3-1 and 3-2 respectively.

Interview Responses

Four questions were posed to both groups of respondents. These pertained to thoughts with reference to CARICOM, a perspective of CARICOM, providing input into the design of CARICOM policies and the impact of CARICOM arrangements on the business environment. The other questions were specific to each group.

Question 1 (to firms and policy makers) on thoughts when reference is made to CARICOM: Response options were (a) grouping of states or (b) the agency facilitating the arrangements among the states. Seventy-nine percent of firms and 72 percent of policy makers

view CARICOM as a grouping of countries, meaning that 21 percent of firms and 28 percent of policy makers view CARICOM as an agency.

Question 2 (to firms and policy makers) on a perspective of CARICOM, the Community:

Response options were (a) good (b) inconsequential or (c) bad. Seventy percent of firms and 72 percent of policy makers were of the view that CARICOM the Community was good or a good concept. Points made in support were

- Larger market and greater pool of technical skills available to the manufacturer or service provider
- The opportunity for firms to access a market greater than their national one allows them to catalyze their growth and equips them with the ability to eventually be competitive globally
- Prospects for economic growth in the region will be enhanced, particularly in light of the relatively small size of the individual members of the Community

Those of a different view mainly thought it inconsequential. None thought it bad. Concerns were voiced pertaining to

- A perceived protracted process influenced by the absence of political will, and the consequent lack of impact in forging increased economic cooperation.
- The perception that increased economic cooperation is ‘a middle class intellectual exercise’ in which the peasant or grass roots of the society is mostly uninvolved.
- The bureaucratic burden imposed and the apparent lack of focus on the optimization of national level resources.

Question 3 (to firms) on CARICOM arrangements’ impact on volume of business:

Response options were (a) increased, (b) unchanged or (c) decreased. Thirty-eight percent of the firms were of the view that the CARICOM arrangements increased the volume of their trade or business compared with those who thought that the volume of their trade or business had been either unchanged or declined. Issues cited in support of an increase in trade or business included

- A gain in market share and improvement in competitiveness consequent upon globalization

- Access to a larger (regional) market for products as well as a larger pool for sourcing product at a competitive price

For the majority who responded unchanged or decreased, some of the reasons cited were

- The firm has traditionally traded in the Caribbean and the CARICOM arrangements have not had any impact
- Increased protectionism among countries has led to a decrease in business
- The firm experienced an increase in business but this cannot be attributed to the CARICOM arrangements
- The CARICOM arrangements do not impact tourism/hospitality service firms
- The CARICOM arrangements exist on paper and generally do not affect companies unless there is a problem

Question 3 (to policy makers) on the effect of CARICOM arrangements' on national policy development: Response options were (a) easier, (b) no change or (c) more complex. Thirty nine percent of policy makers thought that their national policy development activities were made easier by the CARICOM arrangements compared with those who thought there was either no change or the national policymaking was more complex because of the CARICOM arrangements. Comments in support of national policymaking being easier included

- National policies being built on what exists at the regional level
- National policies being designed on advice from the CARICOM Secretariat

Those who responded no change or it being more complex indicated

- There is considerable challenge to conform to a group position when the national circumstances dictate a different policy prescription
- A single-mindedness of perspective at the national level ignores regional policy positions
- A complex national economic environment and internal weaknesses in the economy suggest policy prescriptions different to those being proposed at the regional level

Question 4 (to firms) on CARICOM arrangements' effect on the cost of doing business:

Response options were (a) increased, (b) not changed or (c) decreased. Fifteen percent of the

firms perceived that the CARICOM arrangements reduced the cost of their doing business compared with the number of firms that thought the CARICOM arrangements had either not changed or increased the cost of their doing business. Among the reasons cited for the perception of decreased costs were

- Sourcing of inputs from a member state at a reduced cost or free of import duties
- Reduction in the amount of bureaucracy when visiting other countries in the region
- Reduced product cost per unit because of an increased volume of business with stagnant overhead costs

For those who said either 'increased' or 'not changed', reasons given included

- Business costs with professional services or knowledge based businesses are not linked to the CARICOM arrangements
- Absence of cross border trading in the commodity
- The need to carry increased inventory on account of seasonality of supply from member states
- Consumption taxes imposed in some countries
- Limited impact of ability to source regional inputs free of duty

Question 5 (to firms) on CARICOM arrangements' effect on their target market: Response options were (a) increased; (b) remained same or (c) decreased. Thirty-eight percent of the firms indicated that the CARICOM arrangements increased their target market as opposed to those that indicated either no effect or a decrease in their target market. Reasons suggested for an increase included

- The intra-regional preferential trade arrangements as well as an increase in intra-regional travel positively influenced market share gain
- Recent increases in orders from within the region and trade data show an increase in sourcing from regional suppliers
- More competitively priced products from within the region, in some instances partly attributable to the lower tariff

- Participation in regional trade shows

Those who responded either ‘remained the same’ or ‘decreased’ supported this position with reference to

- The absence of intra-regional trading in the commodity
- Market access constraints on account of non-tariff barriers in some countries
- CARICOM arrangements impacting on the tourism/hospitality sector are virtually non-existent
- The firm’s focus on a global market rather than a regional one
- Firms from larger states discriminate against firms from smaller states in their terms of trade for intra-regional consignments
- The absence of incentives to encourage the sourcing of goods manufactured in the region

Question 6 (to firms) on the perception of member states of CARICOM being open to trade in goods or services: Response options were (a) simpler regulations, (b) require conformity similar to any other country or (c) create great difficulty for intra-regional trade. Fifty-seven percent of the firms perceived the creation of great difficulty for intra-regional trade in goods or services compared with those that indicated either easier regulations or conformity similar to any other country. Among the reasons advanced for the perception of great difficulty were

- The maintaining of licensing systems for some commodities
- The need to contend with huge bureaucracies in many instances
- Non-uniformity of standards and rules applicable to the same commodity across the region
- Various non-tariff barriers for goods and services presumed erected to discriminate against firms and service providers from the region and protect vested national interests
- The absence of political will to open up the market
- The inability to easily ascertain a country’s requirements for trade in goods or services

Those who said either simpler regulations or require conformity similar to any other country, offered in support

- Reference to the development of CARICOM standards to facilitate intra-regional trade
- Simpler documentation for trade with some countries
- Less stringent standards than required for global trade
- Trouble free experience working regularly with two member states in the area of tourism/hospitality services

Question 7 (to firms) and Question 4 (to policy makers) on opportunity to provide input into the design of CARICOM policies: Response options were (a) Yes or (b) No. Forty-seven percent of the firms indicated having an opportunity to input into the design of CARICOM policy while 83 percent of the policy makers responded affirmatively. Those firms that indicated opportunity to input in the design of CARICOM policy were able to do so through

- Membership in a national or regional business association, although the transmission is not always unimpeded
- National mechanisms or consultations established for this purpose or through various regional private sector fora

Among the reasons cited by those firms that indicated the lack of opportunity to input into the design of CARICOM policy were

- Absence of any clear channel of communication in addition to the lack of any specific regional policy making body in the tourism/hospitality sector
- Absence of any consultative mechanism to permit communication of ideas
- Small manufacturers do not perceive themselves having an impact on CARICOM policy and are not seen as important to the national economy by the local policy maker
- Consultation opportunities offered are ineffectual
- While opportunities might be available many companies lack the expertise or capacity to utilize them

- The professional services sector is not usually perceived to be within the services sector and therefore inputs from such firms are not sought

The policy makers who indicated opportunity to input into the design of CARICOM policy supported this with reference to

- Opportunity to review and comment on documentation circulated by the CARICOM Secretariat although the timeliness of circulation coupled with the lack of national capacity sometimes created constraints
- Participation in meetings of the COTED although the timeliness of implementation and output, as a result of the tardiness of responses from some countries, was lamented
- Participation in other regional fora. The implementation of a formalized process to provide for an integrated system of policy design across sectors was advocated. In this regard consideration could be given to the use of information technology as a time and cost efficient tool

A few policy makers expressed reservations about being able to input into the design of CARICOM policy. These referred to

- The need for a greater involvement of states in the meetings of some of the CARICOM institutions through the establishment of committees charged with the responsibility for policy design and more regular meetings particularly in association with regional agencies that might have an overlap in focus
- More effective national level consultation designed to feed into the regional policy development
- A more concerted attempt to solicit and utilize national level inputs in the process of regional level policy development
- National level budgetary constraints that sometimes limit the extent of national representation at regional policy development fora

Question 8 (to firms) and Question 5 (to policy makers): on CARICOM arrangements strengthening the business environment. Response options were (a) Yes or (b) No. Fifty-three percent of the firms were of the view that the CARICOM arrangements did strengthen their business environment. Comments made in support of this view were

- A larger and easily accessible market with the removal of duty on intra-regional trade of products of regional origin

- An improvement in product standards, firm level productivity, increased competitiveness and the establishment of institutional arrangements (rules) facilitating to trade
- Easier access to a larger pool of skilled labor
- The joint negotiation of trade arrangements at the international level
- Firms that did not perceive a strengthening of the business environment made reference to
- The focus of the CARICOM arrangements primarily on commodity trading with less if any consideration of tourism/hospitality services or professional services
- The dearth of information and timely communication on the regional market supply and demand status pertaining to commodities of interest
- The non-uniformity of grades, standards and regulations pertaining to agricultural health and food safety issues
- The need for increased consultations and institutional strengthening with a focus on improving the competitiveness of small businesses

In contrast to firms, 62 percent of the policy makers were of the view that the CARICOM arrangements did not strengthen the business environment. Those policy makers who perceived a strengthening of the business environment referred to

- An expanded market and the opportunity for smaller firms to improve skills in order to become internationally competitive
- The greater facilitation of the movement of people among the countries of the region
- Stronger cooperation and collaboration among member states in the area of fisheries

Those policy makers who opined that the CARICOM arrangements did not strengthen the business environment made reference to

- Greater benefits to be achieved if the national planning body were to lead in policy development focused on improving the business environment
- Internal weaknesses in the country's macroeconomic environment that militate against the country deriving much benefit if any from many of the regional policies
- The non-attainment of benefits that were proposed in policy documents presented at regional fora

- Weak action on the stimulation of investment

Firms' Responses to the Supplementary Questions

Question on the potential impact of non-tariff barriers on investments and growth:

The following is a summary of the response of three firms, which were posed the question:

Firm 1: Yes we did have to forego investment opportunities and constrain our growth as a result of our experiencing non-tariff barriers (NTBs). Our sales volume was lower and our possible expansion was restricted since market access was denied. The requirement that an agricultural chemical that is registered in one country must also be registered in another before it can be traded from the first to the second is more a constraint to the growth of the firm.

Firm 2: We have been seriously affected by the NTBs that have surfaced and there has been an impact at the country level also. In some instances the country has lost the opportunity to reap benefits that could accrue from the use of the agricultural chemical in question. This may be due to bureaucratic problems as is the case with St. Vincent and the Grenadines (one country) where the Pesticide Control Board has not met for in the last year because one individual has refused to convene the board meeting. Here the action of one person has likely had a negative impact on a country's gains and also my firm's investment. The lack of registration of an agrochemical results in my firm being unable to market that product. This lack of registration has been used to bar our entry to the Jamaican market for the past 2-3 years. In turn, this has affected the growth of my firm since our vision is to expand within the Caribbean. We are the only firm to market products like ours throughout the Caribbean (both English and Dutch) and with the advent of the CSME our company will be well positioned to take advantage of the opportunities that emerge. I question the need to register a product in each country. There was talk of regional harmonization of pesticide legislation but nothing has materialized. Harmonization will allow for the registration in country A to be recognized in country B and an agreed team of experts

satisfactory to all interest groups can be used in the process. The current system that requires registration in each country takes more time, increases costs and is a barrier to trade.

Firm 3: We experienced NTBs with five countries. Our first shipment of juice and non-alcoholic beverages to one country was trouble free. Our second shipment attracted a special duty because it was from Guyana, considered a more developed country (MDC) within CARICOM. The imposition of the duty increased the price of our product, resulting in it becoming uncompetitive and the customer reducing the order. Our trading difficulties with four other countries revolved around challenges with meeting various labeling specifications. The general claim was that our labels did not meet CARICOM or national standards. One country also objected to the classification of our product. Although we were aware of the existence of the CARICOM Regional Organisation for Standards and Quality (CROSQ) we did not seek their assistance or input, partly because we were unfamiliar with the functions of CROSQ. Instead, we used a local agent to investigate the claims and provide us with feedback towards a resolution of the difficulties. We eventually succeeded in entering the Jamaica market but failed to penetrate the markets of Barbados, Grenada or Trinidad and Tobago, because of these difficulties.

Policy Makers' Responses to the Supplementary Questions

Question on the characteristics of the Jamaican economy that work against the competitiveness of the private sector.

Policy maker 1: Jamaica's problems are unique and debt is a major one. In general, a labor force and its work ethic are critical factors in competitiveness. Labor needs to be highly trained and disciplined. This is not so in Jamaica which suffers from structural weaknesses in the economic environment. The population is not very educated. As a consequence it is more challenging for Jamaican managers to manage the workers, especially those at the lower level. In comparison, in China the people are more educated, more dedicated, work under hostile

conditions for smaller wages and are easier to manage. These are ‘soft elusive factors’ and cannot be addressed by regional policies. The quality of human resource is the foundation of competitiveness, at both the national and household levels. Consequently, it would be necessary to educate the Jamaican workforce and re-socialize the society in order to address the social challenges.

Policy maker 2: This would be challenging. I am unaware of changes that would be compatible with local policies and circumstances that would not affect other countries. Some issues such as the financial crisis are not found in other states and if the (Jamaican) government is looking at tax policies to generate revenue this will have to be addressed with Jamaica in mind. Consequently, the government may have to be narrow in focus. Perhaps there may have to be a more inclusive consideration of national circumstances when designing policy at the regional level, leading to the making of some measure of accommodation in regional level policy. This will be a challenge but it will be validated if a way can be found to consider national circumstances.

Question on Jamaica’s participation in the CARICOM Single Economy (CSE) in light of Jamaica’s economic circumstances.

Policy maker 1: Others may not share this view of the disadvantaged status of the Jamaican economy. Rather they may take a more mechanical or prescriptive approach that will not stop Jamaica from participating in the CARICOM Single Economy (CSE). However, my view is that the country will not be competitive and that the trade imbalance will likely remain until Jamaica can solve its social problems.

Policy maker 2: There is considerable divergence of monetary and fiscal policies among the CARICOM partners, yet there is talk of policy harmonization within the Community. This

would be a major challenge in moving to a CSE given the existing divergence. Achieving this goal in the near future (our lifetime) would be extremely difficult. Another question is whether it is necessary to achieve this goal of a CSE. Perhaps there could be common policies in some aspects of financial sector integration such as with the stock exchanges, with selected taxation issues and perhaps with insurance, without a formal CSE. Unless tangible benefits can be demonstrated to be achievable from a CSE there will be little incentive to attain that goal (of a CSE).¹²

Question on changes to the process of arriving at CARICOM policy that can serve to reduce national level complexity and enhance the business environment.

Policy maker 1: In order to improve the competitiveness of individual members within the CARICOM there will be need for policies that are not regional but focused on improving the weaker states. This suggests a ‘sub-group’ approach to create an even playing field within the Community since the weaker countries need support to alleviate social tensions within their economies. The application of generic medicine to disequilibrium is inadvisable. Country specific medicine is required.

Policy maker 2: Inclusiveness is required. Consultations with stakeholders should be increased when looking to develop such policies. In addition, there should be increased sensitization of stakeholders to enhance their appreciation of the suite of policies and their impact.

¹² This comment was made during the initial interview. It is placed here on account of its greater relevance to this issue.

Surveys

Firms' Characteristics

One thousand one hundred and four firms were contacted across the five countries. Thirty-eight declined to participate. The valid responses received to Part A of the survey totaled 153 with 112 being submitted for Part B, making the response rate 13.8 percent for Part A and 9.8 percent for Part B. For Part A, the largest proportion of responses (29.6 percent) came from Jamaica followed by Trinidad and Tobago (21.7 percent), Guyana (18.4 percent), St. Lucia (17.1 percent) and Dominica (13.2 percent). There was a similar spread of responses to Part B but with the proportion from Dominica being slightly larger than that from St. Lucia. In both instances, in excess of 75 percent of the respondents were located in the urban area. Respondents were invited to indicate the sub-sectors in which they operate, choosing from agriculture, fisheries, manufacturing, mining, services (tourism and hospitality), services (professional or other), trade and commerce and other. In descending order, the four largest groups of respondents to Part A were manufacturing (36.2 percent), Services (T&H) (27.0 percent), Services (P) (25.0 percent) and Trade and Commerce (18.4 percent). For Part B the descending order was manufacturing (39.5 percent), Services (P) (29.4 percent), Services (T&H) (23.9 percent) and Agriculture (22.0 percent).

Among the respondents to Part A, 46.3 percent were micro firms, 16.8 percent small firms, 15.4 percent medium firms and 21.5 percent large firms. For Part B the profile was 48.0 percent micro firms, 14.7 percent small firms, 16.7 percent medium firms and 20.6 percent large firms. These profiles are graphically depicted in Figure 3-1 and Figure 3-2 respectively. In comparison, the membership profile of the Trinidad and Tobago Chamber of Industry and Commerce (T&TCIC) is similarly skewed. That business association has 524 members in seven

categories.¹³ The T&TCIC the membership profile is skewed towards the smaller firms with representation in descending order given as Bronze (30.5 %), Individual (17%), Gold (16.2%), Diamond (13.7%), Silver (13%), Platinum (5.5%) and Honorary (3.8%). The scope of operations of the T&TCIC membership spans 28 areas (Ferreira, 2007).

The operations were not all confined to one country since 19.0 percent of respondents to Part A and 22.9 percent of respondents to Part B operated in another country. For these, the locations of the other operating base or bases included other Caribbean countries¹⁴, South America, North America, Asia, Europe and Africa.¹⁵ Eighty-seven percent of the firms employed full-time year round workers. At the higher end, the number of year round employees ranged from 2,500 to 1,200. These were all large firms, many with operations across sub-sectors such as agriculture and manufacturing, manufacturing and trade and commerce, or agriculture, manufacturing, services (tourism and hospitality) and services (professional). Some of these operated in only one sub-sector and a few in more than one country. Micro firms dominated in the one to ten full time employment range. However, these too were involved in operations across sub-sectors namely: agriculture and manufacturing, agriculture and services (professional) and manufacturing and trade and commerce. Some however were single sub-sector firms in either manufacturing or services (tourism and hospitality) or services (professional). In addition, about 50 percent employed part-time year round workers also. Full-time seasonal employment

¹³ The categories are Diamond (greater than US\$ 16.7 million annual gross income or 100 employees), Platinum (US\$16.5-US\$8.3 million annual gross income or 60 employees), Gold (US\$ 8.2 million – US\$ 1.7 million annual gross income or 25 employees), Silver (US\$ 1.7-US\$ 0.5 annual gross income or 11-25 employees), Bronze (less than US\$0.5 annual gross income or 10 or less employees), Individuals and Honorary members.

¹⁴ Including CARICOM countries.

¹⁵ For example: Brazil, Colombia, Costa Rica, Honduras, Venezuela; Canada, USA; China, Sri Lanka: UK: Kenya and Nigeria.

was exhibited by at least 21 percent of the firms while at least 31 percent engaged in part-time seasonal employment.

Policy Makers' Demographics

Seventy-six policy makers from the five countries were sent questionnaires. One declined to participate. Thirty-four valid responses were received to Part A and 26 to Part B, making the response rate 44.7 percent to Part A and 34.2 percent to Part B. For Part A the largest proportion of responses were from Trinidad and Tobago (42.4 percent) followed by Dominica (21.2 percent), Guyana (18.2 percent), Jamaica (12.1 percent) and St. Lucia (6.1 percent). For Part B Trinidad and Tobago again led the responses with 40.0 percent, followed by Guyana (24.0 percent), Dominica (20.0 percent) with Jamaica and St. Lucia each at 8.0 percent. For Part A of the survey the three largest sets of responses were from the Ministry of Trade (40.6 percent) followed by the Ministry of Agriculture (34.4 percent) and the Ministry of Tourism (9.4 percent). For Part B it was the Ministry of Agriculture (38.5 percent), the Ministry of Trade (34.6 percent) and the Ministry of Tourism (11.5 percent). Profiles of the ministry representation for the respective surveys are presented in Figure 3-3 and Figure 3-4.

The respondents indicated their years of experience from a selection of five categories, namely: less than 2.5 years, greater than 2.5 but less than 5 years, greater than 5 but less than 7.5 years, greater than 7.5 years but less than 10 years and greater than 10 years. In both surveys, total of 62 percent of the respondents had an excess of 5 years experience as depicted in the profiles presented in Figures 3-5 and Figure 3-6. However, also in both instances an excess of 65 percent of the respondents served in only one ministry, that in which they were currently located. Economics, Management, Agriculture and Agricultural Economics were the dominant fields of academic training in descending order, in both instances.

All but two of the respondents were trained at least to the first-degree level and many benefited from postgraduate training, either in their fields of specialization or in a related field. A profile of the respondents to Policy Survey A, by area of specialization, is presented in Figure 3-7. For this survey, the number of degree holders in the top areas of specialization ranges from a high of 14 in economics to a low of 4 in each of agriculture and agricultural economics. This is graphically represented in Figure 3-8.

A profile of the respondents to Policy Survey B, by area of specialization, is presented in Figure 3-9. For this survey, the number of degree holders in the top areas of specialization ranges from a high of 13 in economics to a low of 2 in agricultural economics. This is graphically represented in Figure 3-10.

Firms' Evaluation of Current Business Environment

Baseline view and perception of policy impacts

Baseline ranking of critical factors: The respondents were invited to evaluate their business by rating the impact of the eleven factors identified as critical to the conduct and profitability of businesses and investments, using the specified ranking scale. The summary of responses presented in Figure 3-11 indicates the perception of a definite negative impact for all the factors except technology, which showed a positive impact and access to markets where the negative impact was weak. Some respondents cited other factors that affected their business operations, namely

- Non tariff barriers
- Bureaucracy and archaic customs regulations
- Labeling and phytosanitary regulations in destination markets
- Shipping facilities and costs

- Limited government vision and policy pertaining to tourism as well as weak local tourism support systems and structures.
- Inadequate dissemination of information on CARICOM policies.
- Unsupportive investment climate.

Ranking of government policies on critical business factors: Respondents were requested to rank their perception of the impact of their national government policies on the same set of critical business factors, using the same ranking scale. The summary of responses presented in Figure 3-12 also indicates the perception of a definite negative impact of governments' policies on all the factors. Here however that perception was less pronounced for technology and access to markets. Some respondents offered comments on additional areas pertaining to government policy such as

- Tardiness in the establishment of rules for electronic commerce
- Lack of adequate systems for consultation with the private sector on issues pertaining to growth of the economy and the absence of a long term vision for growth and economic transformation
- Weak public policy in respect of some segments of the service sector and tourism in particular
- Inadequate policy and financial support to firms' export marketing initiatives
- Weak secondary education system contributing to a skills gap in the labor market

Ranking of CARICOM policies on critical business factors: A summary of the CARICOM policy agenda as generally outlined in The Treaty of Chaguaramas was provided to respondents with respect to a) the tariff regime, b) rules of origin, c) joint negotiation of trade agreements, d) agriculture and fisheries, e) industry and services, f) tourism, g) transportation, and h) establishment, capital and movement of persons. Respondents were invited to rank their perception of the impact of the CARICOM policies on the critical business factors, using the same ranking scale as with the previous questions. The summary of the responses presented in

Figure 3-13 shows a neutral view in relation to the impact of the CARICOM policies on six of the eleven critical factors, namely: cost of capital, exchange rate and its management, inflation, cost of unskilled labor and the availability of technology. There was a definite positive perception with respect to the access to markets and a negative perception in relation to three factors: cost of skilled labor, cost of local inputs and cost of foreign inputs. Respondents were ambivalent on the impact of CARICOM policies on institutional arrangements or rules. In addition, the level of responses in the uncertain/not-applicable category was, on the average, noticeably higher for this question than the previous ones. Observations offered to complement some respondents' response to this question were

- The continued existence of protectionism within the CARICOM market in the form of both quantitative and qualitative barriers to trade
- The cost of transportation
- A perceived bias to companies from other CARICOM countries contributing to price inflation in the respondent's country

Ranking of CARICOM policy areas on business operations: Firms were invited to rank their perception of the impact of the eleven CARICOM policy areas on their business operations. The summary of the responses is presented in Figure 3-14. In three policy areas, there was a definite positive perception of impact on business operations namely: the CET, the Rules of Origin and Services (Professional & other). Industry showed a weak positive perception of impact and there was a negative perception of the impact of the WTO trade negotiations. Perception of impact was neutral in the areas of EU and Other Trade Negotiations, Agriculture, Fisheries, Services (Tourism and Hospitality) and Transportation.

Comparative evaluations

National vs. CARICOM policies: Respondents were invited to compare the importance of their national government's policies versus the CARICOM policies with respect to their

influencing the critical business factor important to the viability of their enterprise. The response data are presented graphically in Figure 3-15. The data are stacked in columns so that those who responded least important, '1', are represented in the lowest segment of the column.¹⁶ Those who responded '2' are in the second lowest segment. The '3' respondents are in the third segment going up and the '4' respondents are in the fourth segment going up. The uppermost segment reflects the 'U/NA' respondents. Response categories 3 and 4 reflect those respondents most optimistic about the impact of the two groups of policies. Focusing on these two groups of respondents, the data show a perception of greater national policy influence on ten of the eleven critical factors. In the instance of the other factor, market access, there appears to be a perception of greater CARICOM policy influence.

Overview of Impact of CARICOM Arrangements: Respondents were invited to indicate their perception of the contribution of the CARICOM economic integration arrangements to the economic gains of their country. A summary of the responses is presented in Figure 3-16. Overall a relatively conservative response was offered with the majority (67%) indicating that the contribution was either 'minimal' or 'somewhat'. A minority (15%) thought the contribution was 'considerable' and fewer still (7%) thought there was no impact.

Evaluation of Investment Environment

Baseline view and perception of national policy influence

Enterprise outlook on desirable investment climate: The respondents were invited to rank the importance of the critical factors in relation to their contemplation of future investment in their current business environment. The summary of responses presented in Figure 3-17 indicates that six of the critical factors are perceived to have a positive impact on future investment. These

¹⁶ Recall the ranking scale for this question is 1 to 4 where 1 = least important and 4 = very important.

are the cost of capital, exchange rate management, the cost of skilled labor, the availability of technology, ease of access to markets and institutional structures or rules for business operations. The exchange rate, inflation, and cost of inputs both local and foreign were perceived to have a negative impact on the desirable investment climate. The respondents were evenly divided on their perception of the impact of the cost of unskilled labor on the desirable investment climate.

Some respondents indicated other issues that influence a desirable investment climate, namely

- Access to skilled labor and the availability of training facilities to upgrade skills of the labor force
- The availability of supplies or inputs
- Adequate law enforcement to establish a secure environment and contain crime
- National government policy that promotes exports as opposed to one that is biased towards imports
- The availability of venture capital from financing institutions
- Improved scope of institutional framework to encompass business partnerships with international investors
- Improved infrastructure at the air and sea ports and for inland transportation
- Better formulated and articulated government policy together with improved national interagency collaboration
- Government policy supportive of the agro industry in particular
- Better telecommunications and utilities support systems

Government policy influence on desirable investment climate: Respondents were asked to rank their perception of the impact of their government's policies on their future investment decisions. The summary of responses shown in Figure 3-18 convey that there is a negative perception of the influence of government policy on all but three of the critical factors that firms consider in their future investment decisions. The three critical factors that are perceived to have

an overall positive influence of government policy are exchange rate management, availability of technology and access to markets. Respondents offered comments on other policy issues that impact their future investment decisions, namely

- No articulated tourism policy and the absence of institutional or other support for destination marketing
- The unpredictability of policy continuity in the event of a change of government
- Generally weak policy measures and incentives for investment
- The absence of an export promotion framework to support private sector investment initiatives

CARICOM's influence on a desirable investment climate

Perceived impact of CARICOM policy agenda: The respondents were asked their perception of the summarized policy goals of CARICOM and their impact on the critical business factors relevant to influencing their investment decisions. A summary of the responses is provided in Figure 3-19.

Overall the collective CARICOM policies are perceived to have a positive impact on the critical business factors in relation to investment decisions of firms. Inflation is the only area perceived otherwise and in this instance the greater proportion of respondents is neutral. A few respondents offered additional comments, namely

- Lack of cohesiveness among countries in some instances of bloc negotiations with business entities external to the region
- Increased cooperation in the energy sector between Jamaica and Trinidad and Tobago is perceived as a positive catalyst
- Countries are perceived to be operating singularly
- Enhanced sea and air links and more developed intra-regional trading mechanisms needed
- Some governments (Jamaica) should devote more resources to sensitizing and informing the populace (on critical) national issues

Perceived impact of CARICOM policy areas on investment: Firms were invited to rank their perception of the impact of CARICOM policy areas on their investment decisions. The summary of the responses is presented in Figure 3-20. In all policy areas except fisheries there is an overwhelming positive perception of influence on firms' investment decisions. In fisheries the neutral perception is greater than the positive one.

Overview of CARICOM policies potential impact on investment: Respondents were invited to provide an overview of the potential for contribution of the CARICOM economic integration arrangements to increased investment in their country. A summary of the responses is presented in Figure 3-21. The data show that the greater proportion of the respondents is either somewhat (47 %) or considerably (32 %) optimistic about the CARICOM integration arrangements positively influencing future investment in their countries. A very small minority, of 7 percent in each grouping, are either uncertain or anticipate minimal or no impact of the CARICOM arrangements on future investment.

Supplemental Comments and Observations

Respondents were invited to provide any additional general or specific comments to supplement their responses. The comments are summarized and grouped for easier assimilation.

Comments pertaining to 'Institutional Structures' or 'Rules' for conducting business

- Despite stated policies to facilitate the movement of people and capital it is feared that the implementation by civil servants will block the process
- There is a need for a revision of the CARICOM double taxation treaty. Currently it is a disincentive to investment
- Incomplete maritime boundary delimitation agreements hinder efforts at enhanced management of the fisheries resources
- The path to integration in CARICOM has been too protracted. The achievement of integration will be a boon to business and investment, particularly with the unrestricted movement of capital. However, the transportation problem needs to be solved

Additionally, greater attention ought to be focused on facilitating the private sector operations

- Rationalization is not enough! We need unification in several critical business areas. Specifically the need for a single stock exchange with unified rules
- There is a general feeling that CARICOM is a ‘waste of time’ because one does not feel the impact of CARICOM except during the ICC World Cup Cricket when visa requirements were instituted
- The implementation and enforcement of common legislation and agreements should have a positive impact on both business and social structures in the region. This will alleviate petty and vindictive actions by policy makers and governmental heads. Generally there is need for constitutional reform in all the regional governments, to allow for greater discussion of policy issues within the governments and legislatures

Comments related to ‘Policy’ and ‘Incentive’ issues

- Unity in the region and collaboration on the use of raw materials and other resources for national and regional benefit is supported
- A greater effort should be made to encourage consumers to utilize products and services from the region and discourage extra-regional competition
- Reference should be made to the joint customs union that is expected to have a positive impact on regional trade. The benefits of CARICOM have not yet been fully realized due to the inability of our policy makers to utilize the tools adequately
- The CSME provides Guyana with the opportunity to forge industrial partnerships among CARICOM countries. This goal should be supported through the evolution of an industrial policy encompassing movement of capital, skills and integrated development
- Governments need to drive the integration process at a faster rate

Comments referring to ‘Special Considerations’ issues

- Notwithstanding articulated CARICOM policies, national level circumstances will thwart investment growth
- Since no provision is made in any of the CARICOM agreements for special treatment of the LDCs such as Dominica, the benefits to be derived for Dominica will remain minimal
- The regional approach to negotiations has facilitated and enabled the voice of the region to be heard and it has redefined the terms of engagement with tremendous benefits for the Region. However, at the operational level member states are faced with significant constraints to adopt and implement these measures. CARICOM now needs to focus on capacity building in member states of the OECS in particular

Comments pertaining to 'Market Access'

- Protectionism in some countries creates conditions unfavorable to wider market access and the promotion of investment opportunities to potential investors
- Positive economic growth will be attained following the devotion of greater attention to opening the regional market and reducing the barriers thereto
- We cannot plan major investments for the smaller Caribbean territories with low populations. We find it more useful to target high volume markets beyond CARICOM countries such as Haiti, Dominican Republic, and Cuba in the region and the EU and North America outside. The prospects of trading with China, Japan, Brazil and others would relegate trade within CARICOM to leftovers if any. Economies of scale must take precedence

Comments on Transportation Challenges

- We know the Caribbean, although linked closely, is not reachable by sea due to lack of scheduling of international lines. We need to connect the islands closely and enhance the movement of CARICOM products regularly

Additional comments

- Trinidad, as the most industrialized CARICOM country stands to gain significantly from the improvement of intra-CARICOM trade. However, current policies of the government have fuelled inflation and contributed to a significant increase in the cost of both skilled and unskilled labor
- The changing dynamics of the many sectors of our regional and local economies makes it difficult to predict the impact of CARICOM as you seek. Disparities will negatively impact at first but gradually improvement will bring about acceptance and prosperity

Policy Makers' Evaluation of Current Business Environment

Perception of policy impacts

National policies on the business climate: The respondents were invited to evaluate the impact of the national policies they were formulating and implementing on the critical business factors in their respective countries. The summary of the responses in Figure 3-22 indicate that for all but two critical business factors the perception of the policy makers is that the national policy impact is strongly positive. For two of those factors, namely exchange rate and exchange rate management, the majority of the respondents were neutral about their perception of impact.

CARICOM policies on the business climate: The summary of the policy agenda outlined in the Treaty of Chaguaramas was also presented to the respondents to policy makers' survey. Respondents were invited to rank their perception of the impact of the CARICOM policies on the business climate as represented by the critical business factors, using the ranking scale as previously indicated. The summary of responses presented in Figure 3-23 indicates an overwhelming positive perception of the CARICOM policies on all the critical business factors except exchange rate. For this factor, more respondents were neutral as opposed to positive about the impact of CARICOM policies.

CARICOM policies impact on national government policies: Respondents were invited to rank their perception of CARICOM policies, collectively, being supportive or unsupportive of those of their national government in relation to the critical business factors. The ranking scale used was the same as with the previous questions. From the summary of responses presented in Figure 3-24 it will be observed that there is a positive perception that CARICOM policies are supportive of national government policies with respect to all of the critical business factors. However, there is a stronger demonstration of this perception for four critical factors: the cost of unskilled labor, the cost of skilled labor, access to markets, and institutional structures or rules for conducting business.

Impact of specific CARICOM policy areas on business climate: Policy Makers were invited to rank their perception of the impact of the eleven specific CARICOM policy areas previously identified, on the business climate in their country. The summary of the responses is presented in Figure 3-25. For all the critical business factors that shape the business climate the overwhelming response was the perception of a positive impact. In the instance of both types of services there was no perception of any negative impact.

Comparative evaluations

National vs. CARICOM policies: Policy respondents were invited to compare the importance of the national policies they design and implement versus the CARICOM policies with respect to the policies influencing the critical business factors in their country. The response data are presented graphically in Figure 3-26. The data are stacked in columns so that those who responded least important, '1' are represented in the lowest segment of the column.¹⁷ Those who responded '2' are in the second lowest segment. The '3' respondents are in the third segment going up and the '4' respondents are in the fourth segment going up. The uppermost segment represents the 'U/NA' respondents. Response categories 3 and 4 reflect those respondents most optimistic about the impact of the two groups of policies being compared. Focusing on these two groups of respondents, the data show a perception of greater national policy influence on nine of the eleven critical factors. In the instance of the other two factors, cost of skilled labor and market access, the CARICOM policy influence is perceived to be greater.

Overview of impact of CARICOM arrangements: Respondents were invited to indicate their perception of the contribution of the CARICOM economic integration arrangements to the economic gains of their country.

A summary of the responses is presented in Figure 3-27. The data show that 52 percent of the respondents think that the CARICOM arrangements contribute somewhat to the economic gains of the countries while 24 percent think that the contribution is considerable.

Evaluation of investment environment

Policy makers' outlook on a desirable investment climate: The policy respondents were invited to rank the importance of the critical factors in relation to firms' contemplation of future

¹⁷ Recall the ranking scale for this question is 1 to 4 where 1 = least important, 4 = very important and U/NA = uncertain or not applicable.

investment in the country, using the three-point scale described above. The summary of responses presented in Figure 3-28 indicates that all but one of the critical factors are perceived to have a positive impact on future investment. The cost of foreign inputs was the only critical factor perceived to have a negative impact on the desirable investment climate. Three additional issues were cited as having an impact on the future investment climate. These were

- New legislation
- Unclear government policy
- Crime

Perceived impact of national policies on investment climate: Policy Makers were then invited to rank their perception of the policies they were engaged in formulating on the investment climate in their country, again using the three-point scale. The summary responses presented in Figure 3-29 indicate a positive perception of policy impact for only eight of the critical business factors, namely: inflation, the cost of unskilled labor, the cost of skilled labor, the cost of local inputs, the cost of foreign inputs, the availability of technology, access to markets and rules for conducting business. In two areas, exchange rate and exchange rate management the perception was that of a negative policy impact while for cost of capital the majority view was equally divided between a positive impact and no impact (neutral).

Influence of CARICOM policies on investment climate: Respondents' views were sought on the impact of the collective CARICOM policies on the critical business factors, pertaining to the investment climate, using the three-point scale. The summarized responses are presented in Figure 3-30. For this question there was no separation of 'labor' into 'unskilled' and 'skilled' or of 'inputs' into 'local' and 'foreign'. The responses indicate a positive perception of CARICOM policies on seven of the critical factors, namely: the cost of capital, inflation, the cost of labor, the cost of inputs, the availability of technology, access to markets and institutional arrangements

or rules for conducting business. On ‘exchange rate management’, the views were equally divided between ‘positive’ and ‘no impact’ or ‘neutral’ and on ‘exchange rate’ the perception of ‘no impact’ dominated.

Perception of influence of CARICOM policy areas: Respondents were invited to identify any of the previously specified CARICOM policy areas that seem likely to influence the investment climate in their country. The summary of the responses are presented in Figure 3-31. All of the CARICOM policy areas are perceived to have a positive impact on the future business climate.

Overview of CARICOM policies potential impact on investment

Policy respondents were invited to provide an overview of the potential for contribution of the CARICOM economic integration arrangements to increased investment in their country. A summary of the responses is presented in Figure 3-32. Forty-four percent of the respondents are of the view that the policies will impact ‘somewhat’ on future investment. Twenty-four percent are equally divided on the policies influencing considerably and minimally while 4 percent are equally divided between ‘no impact’ and ‘uncertain’.

Firms’ Disaggregated Perception of CARICOM Policies: Current Business Environment

Disaggregation by Country

The firms that responded to Survey A were grouped by country of location. This facilitated an analysis, from a country perspective, of their perception to CARICOM level policies as well as to the ‘CARICOM arrangements’ contribution to economic gain.

Critical factors

The *Dominica* respondents perceive a negative impact of the CARICOM policies on: the cost of capital, inflation, the cost of local inputs, the cost of foreign inputs, the availability of technology and institutional structures or rules for conducting business. They have a

predominant neutral view of those policies' impact on the exchange rate and exchange rate management and a positive perception of the CARICOM policies' impact on the cost of unskilled and skilled labor and access to markets (see Table 3-3).

The *Guyana* respondents perceived a negative impact of the CARICOM policies only on the cost of skilled labor. There was a perception of a neutral impact on: the exchange rate, exchange rate management, inflation, the cost of unskilled labor and the cost of local inputs. The impact on: the cost of capital, the cost of foreign inputs, the availability of technology, access to markets and institutional structures or rules for conducting business was perceived as positive by this sub-group (see Table 3-3).

The respondents from *Jamaica* had a negative perception of the impact of the CARICOM policies on: the cost of capital, the cost of skilled labor, the cost of local inputs and the cost of foreign inputs. They were neutral concerning exchange rate, inflation and the cost of unskilled labor but had a positive perception of the impact of CARICOM policies on the availability of technology and access to markets. In addition, they were equally divided between being negative and neutral regarding exchange rate management and institutional structures (see Table 3-3).

The *St. Lucia* respondents had a negative perception of the impact of CARICOM policies on nine of the critical factors, namely: the cost of capital, inflation, the cost of unskilled labor, the cost of skilled labor, the cost of local inputs, the cost of foreign inputs, the availability of technology, access to markets and institutional structures or rules for conducting business. There was a neutral perception of the CARICOM policies on the exchange rate and exchange rate management (see Table 3-3).

The *Trinidad and Tobago* respondents did not perceive an overall negative impact of the CARICOM policies on any of the critical business factors. A predominantly neutral impact was

perceived for the impact on: the cost of capital, the exchange rate, exchange rate management, the cost of local inputs, the cost of foreign inputs, the availability of technology and institutional structures or the rules for the conduct of business. A positive impact was perceived on: the cost of unskilled labor, the cost of skilled labor and access to markets. The perception was equally divided between negative and neutral for inflation (see Table 3-3).

In summary, the perception of the countries about the impact of CARICOM policies on the critical factors differed markedly across countries. At one extreme, the Trinidad respondents were predominantly either neutral or positive in their perception of the impact of the policies. In contrast, the St. Lucia respondents viewed most CARICOM policy areas as having a negative impact and did not perceive any having a positive influence. Respondents from Dominica, Guyana, and Jamaica were at different positions on this continuum.

CARICOM policy areas

Dominica respondents had a positive perception of the impact of the CARICOM policy areas, except for transportation that was negative and fisheries that was neutral (see Table 3-4). *Guyana* respondents had a positive perception of two CARICOM policy areas: the CET and the rules of origin. There was a ‘no impact’ or ‘neutral’ perception of: the WTO trade negotiations, the EU trade negotiations, Other trade negotiations, Fisheries, Industry and Transportation. Opinions were equally divided for Agriculture (‘no impact’ and ‘positive’) and Services (Professional) (‘positive and ‘uncertain’/ ‘not applicable’). There was an ‘uncertain’/ ‘not applicable’ view for Services (Tourism and hospitality) (see Table 3-4). The *Jamaica* respondents had a positive perception of the impact of four CARICOM policy areas: the CET, the Rules of Origin, the EU trade negotiations and Other trade negotiations. There was a predominant negative perception of the WTO trade negotiations. These respondents indicated a ‘no impact’ or ‘neutral’ response for five areas: Agriculture, Fisheries, Industry, Services

(Tourism and hospitality) and Transportation. Opinion was equally divided between ‘no impact’ and ‘positive’ for Services (Professional) (see Table 3-4). No CARICOM policy area was perceived to have had a positive impact by the *St. Lucia* respondents. A negative impact was perceived from: the WTO trade negotiations, the EU trade negotiations, Other trade negotiations, Industry and Services (tourism and hospitality). Opinion was equally divided between negative and positive for the CET and between ‘negative’ and ‘no impact’ for Services (Professional). A ‘no impact’ or ‘neutral’ view was expressed for: the Rules of Origin, Agriculture, Fisheries and Transportation (see Table 3-4). *Trinidad and Tobago* respondents had a positive view of six CARICOM policy areas, namely: the CET, the Rules of Origin, Other trade negotiations, Industry, Services (Professional) and Transportation. Opinion was equally divided between ‘negative’ and ‘positive’ with respect to the WTO trade negotiations. A ‘no impact’ or ‘neutral’ view was expressed for: the EU trade negotiations and Agriculture. There was an ‘uncertain’/ ‘not applicable’ response for Fisheries and Services (Tourism and hospitality) (see Table 3-4).

Summing up, *Dominica* respondents indicated the largest number of positive responses (9) to the perception of the impact of CARICOM policies followed by *Trinidad and Tobago* (5), *Jamaica* (4) and *Guyana* (2). *St. Lucia* did not indicate any positive perception and three countries were ‘neutral’ in at least four areas (See Table 3-4).

Contribution to economic gain

Dominica’s respondents were weakly optimistic about the CARICOM arrangements contributing to the economic gain of the country with 39 percent perceiving a minimal contribution and 23 percent indicating ‘somewhat’ (see Figure 3-33). *Guyana’s* respondents were similarly weakly optimistic about the contribution of the CARICOM arrangements to the country’s economic gains with 29 percent responding ‘minimally’ and 41 percent indicating ‘somewhat’ (see Figure 3-34). The perception in *Jamaica* mirrored that in *Dominica* with 42

percent indicating ‘minimally’ and 23 percent ‘somewhat’ (see Figure 3-35). For *St. Lucia*, 25 percent of the respondents indicated ‘minimally’ and 59 percent said ‘somewhat’ (see Figure 3-36). The respondents from *Trinidad and Tobago* were the most optimistic with 45 percent indicating minimally, 20 percent ‘somewhat’ and 30 percent ‘considerably’ (see Figure 3-37).

Disaggregation by Firm Size

The firms that responded to Survey A were grouped by firm size. This facilitated an analysis, from a firm size perspective, of their perception to CARICOM level policies as well as to the ‘CARICOM arrangements’ contribution to economic gain.

Critical factors

From the perspective of the *Micro* firms, the CARICOM policies have a definite negative impact on all but two of the critical factors. The perception of ‘no impact’ or ‘neutral’ dominates for the exchange rate. For markets, equal weight is given to ‘negative’ and ‘positive’ perceptions (see Table 3-5).

Small firms have a perception of a negative impact on: the cost of capital, the cost of local inputs and the cost of foreign inputs, as indicated in Table 3-5. There is a ‘neutral’ or ‘no impact’ perception for exchange rate, exchange rate management and inflation. A positive impact is perceived on the availability of technology, access to markets and institutional structures or rules for doing business. The cost of unskilled labor is equally weighted by ‘no impact’ and ‘positive’ while the cost of skilled labor is also equally weighted by ‘negative’ and ‘positive’.

Medium firms have no overriding negative perception of the impact of CARICOM policies. There is a positive perception of CARICOM policy impact on the cost of capital, the cost of foreign inputs, the availability of technology and access to markets. A ‘no impact’ or ‘neutral’ perception prevails for exchange rate management, inflation, the cost unskilled labor, the cost of local inputs and institutional structures or rules for doing business. The exchange rate

is equally weighted ‘negative’ and ‘no impact’ or ‘neutral’. The cost of skilled labor is also similarly equally weighted, as indicated in Table 3-5.

Large firms also have no overriding negative perception of the impact of CARICOM policies, as indicated in Table 3-5. There is a positive perception of CARICOM policy impact on the cost of skilled labor, the cost of foreign inputs, access to markets and institutional structures or rules for doing business. A ‘no impact’ perception exists for: the cost of capital, exchange rate, exchange rate management, inflation, the cost of unskilled labor and the availability of technology. The cost of local inputs is equally weighted ‘no impact’ and ‘positive’.

CARICOM policy areas

The *Micro* firms perceive a positive impact from three CARICOM Policy areas, namely: the CET, Services (Tourism and hospitality) and Services (Professional), as indicated in Table 3-6. They view the WTO trade negotiations as having a negative impact. The policy areas perceived to have ‘no impact’ are the Rules of Origin, Other trade negotiations, Agriculture, Fisheries and Industry. The EU trade negotiations and Transportation are both equally weighted as having a ‘negative’ and ‘no impact’.

Small firms have a positive perception of the impact of six CARICOM policy areas, namely: the CET, the Rules of Origin, the EU trade negotiations, Other trade negotiations, Industry and Transportation. This group has a perception of ‘no impact’ for Agriculture, Fisheries and Services (Professional). The perception of the impact of the WTO trade negotiations is equally weighted as ‘no impact’ and ‘positive’ while that of Services (Tourism and hospitality) is equally weighted ‘no impact’ and ‘uncertain/not applicable’ (see Table 3-6).

Medium sized firms perceive a positive impact of the CARICOM policy areas of the CET, the Rules of Origin and Industry, as seen in Table 3-6. These respondents had a ‘no impact’ or ‘neutral’ perception for the EU trade negotiations, Other trade negotiations and Transportation.

The WTO trade negotiations policy area is equally weighted as ‘no impact’ and ‘positive’ while Services (Professional) received three equal weights of ‘no impact’, ‘positive’ and ‘uncertain’/ ‘not applicable’. Both Fisheries and Services (Tourism and hospitality) were most heavily ranked ‘uncertain’/ ‘not applicable’. Agriculture was equally weighted as ‘positive’ and ‘uncertain’/‘not applicable’.

Large firms have a positive perception of three CARICOM policy areas: the CET, the Rules of Origin and the EU trade negotiations. Six policy areas are perceived as having ‘no impact’ or ‘neutral’ namely: Other trade negotiations, Agriculture, Fisheries, Industry, Services (Tourism and hospitality) and, Transportation. The WTO trade negotiations policy area is equally weighted ‘negative’ and ‘positive’ and Services (Professional) is equally weighted ‘no impact’ and ‘positive’, as indicated in Table 3-6.

Contribution to economic gain

Micro firms could be considered weakly optimistic about the contribution of CARICOM arrangements to their countries economic gains with 46 percent indicating ‘minimally’ and 26 percent ‘somewhat’ (see Figure 3-38). The respondents from *Small* firms demonstrated a stronger expectation of the contribution of the CARICOM arrangement to economic gain with 39 percent indicating ‘somewhat’ and 23 percent ‘minimally’ (See Figure 3-39). The responses of the *Medium* firms mirrored those from the Micro firms with 51 percent indicating ‘minimally’ and 25 percent ‘somewhat’ (see Figure 3-40). *Large* firms were the most optimistic with 40 percent indicating ‘somewhat’ and 20 percent ‘considerably’ (see Figure 3-41).

Disaggregation by Sub-sector

The respondents to Survey A were grouped by sub-sector of operation. This facilitated a sub-sectoral analysis of their perception to CARICOM level policies as well as to the CARICOM arrangements’ contribution to economic gain. Eight sub-sector groupings were

considered, namely: Agriculture, Manufacturing, Services (Tourism and hospitality), Services (Professional), Trade and Commerce, Agriculture and Manufacturing (together), (7) Services (together), and Manufacturing/Trade & Commerce (together).

Critical factors

Among the firms involved only in *Agriculture* there was the perception of a ‘negative’ impact on five critical business factors, namely: the cost of capital, exchange rate management, the cost of local inputs, the availability of technology and institutional structures or rules for conducting business. A perception of ‘no impact’ or ‘neutral’ was there for ‘exchange rate’ and ‘inflation’ and a ‘positive’ impact was perceived for ‘the cost of foreign inputs’ and ‘access to markets’. The perception of the impact on the cost of skilled labor was equally weighted between ‘negative’ and ‘positive’ and the predominant view about unskilled labor was ‘uncertain’ or ‘not applicable’ (See Table 3-7).

For *Manufacturing* firms there was a negative perception of impact for inflation, the cost of local inputs, the cost of foreign inputs and the availability of technology. For three critical factors, namely: the cost of capital, exchange rate and exchange rate management the perception of impact was equally weighted between ‘negative’ and ‘no impact’ or ‘neutral’. There was a definite ‘positive’ perception of impact for the cost of unskilled labor, the cost of skilled labor, access to markets and institutional structures or rules for the conduct of business (See Table 3-7).

For *Services (T&H)* there was a negative perception of impact for the cost of capital, inflation, the cost of skilled labor, the cost of local inputs, the cost of foreign inputs and institutional structures or rules for doing business. A ‘no impact’ or ‘neutral’ perception was indicated for, exchange rate, exchange rate management and the cost of unskilled labor. A ‘positive’ perception was indicated for only two critical factors namely: the availability of technology and access to markets (See Table 3-7).

The *Service (P)* firms did not indicate the perception of any negative impacts. A ‘no impact’ or ‘neutral’ perception was indicated for the cost of capital, exchange rate, exchange rate management, inflation, the cost of unskilled labor and the availability of technology, as seen in Table 3-7. A ‘positive’ perception of impact was indicated for the cost of skilled labor, the cost of local inputs, the cost of foreign inputs, access to markets and institutional structures or business rules.

Firms in *Trade and Commerce* perceived a negative impact for the exchange rate, as indicated in Table 3-7. A ‘positive’ impact was perceived for the cost of foreign inputs and access to markets. A ‘no impact’ or ‘neutral’ perception was indicated for the cost of unskilled labor, the cost of local inputs, the availability of technology, institutional structures or business rules. Four critical business factors were perceived equally weighted, namely: the cost of capital (‘neutral’ and ‘positive’), exchange rate management (‘negative’ and ‘positive’), inflation (‘negative’ and ‘no impact’) and the cost of skilled labor (‘negative’ and ‘no impact’).

Some respondents indicated involvement in more than one sub-sectoral area, consequently responses were analyzed in three groupings namely: agriculture together with manufacturing, Services (All) and Manufacturing together with Trade and Commerce (See Table 3-7).

The *Agriculture and Manufacturing* grouping indicated a ‘negative’ perception of impact on the cost of capital, the cost of skilled labor, the cost of local inputs, the cost of foreign inputs and institutional structures or business rules, as seen in Table 3-7. A ‘no impact’ or ‘neutral’ perception was given for exchange rate, exchange rate management, inflation and the cost of unskilled labor. The perception of a ‘positive’ impact was indicated for ‘access to markets’ only. Availability of technology was equally weighted ‘negative’ and ‘neutral’.

For the *Services* grouping there was a ‘negative’ perception of impact for ‘the cost of skilled labor’ and ‘the cost of foreign inputs’, as shown in Table 3-7. A positive perception was indicated for the cost of local inputs, access to markets and institutional structures or rules for business. Six critical business factors were given a ‘no impact’ or ‘neutral’ rating namely: the cost of capital, exchange rate exchange, exchange rate management, inflation, the cost of unskilled labor and the availability of technology.

The *Manufacturing / Trade and Commerce* grouping had a ‘negative’ perception of the impact on the cost of local inputs and the cost of foreign inputs, as seen in Table 3-7. There was a ‘positive’ perception only for ‘access to markets’. This group had a ‘no impact’ or ‘neutral’ perception for the cost of capital, exchange rate, exchange rate management, inflation, the cost of unskilled labor and the availability of technology. The critical factor ‘Institutional structures’ or ‘business rules’ was equally weighted ‘negative’ and ‘positive’

CARICOM policy areas

The *Agricultural* firms do not perceive any of the CARICOM policy areas as having a ‘positive’ impact on their business, as seen in Table 3-8. Transportation is viewed as having a ‘negative’ impact and the impact of Services (T&H) is perceived as uncertain/not applicable. Three areas are perceived to have ‘no impact’ or ‘neutral’ namely: the WTO trade negotiations, the EU trade negotiations and Industry. Six areas are equally weighted namely: the CET (‘no impact’ and ‘uncertain/not applicable’), the Rules of Origin (‘negative’ and ‘no impact’ and ‘uncertain/ not applicable’), Other trade negotiations (‘no impact’ and ‘positive’), Agriculture (‘negative’ and ‘positive’), Fisheries (‘no impact’ and ‘uncertain/ not applicable’) and Services (professional) (‘positive’ and ‘uncertain/ not applicable’).

The *Manufacturing* group does not perceive any of the CARICOM policy areas as having a ‘negative’ impact on their businesses. Four policy areas are perceived to have a ‘positive’

impact namely: the CET, the Rules of Origin, Other trade negotiations and Industry. Those perceived as having ‘no impact’ or ‘neutral’ are Agriculture, Fisheries, Services (tourism & hospitality) and Transportation. Three areas are equally weighted namely the WTO trade negotiations (‘negative’ and ‘positive’) the EU trade negotiations (‘no impact’ and ‘positive’) and Services (Professional) (‘no impact’ and ‘positive’) (See Table 3-8).

For *Services (T&H)* there are seven areas with a ‘negative’ rank namely: the WTO trade negotiations, the EU trade negotiations, Other trade negotiations, Industry, Services (Tourism & hospitality), Services (Professional) and Transportation, as indicated in Table 3-8. The Rules of Origin is ranked ‘no impact’ or ‘neutral’ while three areas are equally weighted namely: the CET (‘no impact’ and ‘positive’), Agriculture (‘no impact’ and ‘uncertain/not applicable’) and Fisheries (‘negative’ and ‘uncertain/not applicable’). No policy area was thought to have a ‘positive’ impact on their businesses (See Table 3-8).

In contrast, for *Services (P)* no policy area was seen as having a ‘negative’ impact on business operations. Three perceived to have a ‘positive’ impact were the CET, the EU trade negotiations and Services (Professional). Eight areas were thought of as having ‘no impact’ or ‘neutral’ namely the Rules of Origin, the WTO trade negotiations, Other trade negotiations, Agriculture, Fisheries, Industry, Services (Tourism & hospitality), and Transportation, as seen in Table 3-8.

The *Trade and Commerce* group also did not perceive any policy area as having a ‘negative’ impact, as indicated in Table 3-8. Both the CET and the WTO trade negotiations were thought of as having a ‘positive’ impact. Five areas were perceived of as having ‘no impact’ namely: Agriculture, Fisheries, Industry, Services (T&H) and Transportation. Four areas were equally weighted these being the Rules of Origin (‘no impact’ and ‘positive’), the EU trade

negotiations ('positive' and 'uncertain/not applicable'), Other trade negotiations ('no impact' and 'positive') and Services (Professional) ('no impact' and 'uncertain/not applicable').

The *Agriculture and Manufacturing* grouping indicated a 'negative' perception of impact of the WTO trade negotiations. This group perceived a 'positive' impact of the CET, the Rules of Origin and Other trade negotiations. Seven areas were seen as having 'no impact' namely: the EU trade negotiations, Agriculture, Fisheries, Industry, Services (Tourism & hospitality), Services (Professional) and Transportation (See Table 3-8).

For the *Services (All)* grouping there was a 'negative' perception of impact for the WTO trade negotiations and a 'positive' perception for the CET, the EU trade negotiations, Industry, and Services (P). Those areas seen as having 'no impact' were the Rules of Origin, Other trade negotiations, Agriculture, Fisheries, Services (Tourism & hospitality) and Transportation (See Table 3-8).

The *Manufacturing / Trade and Commerce* grouping had a 'negative' perception of the impact of the WTO trade negotiations and a 'positive' perception for the CET, the Rules of Origin and Other trade negotiations. This group perceived six areas as having 'no impact' namely, Agriculture, Fisheries, Industry, Services (Tourism & hospitality), Services (Professional) and Transportation. The EU trade negotiations were equally weighted 'negative' and 'no impact' (See Table 3-8).

Contribution to economic gain

Firms in *Agriculture* were weakly optimistic about the contribution of the CARICOM arrangements to their country's economic gain with 57 percent of the respondents indicating a perspective of a 'minimal' contribution and 29 percent indicating 'somewhat' as shown in Figure 3-42. *Manufacturing* firms were definitely more optimistic about the CARICOM arrangements contributing to economic gain since, as seen in Figure 3-43, only 14 percent indicated

‘minimally’ while 33 percent indicated ‘somewhat’ and 24 percent said ‘considerably’. Firms in Services (tourism & hospitality) were less optimistic than those in Manufacturing but more so than those in Agriculture. In the *Services (Tourism & hospitality)* group 50 percent indicated ‘minimally’, 19 percent said ‘somewhat’ and 6 percent chose ‘considerably’ (see Figure 3-44). The *Services (Professional)* group was also fairly optimistic about the CARICOM arrangements contributing to economic gain with 62 percent indicating ‘minimally’ and 15 percent each choosing ‘somewhat’ and ‘considerably’ as shown in Figure 3-45. The response from the *Trade and Commerce* group was equally weighted at 25 percent each to ‘no impact’, ‘minimally’, ‘somewhat’, and ‘considerably’ as seen in Figure 3-46. The selection within the *Agriculture and Manufacturing* group was 27 percent ‘minimally’, 36 percent ‘somewhat’ and 16 percent ‘considerably’ (see Figure 3-47). For *Services (All)* 49 percent indicated ‘minimally’, 27 percent ‘somewhat’ and 16 percent ‘considerably’, as in Figure 3-48. The response from the *Manufacturing/ Trade and Commerce* group was 22 percent ‘minimally’ 36 percent ‘somewhat’ and 20 percent ‘considerably’, as in Figure 3-49.

Further disaggregation of the firms’ survey responses, not reported in the figures or tables, indicated that five percent of the respondents reported operations in another country with one such respondent in of each of the target countries and the greater numbers being from Trinidad and Tobago and St. Lucia. Another characteristic highlighting the diversity of the firms was that these respondents were spread across each of the firm size groupings, and were predominantly from manufacturing, services (Professional) and trade and commerce.

Firms' Disaggregated Perception of CARICOM Policies: Investment Environment

Disaggregation by Country

The respondents to Survey B were grouped by country of location in order to analyze the responses, from a country perspective, of their perception of the impact of CARICOM policies on the critical factors pertaining to investment.

Critical factors

Dominica respondents were the only country sub-group to perceive an entirely positive impact of CARICOM policies on their investment decisions. The perception of the *Guyana* respondents was positive for six factors: cost of capital, exchange rate, the cost of local inputs, the cost of foreign inputs the availability of technology, access to markets and rules for doing business. These gave a neutral response to inflation, a negative response to both unskilled and skilled labor and were equally divided between positive and negative on exchange rate management.

The *Jamaica* respondents had a positive perception for five factors: cost of capital, inflation, cost of skilled labor, availability of technology and access to markets. They were neutral about exchange rate, the cost of unskilled labor, the cost of local inputs and the cost of foreign inputs. Jamaican firms were equally divided between positive and neutral on exchange rate management and rules for doing business.

Firms in *St. Lucia* were positive about six factors: the cost of unskilled labor, the cost of skilled labor, the cost of foreign inputs, the availability of technology, access to markets and rules for doing business. They were neutral about exchange rate management and inflation and equally divided on cost of capital (positive/ neutral/negative), exchange rate (positive / neutral) and the cost of local inputs (positive/ neutral).

Firms from *Trinidad and Tobago* were positive about only three factors: the cost of skilled labor, the availability of technology and access to markets. They had a negative perception about the cost of unskilled labor and were neutral about the remaining seven factors (see Table 3-9).

CARICOM policy areas

The firms' responses to the perception of CARICOM policy areas influencing their investment decisions, when disaggregated by country, show a predominantly positive profile (see Table 3-10). Except for fisheries where the view is equally divided (positive/negative) *Dominica* is entirely positive. *Guyana* is negative for movement of persons; neutral for the CET, rules of origin, agriculture, and fisheries; and positive for the remainder of factors. Except for the neutral view on fisheries *Jamaica* is also entirely positive. *St. Lucia* is neutral on fisheries, industry and services (T&H), equally divided (positive/neutral) on trade negotiations and positive on the remainder of CARICOM policy areas. *Trinidad and Tobago* is neutral on fisheries and positive on the remainder of CARICOM policy areas.

Disaggregation by Firm Size

The grouping of respondents of Survey B by firm size facilitated an analysis of the responses to CARICOM policies and policy areas on investment, from a firm size perspective.

Critical factors

Micro firms displayed a predominantly positive view of the impact of CARICOM policies on the critical factors pertaining to their investment decisions as indicated in Table 3-11. These firms were neutral for inflation and the cost of unskilled labor.

Small firms displayed a greater variation in perception. These were positive for four factors: the cost of unskilled labor, the availability of technology, access to markets and rules for doing business. They were neutral about exchange rate and equally divided on the cost of capital (positive/negative), exchange rate management (positive/ neutral/ uncertain), inflation (positive/

uncertain), the cost of skilled labor (positive/negative), the cost of local inputs (positive/neutral) and the cost of foreign inputs (positive/ neutral) (see Table3-11).

Medium firms had a negative perception for the cost of unskilled labor, the cost of local inputs and the cost of foreign inputs. They had a positive perception for the remaining factors (see Table 3-11). *Large* firms displayed a neutral perception except for the cost of skilled labor and access to markets where a positive perception was indicated (see Table 3-11).

CARICOM policy areas

As indicated in Table 3-12 there is a predominantly positive view of the influence of CARICOM policy areas on the investment decisions of firms when disaggregated by firm sizes. Except for fisheries where the view is neutral, *Micro* firms have a positive perception. *Small* firms also have a positive perception except for fisheries and services (T& H) where they have a neutral view. *Medium* firms have an entirely positive perception. *Large* firms have a mainly positive perception except for agriculture and fisheries where they are neutral.

Disaggregation by Sub-sector

The responses to Survey B were grouped by sub-sector of operation. This allowed a sub-sectoral analysis of the perception of CARICOM policies on the critical factors pertaining to investment and of the influence of the CARICOM policy areas on investment decisions.

Critical factors

Among the firms involved only in *Agriculture* the CARICOM policies were perceived to have a positive impact on eight of the critical factors: cost of capital, cost of unskilled labor, cost of skilled labor, cost of local inputs, cost of foreign inputs, availability of technology, access to markets and rules for conducting business. There was a neutral perception for the remaining three: exchange rate, exchange rate management and inflation (see Table 3-13). Firms in *Manufacturing* showed a similar profile except that they were neutral on cost of capital and rules

for doing business and equally divided (positive/ neutral) on availability of technology (see Table 3-13). The firms in *Services* (T&H) displayed a positive perception for all the factors except cost of unskilled labor and cost of skilled labor where there was a neutral view (see Table 3-13). Table 3-13 indicated that for firms in *Services* (P) there was a positive perception across the board. Firms in *Trade and Commerce* were neutral for inflation and the cost of local inputs, negative for the cost of unskilled labor, equally divided (positive/neutral) for the cost of foreign inputs and positive for the remainder of factors (see Table 3-13). The *Agricultural and Manufacturing* grouping displayed a positive perception for cost of unskilled labor, cost of skilled labor, availability of technology, access to markets and rules for doing business. These were neutral about exchange rate, exchange rate management and inflation and equally divided about cost of capital (positive/neutral) and cost of foreign inputs (positive/neutral) (see Table 3-13). For the *Services* (All) grouping there was a positive perception for all factors except neutral for the cost of unskilled labor and an equal division (positive/neutral) for inflation (see Table 3-13). The *Manufacturing /Trade and Commerce* grouping displayed a positive perception about the CARICOM policy influence on seven factors: exchange rate, exchange rate management, cost of unskilled labor, cost of skilled labor, availability of technology, access to markets and rules for doing business. These firms were neutral about cost of capital and inflation and equally divided on the cost of local inputs (positive/ neutral) and the cost of foreign inputs (positive/neutral) (see Table 3-13).

CARICOM policy areas

A predominantly positive perception profile was displayed for CARICOM policy areas across all firm sub-sector groupings, except for fisheries as indicated in Table 3-14. Firms in both *Services* (T&H) and *Trade and Commerce* indicated a positive perception for fisheries. The other firm groupings displayed a neutral perception (see Table 3-14).

Econometric Analysis of Survey Responses

Equation 2-11 was estimated by ordered probit regressions using TSP version 5.0 for four critical business variables namely: cost of capital, exchange rate, availability of technology and access to markets. The dependent variable was the firms' core ranking of the respective critical business variable and the explanatory variables were the associated rankings for national policy impact and CARICOM policy impact. Dummies were included to represent the countries, firm sizes and three firm type groupings. Those were agriculture and manufacturing, services (T&H) and services (P). The results for the current business environment are presented in Tables 3-15 to 3-22 for cost of capital, exchange rate, availability of technology and access to markets respectively. The results for the investment environment are detailed in Tables 3-23 to 3-30 for those variables in the respective order. The results indicate that in all other instances the perception of influence of national policy is statistically significant at either the 1 percent level or the 5 percent level as detailed in the tables. In contrast, except for the availability of technology, in no instance is the CARICOM policy perceived to be influential at least at the 10 percent statistically significant level. CARICOM policy pertaining to the availability of technology is perceived of influence at the 5 percent statistically significant level. The probabilities associated with the estimated parameters and those associated with the core level of importance assigned to the variables, were also calculated with the other explanatory variables set at their mean value. The probabilities were calculated for each of the variable rankings or impact categories. The resulting probability distribution functions are illustrated for the cost of capital and availability of technology variables in the current business environment, at the least and most influential levels of perceived variable impact, in figures 3-50 through 3-53. Figures 3-54 through 3-57 illustrate the probability distribution functions associated with the cost of capital and access to markets variables for the investment environment for the least and most influential levels of perceived

variable impact. There is no pattern evident from a comparison of the respective probability distribution functions of the respective variables, across perceived levels of variable influence.

Implications

The consensus among the interview respondents about the concept of the Caribbean Community was not shared pertaining to its impact on the business environment. This suggested that there was need for a more comprehensive examination of CARICOM's influence on the business environment, to ascertain reasons for the differences in perception. The results of the survey pointed to considerable heterogeneity among firms in the countries studied. Some of these differences pertained to firm size, geographical scope of operations and areas of operations. There is also considerable diversity among the economic characteristics of the countries, reflected in some of the interviewees' comments. Overall among firms, there is a general lack of confidence in the influence of CARICOM's policies on the economic gain of the countries, given the thrust of the responses to the questions in the survey. The empirical findings pertaining to the four business variables reinforce the view of entrepreneurs of the role of national policy in shaping their business environment since only in the instance of the availability of technology is CARICOM policy perceived to have any statistically significant influence. This suggests that each business variable should be specifically considered in the policy formulation process since there is no general tendency evident across the variables based upon an examination of the simulated probability distribution functions.

In addition, the respondents who offered supplemental comments and observations conveyed that attention should be directed to some of the rules pertaining to policy for conducting business within CARICOM. Movement of persons and capital, taxation and the stock exchange were among the areas identified for examination of the institutional arrangements. Other issues suggested for policy attention were

- Incentives to promote indigenous raw material use, production integration and cross-border partnerships, all within the context of economies of scale
- The existence of differential national circumstances and constraints that preclude adoption and implementation of regional measures
- Capacity enhancement of states, especially the members of the OECS
- The special challenge of transportation requirements to facilitate inter-regional trade

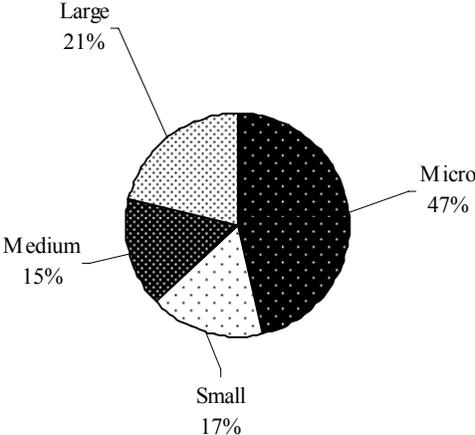


Figure 3-1. Profile of size of firms: Survey A

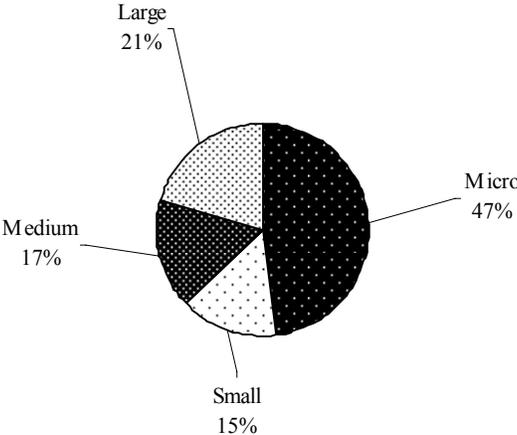


Figure 3-2. Profile of size of firms: Survey B

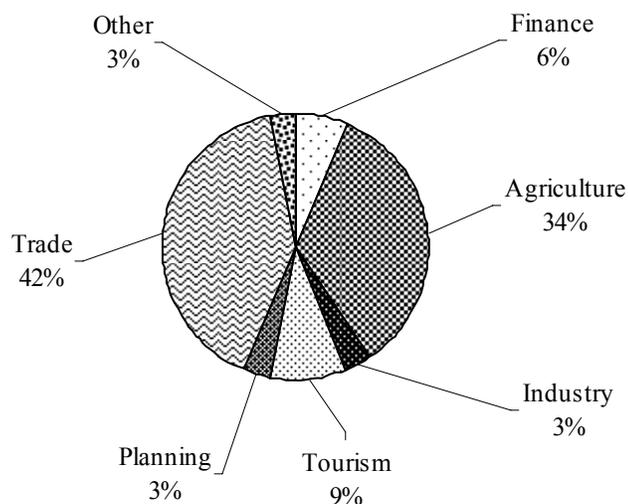


Figure 3-3. Ministry representation profile of Policy A respondents

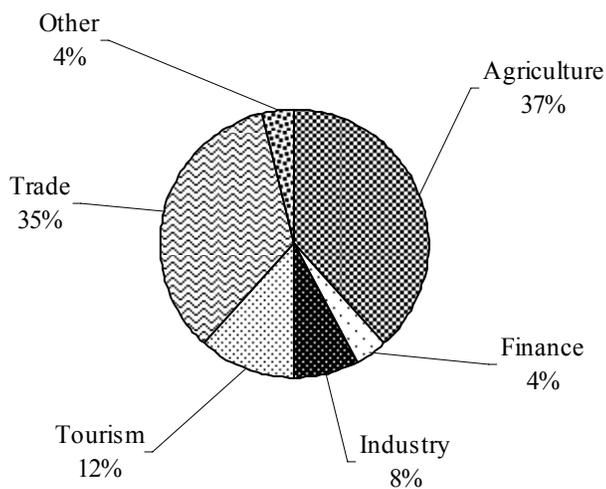


Figure 3-4. Ministry representation profile of Policy B respondents

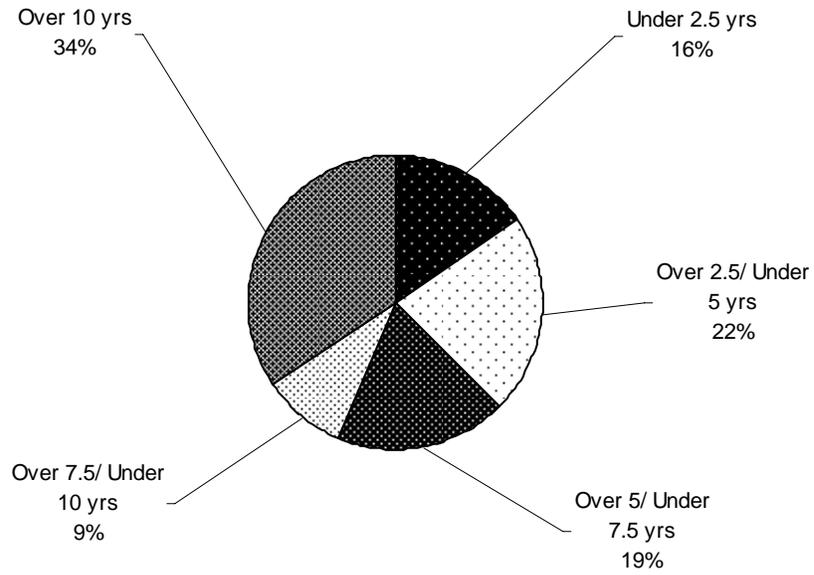


Figure 3-5. Experience profile of Policy A respondents

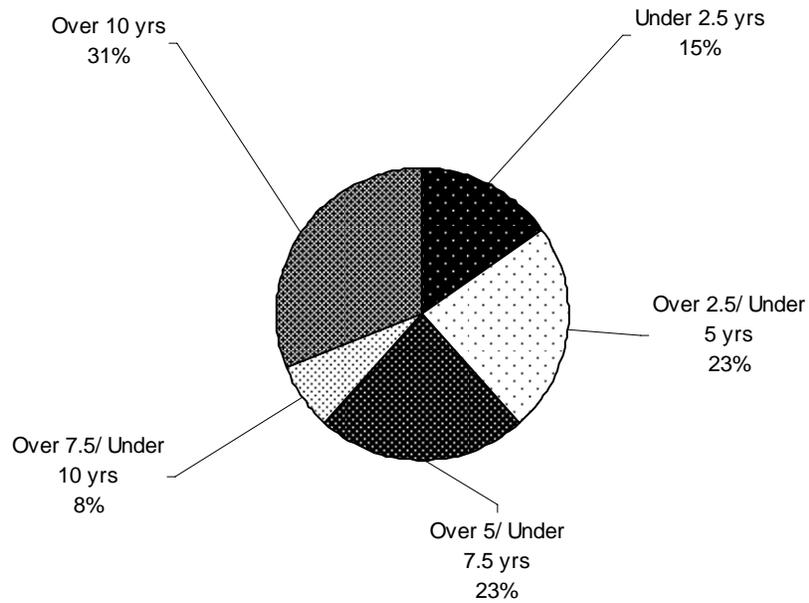


Figure 3-6. Experience profile of Policy B respondents

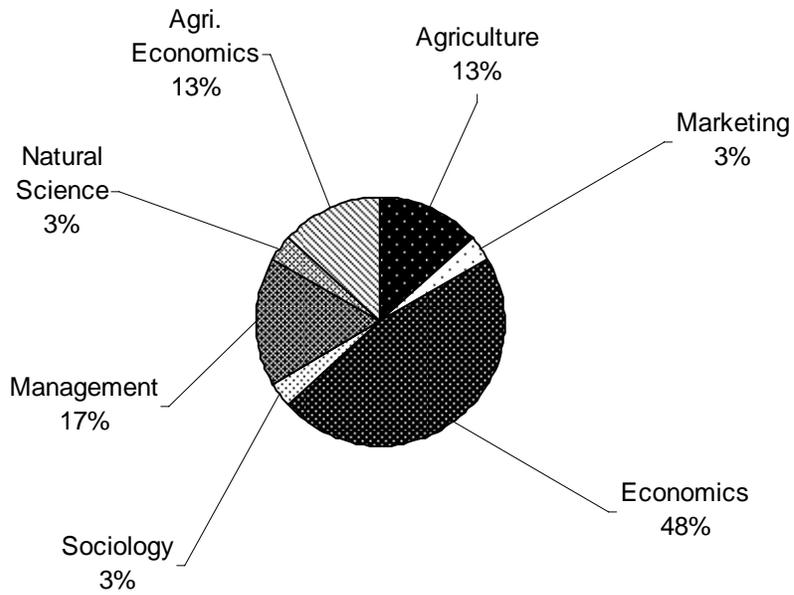


Figure 3-7. Areas of specialization profile of Survey A respondents

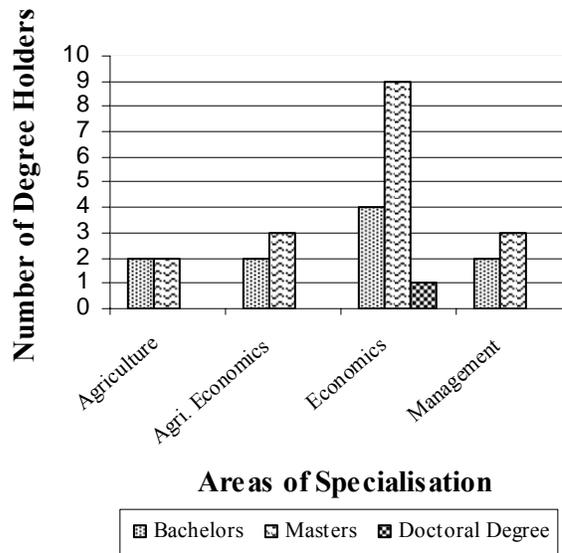


Figure 3-8. Degree profile Survey A: Top areas of specialization

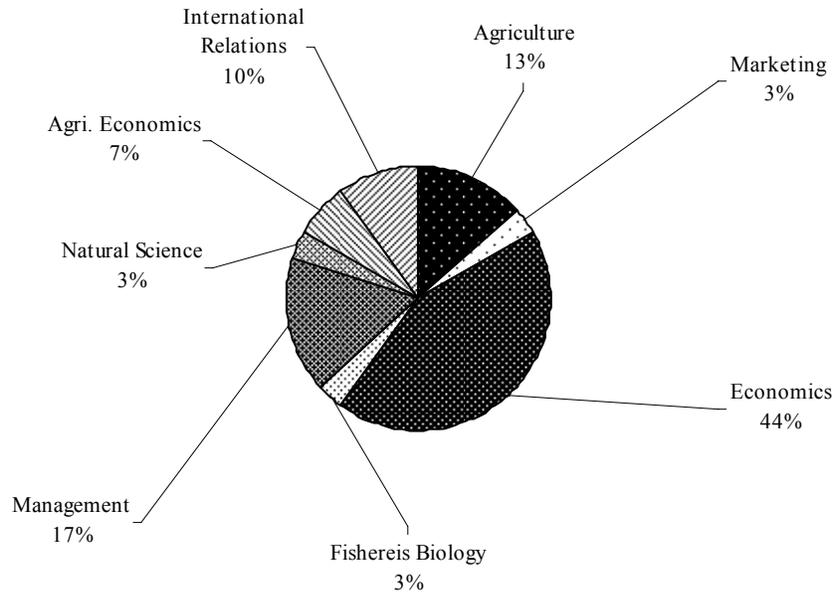


Figure 3-9. Area of specialization of Survey B respondents

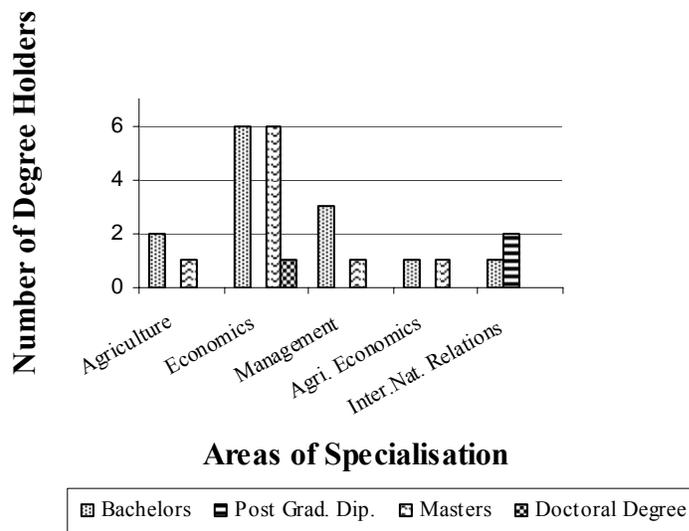


Figure 3-10. Degree profile Survey B: Top areas of specialization

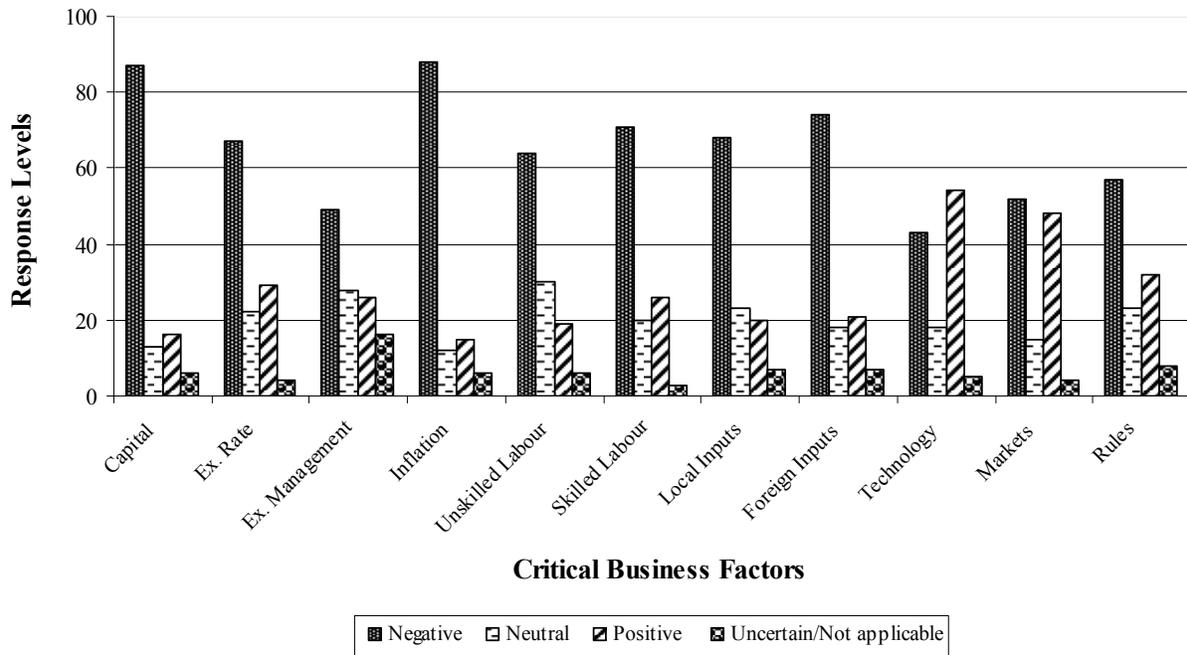


Figure 3-11. Summary of impact evaluation of critical business factors on business operations

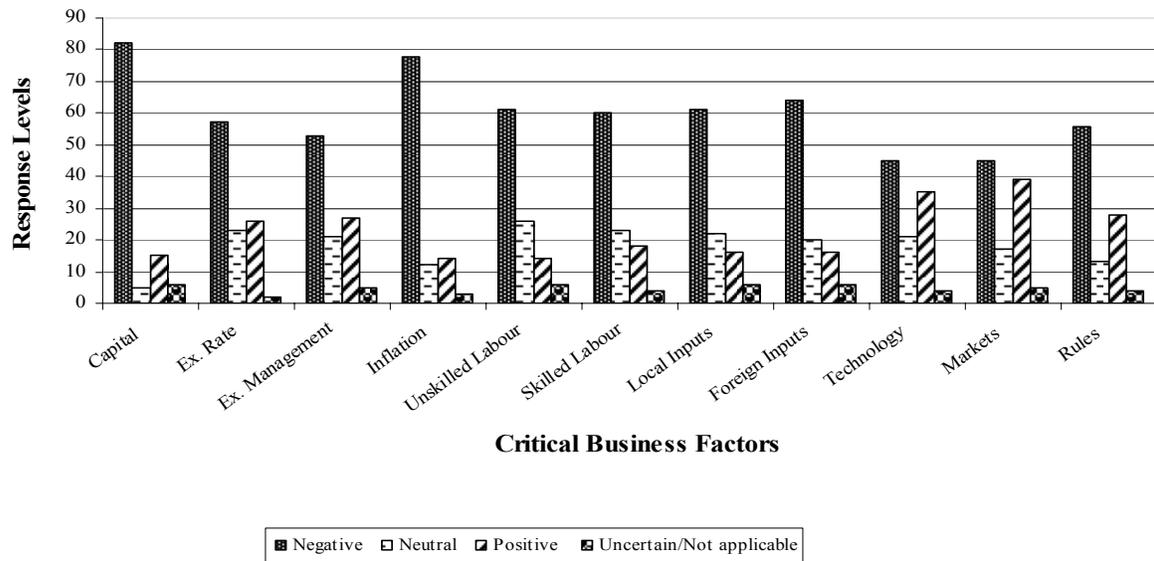


Figure 3-12. Perception of the influence of national government policies on critical business factors

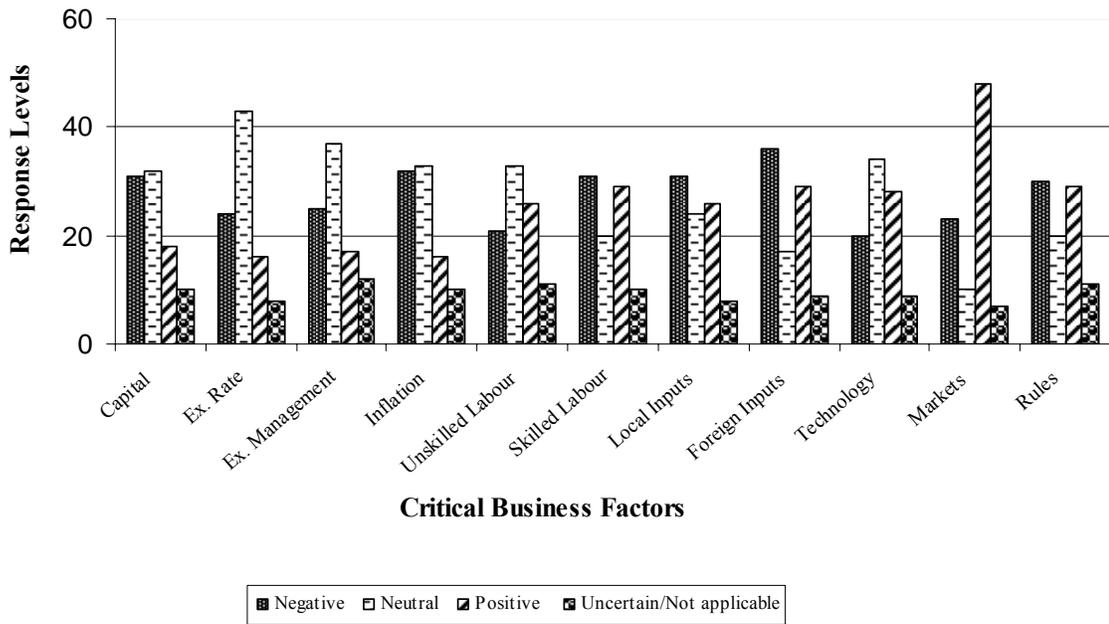


Figure 3-13. Perception of the influence of CARICOM policies on critical business factors

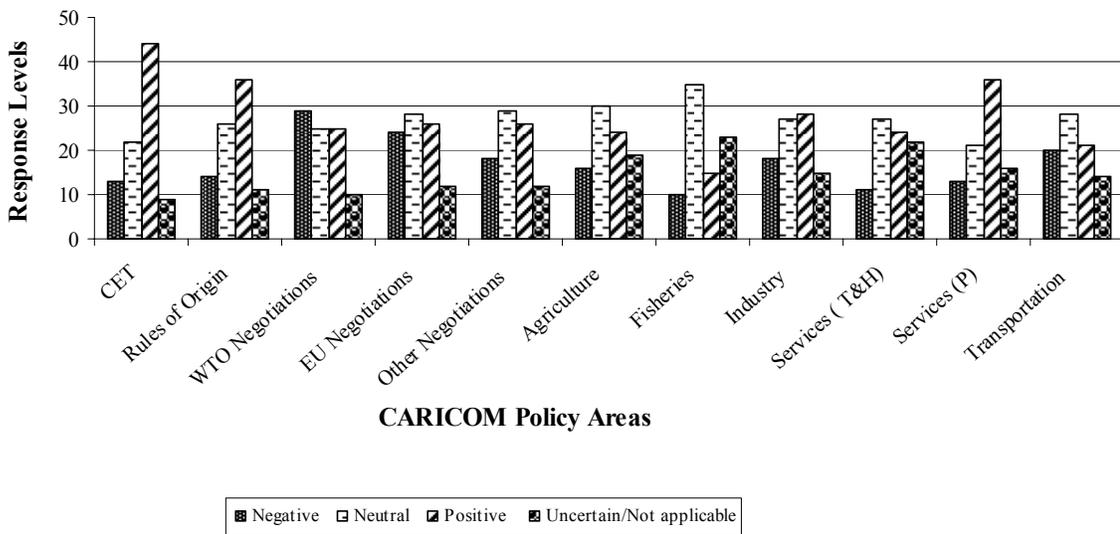


Figure 3-14. Perception of the influence of CARICOM policies on firm's business operations

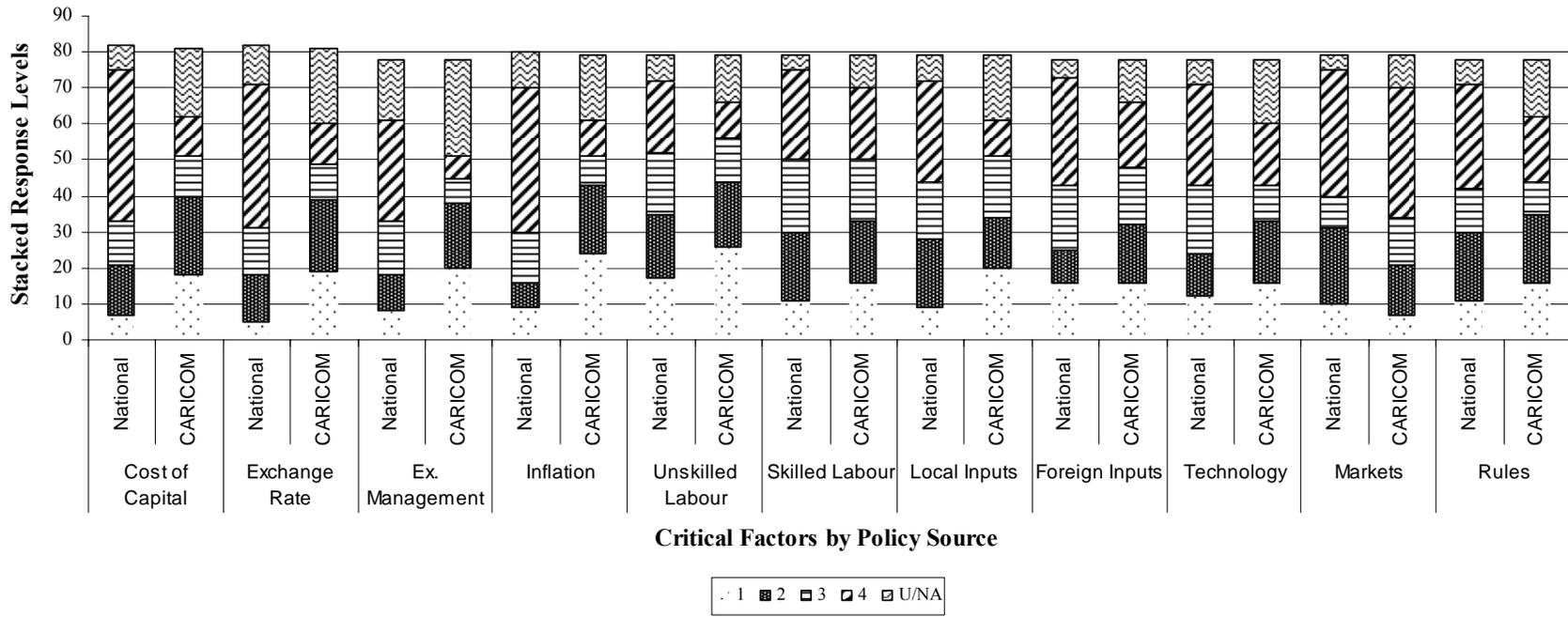


Figure 3-15. Firms' comparison of perceived policy impacts by policy source. Recall that the ranking scale here is 1 to 4 where 1 = least important, 4 = very important and U/NA = uncertain/not applicable.

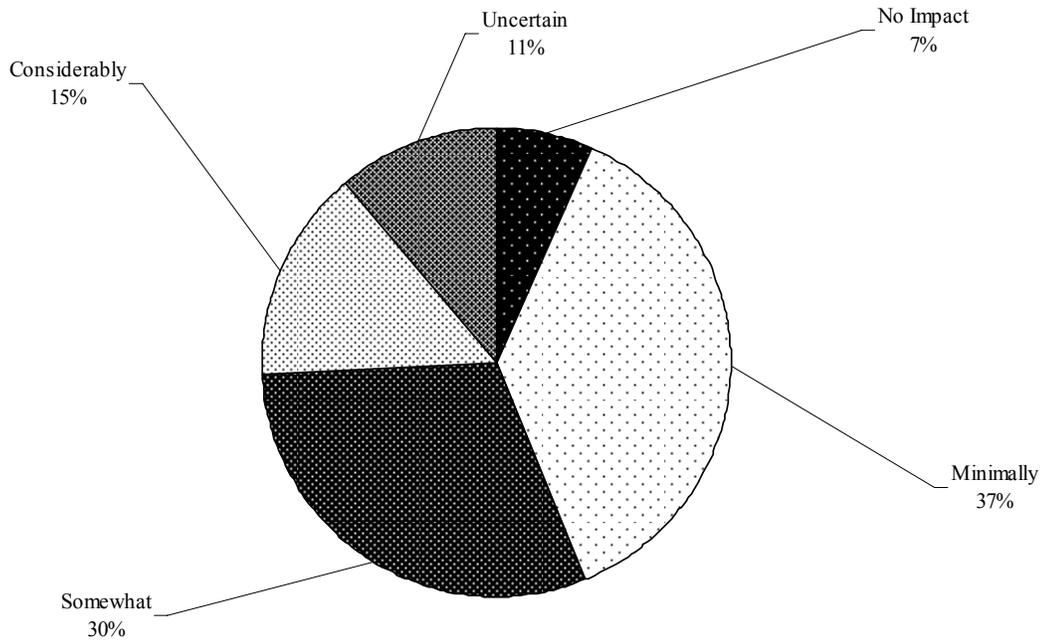


Figure 3-16. Firms' perception of the contribution of CARICOM integration arrangements to countries' economic gains

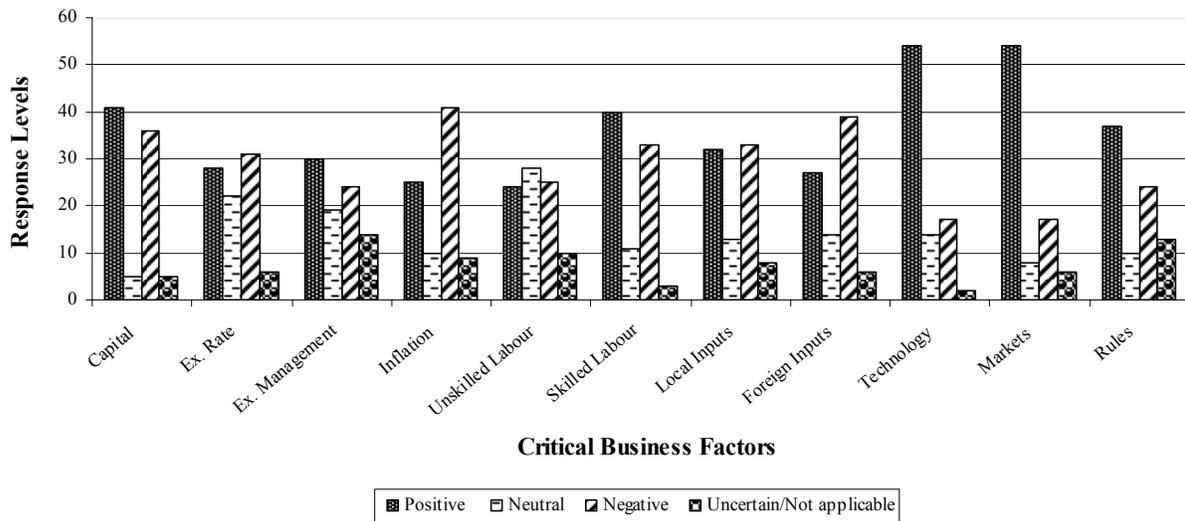


Figure 3-17. Enterprise perception of importance of critical business factors for future investment

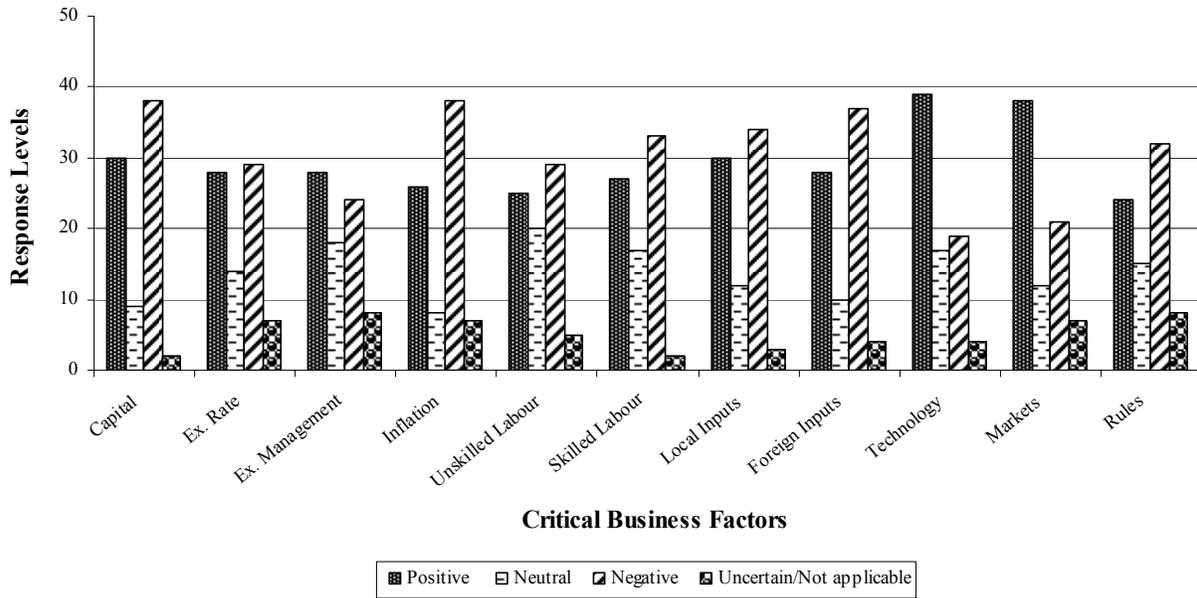


Figure 3-18. Perception of government policy influence on future investment decisions

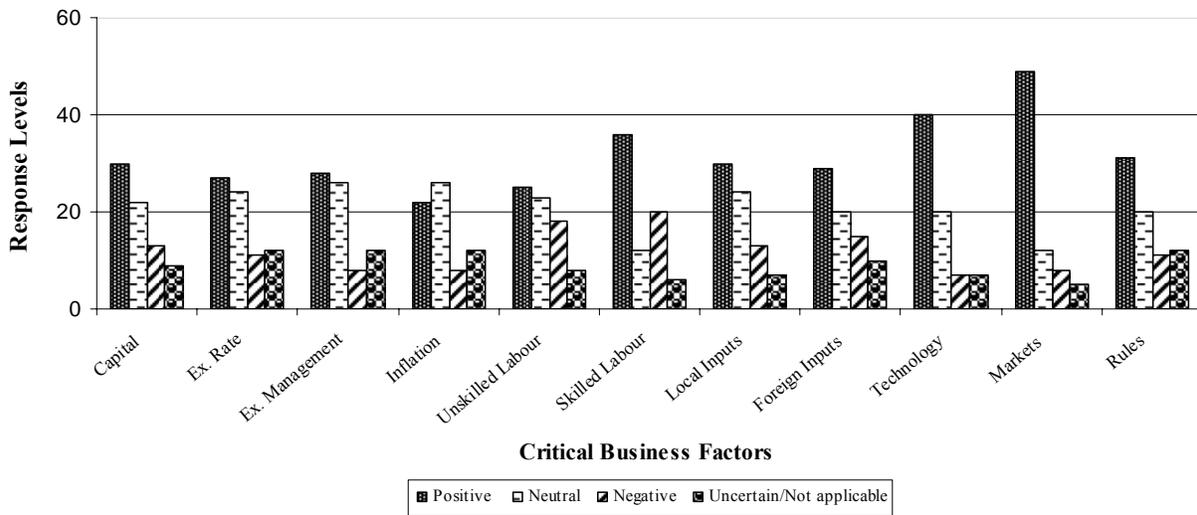


Figure 3-19. Perception of CARICOM policies' influence on business factors related to investment

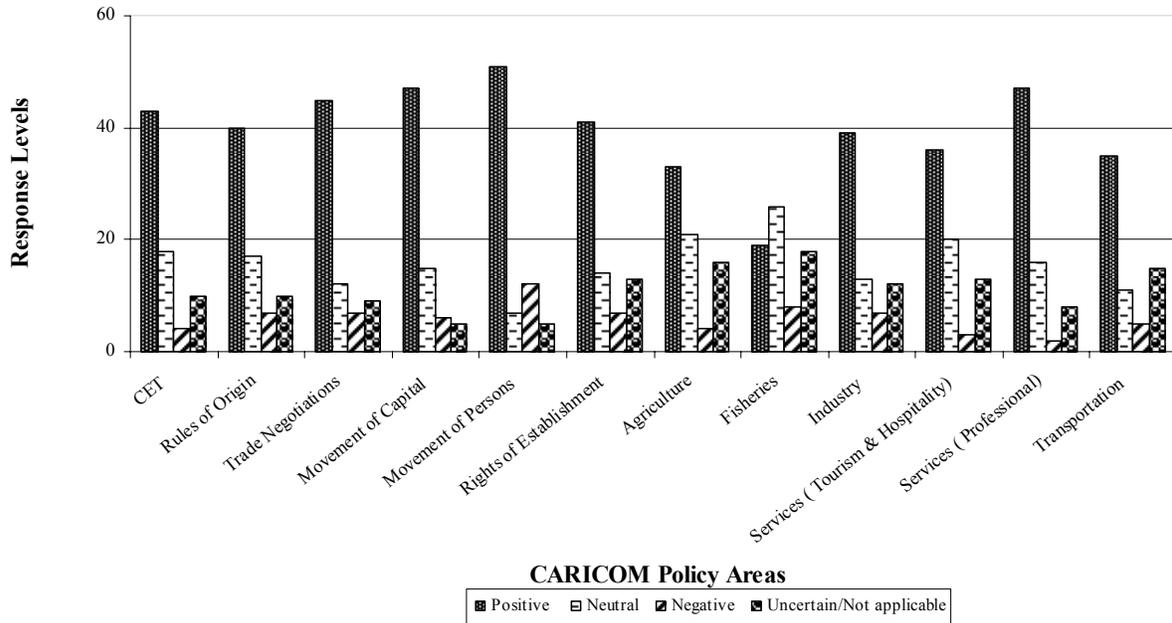


Figure 3-20. Perception of the influence of CARICOM policy areas on investment decisions

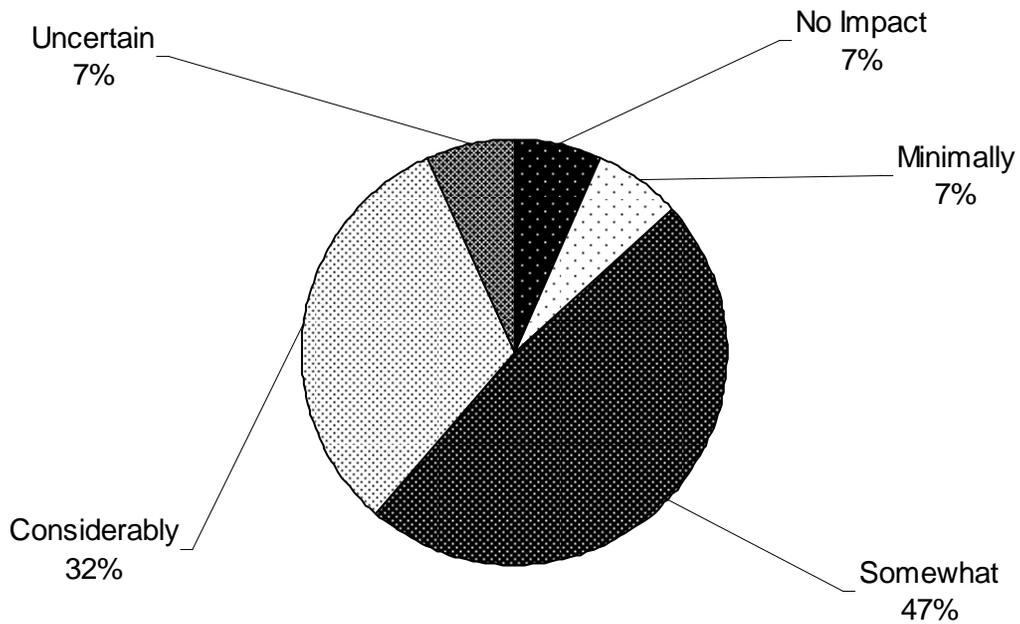


Figure 3-21. Firms' perception of the influence of CARICOM integration arrangements on in-country investment

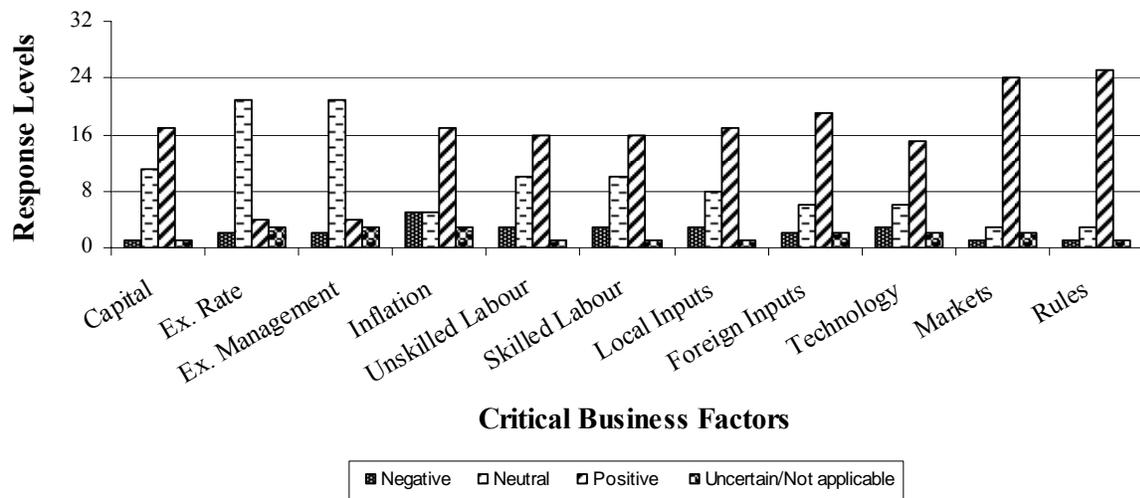


Figure 3-22. Perception of national policy impact on critical business factors

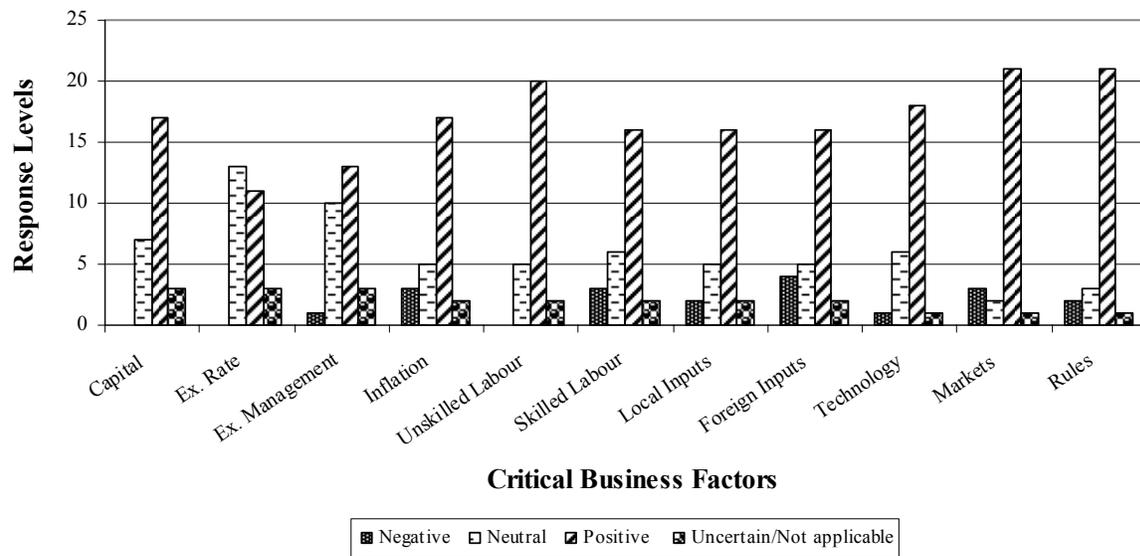


Figure 3-23 Policy makers' perception of CARICOM policies on critical business factors

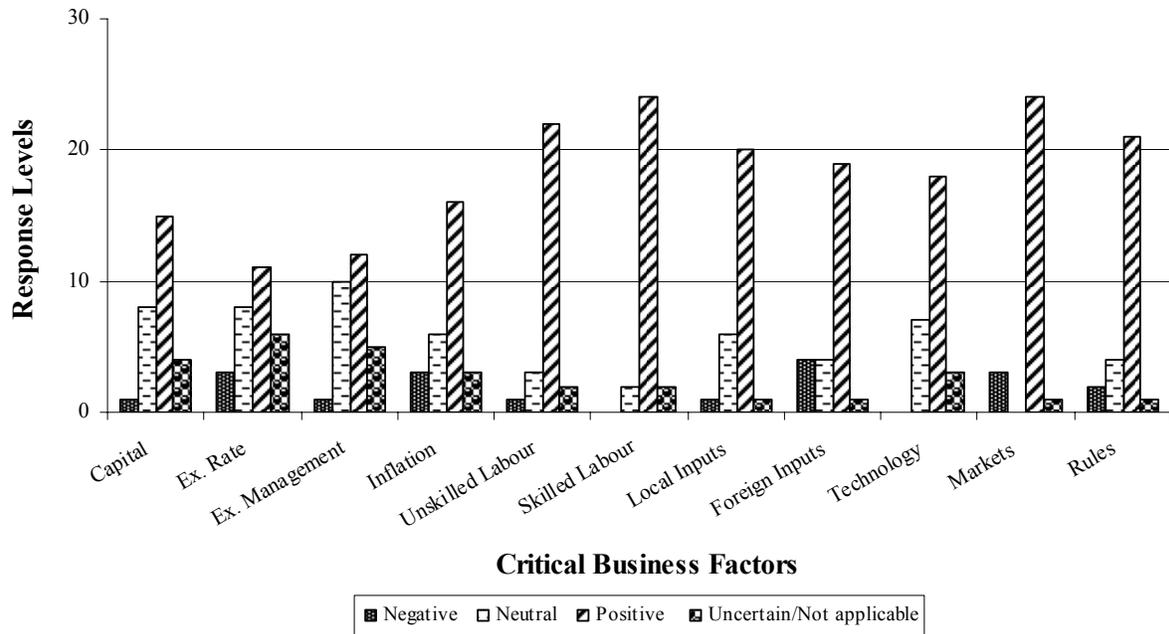


Figure 3-24. Perception of CARICOM policies' impact through national policy on critical business factors

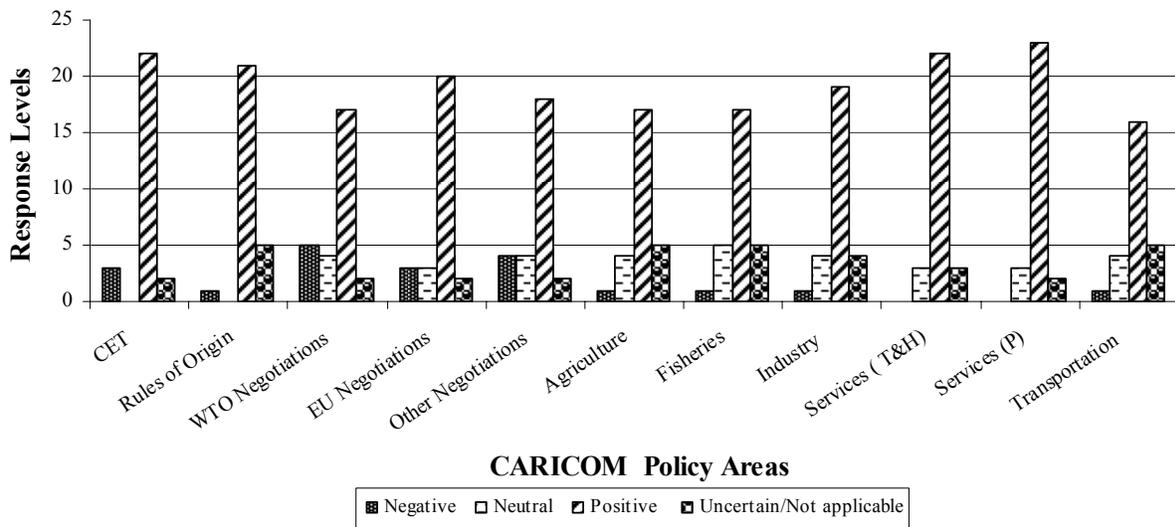


Figure 3-25. Perceived impact of specific CARICOM policy areas on business climate

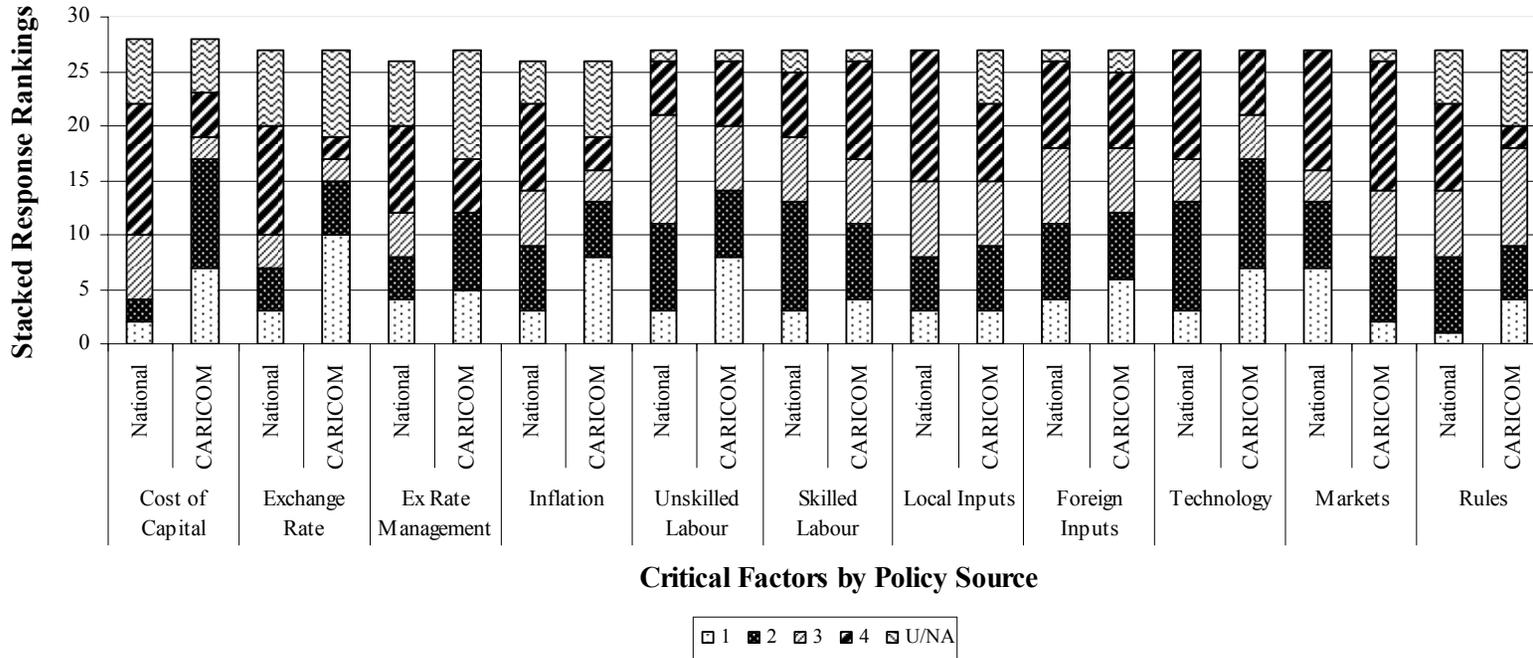


Figure 3-26. Policy makers' comparison of perceived policy impacts by policy source. Recall that the ranking scale here is 1 to 4 where 1 = least important, 4 = very important and U/NA = uncertain/not applicable.

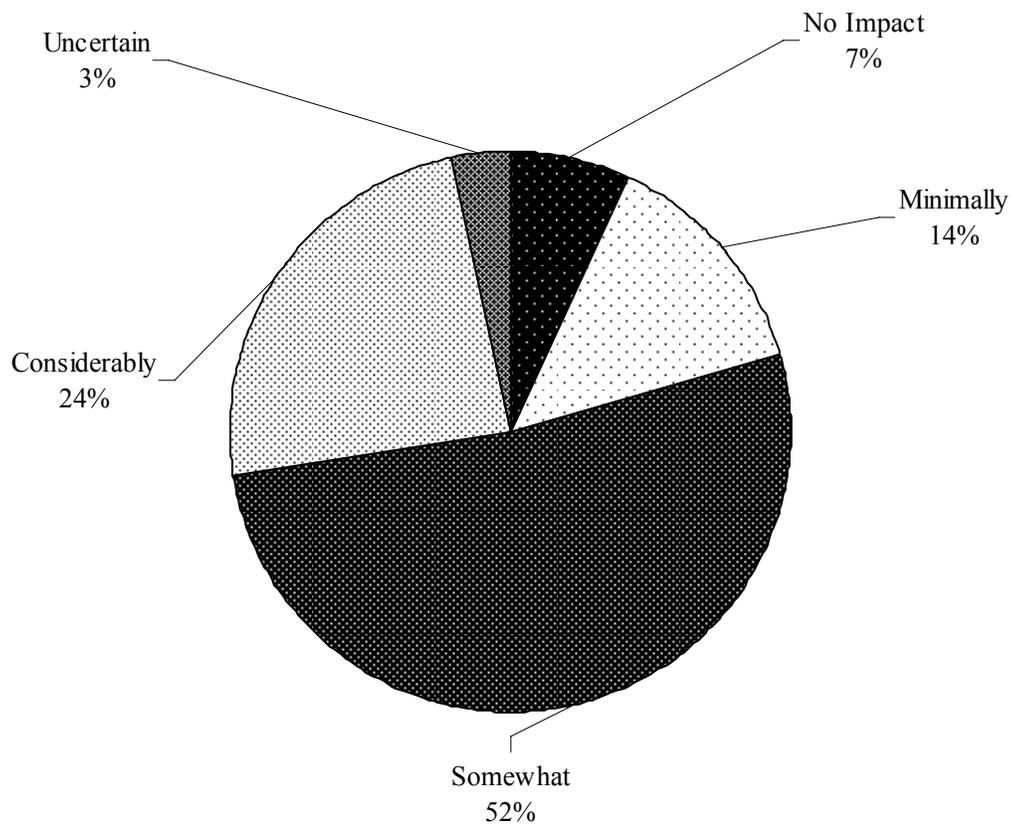


Figure 3-27. Policy makers' perception of the contribution of CARICOM arrangements to countries' economic gain

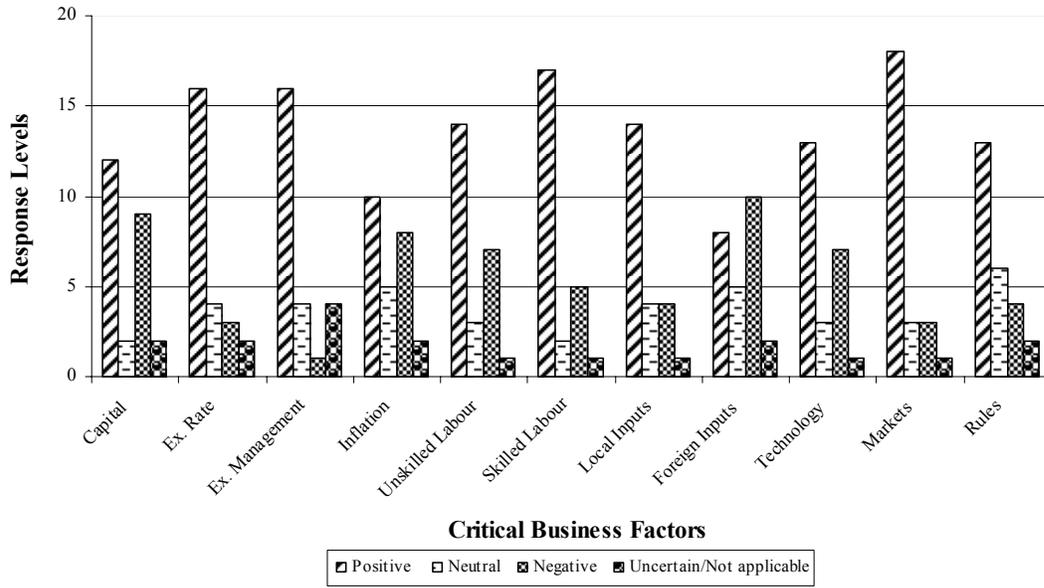


Figure 3-28. Policy makers' outlook on investment climate

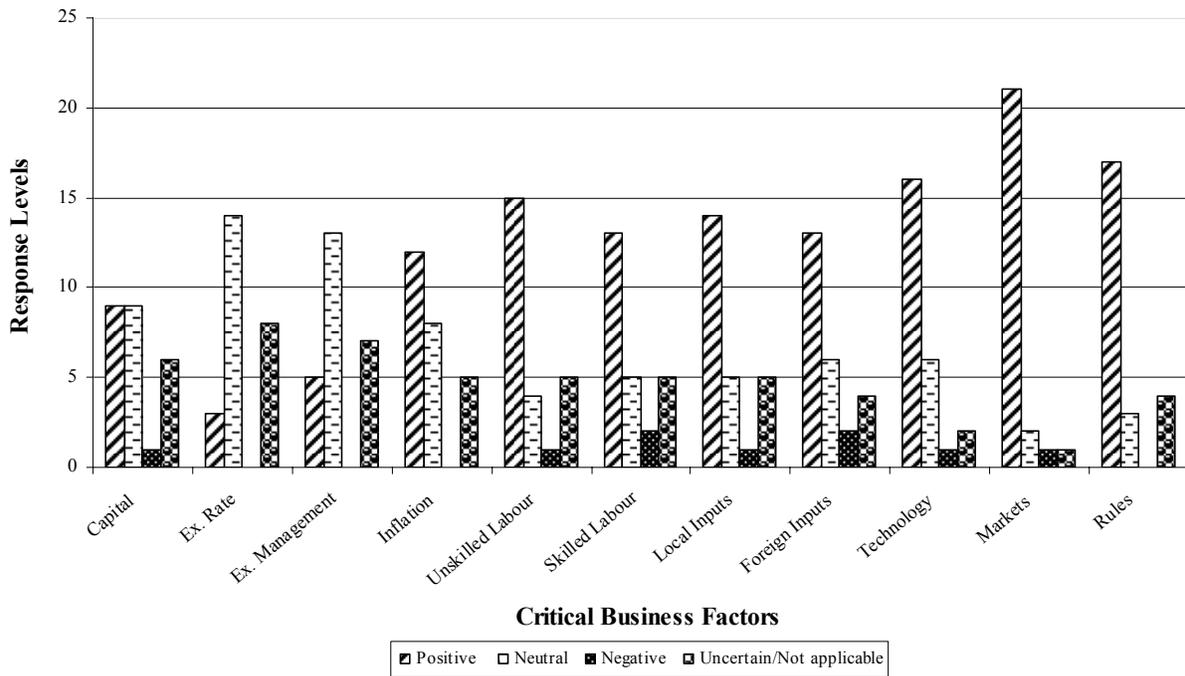


Figure 3-29. Policy makers' perception of national policy impact on investment climate

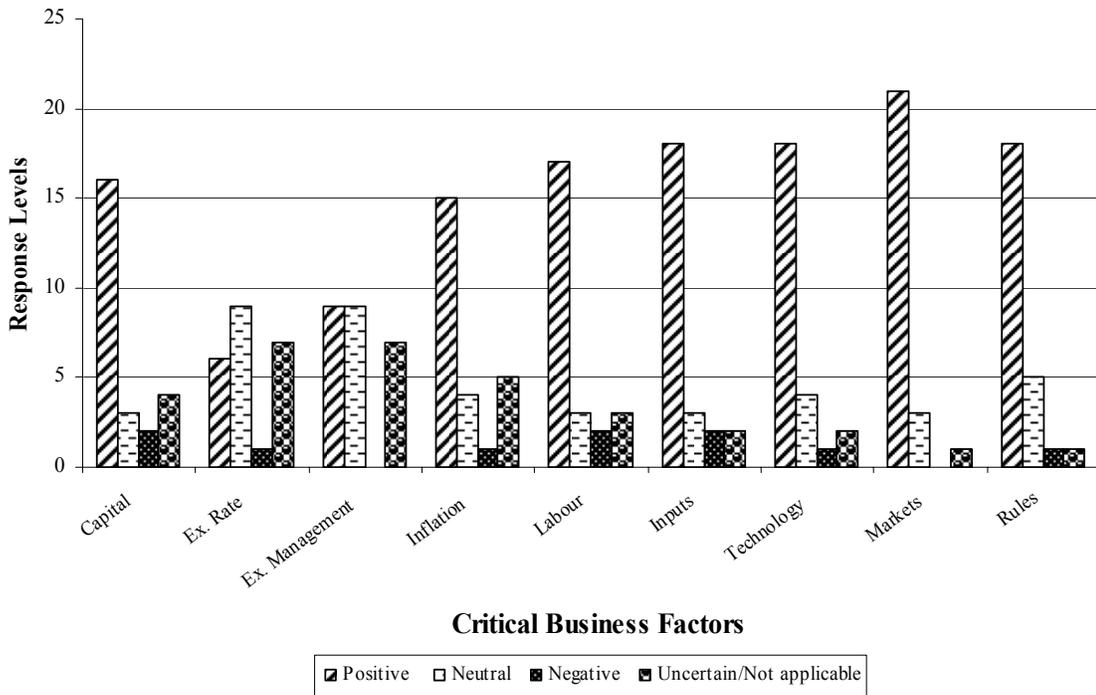


Figure 3-30. Policy makers' perception of CARICOM policy impact on investment climate

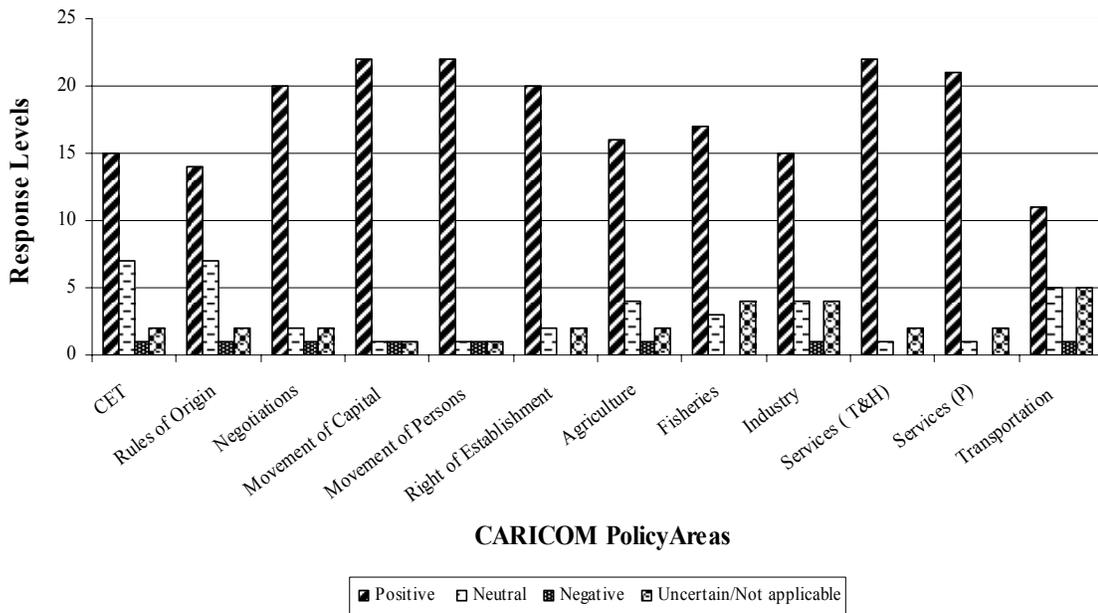


Figure 3-31. Policy makers' perception of impact of CARICOM policy areas on investment climate

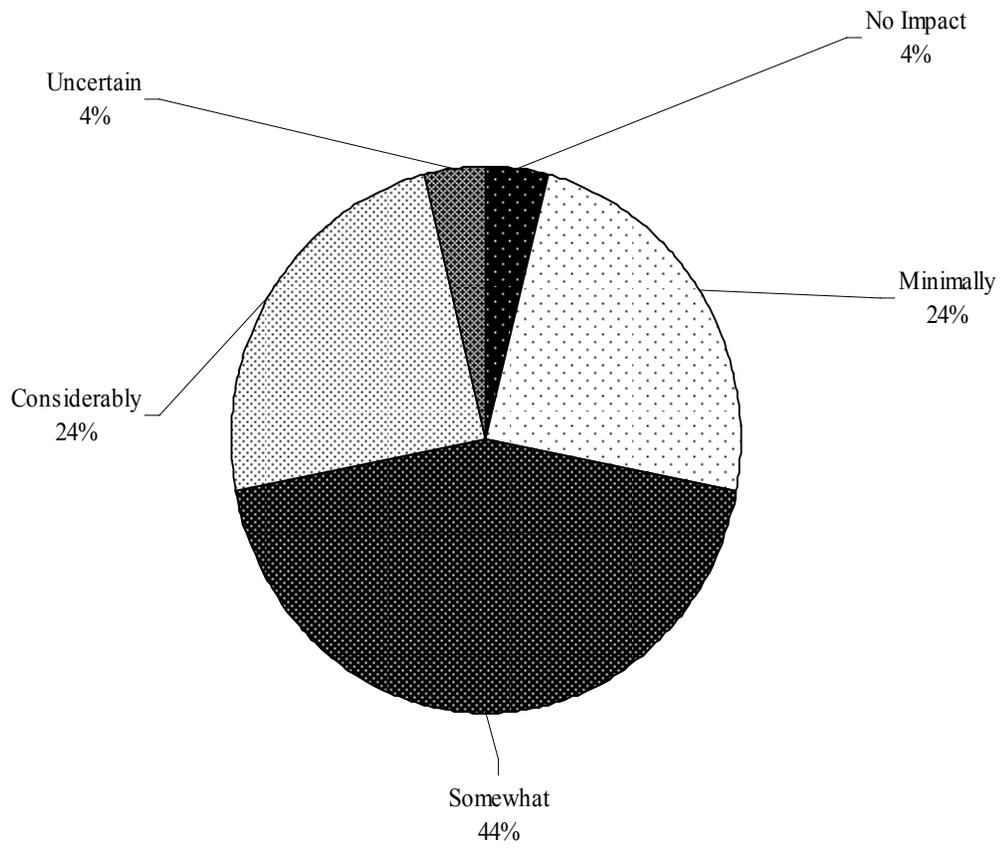


Figure 3-32. Policy makers' perception of influence of CARICOM integration arrangements on in-country investment

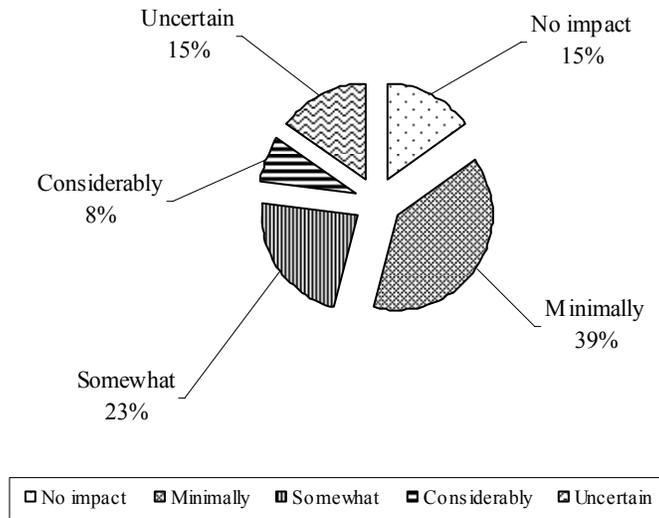


Figure 3-33. Dominica's view of the contribution of CARICOM arrangements to economic gain

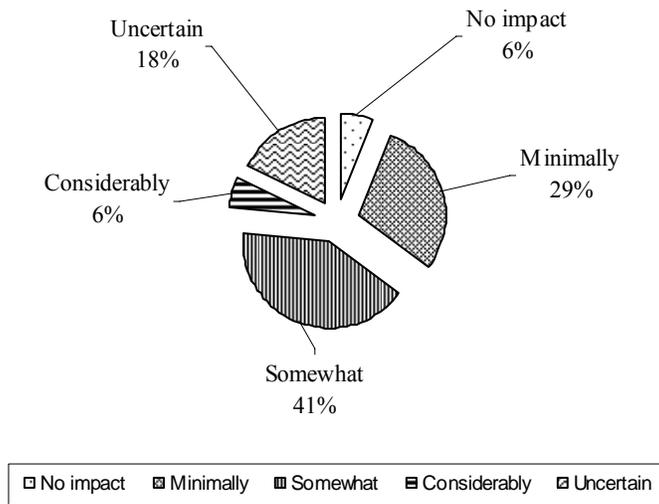


Figure 3-34. Guyana's view of the contribution of CARICOM arrangements to economic gain

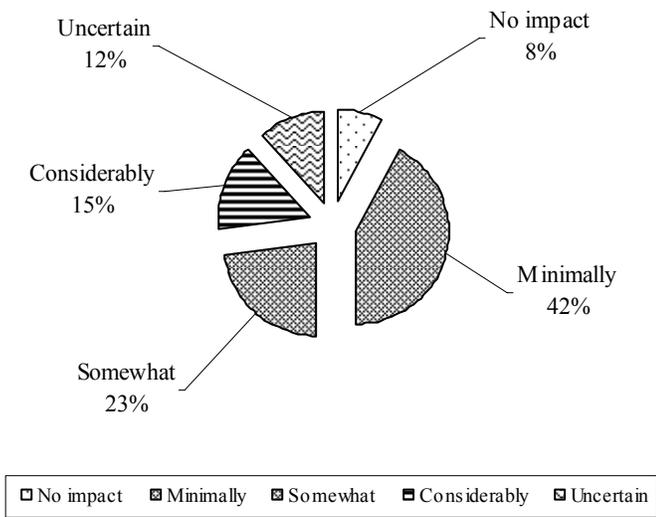


Figure 3-35. Jamaica's view of the contribution of CARICOM arrangements to economic gain

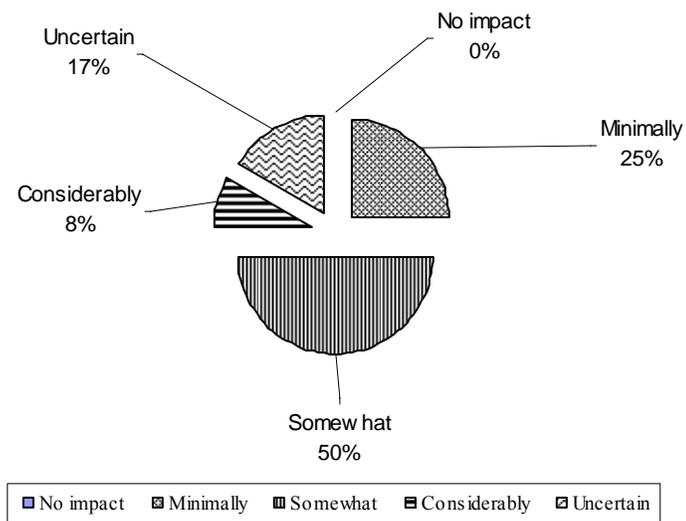


Figure 3-36. St. Lucia's view of the contribution of CARICOM arrangements to economic gain

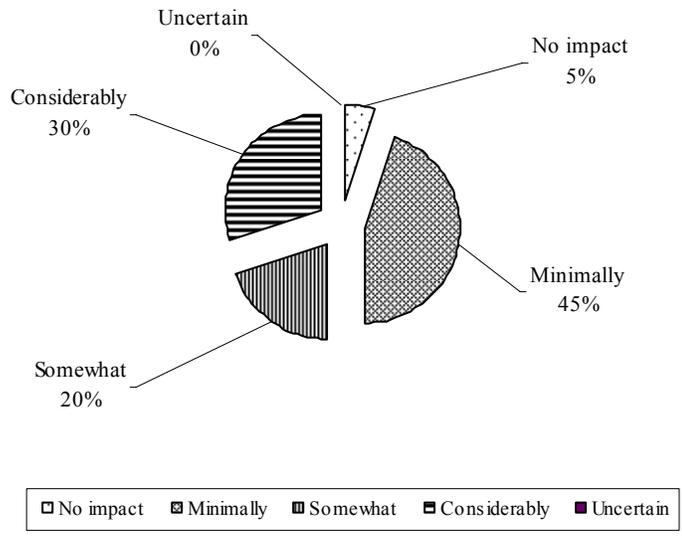


Figure 3-37. Trinidad & Tobago's view of the contribution of CARICOM arrangements to economic gain

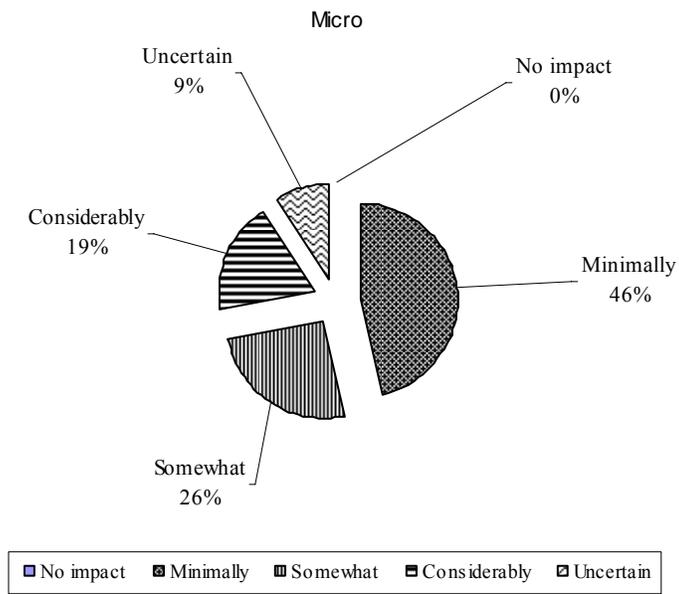


Figure 3-38. Micro firms' view of the contribution of CARICOM arrangements to economic gains

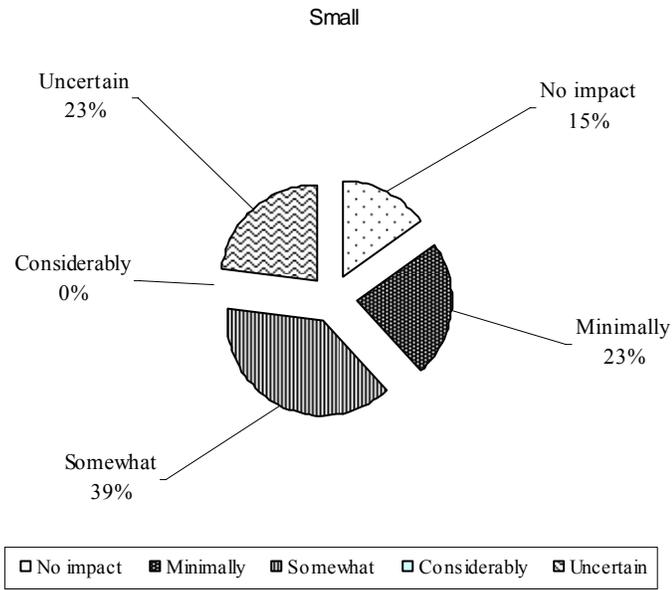


Figure 3-39. Small firms' view of the contribution of CARICOM arrangements to economic gains

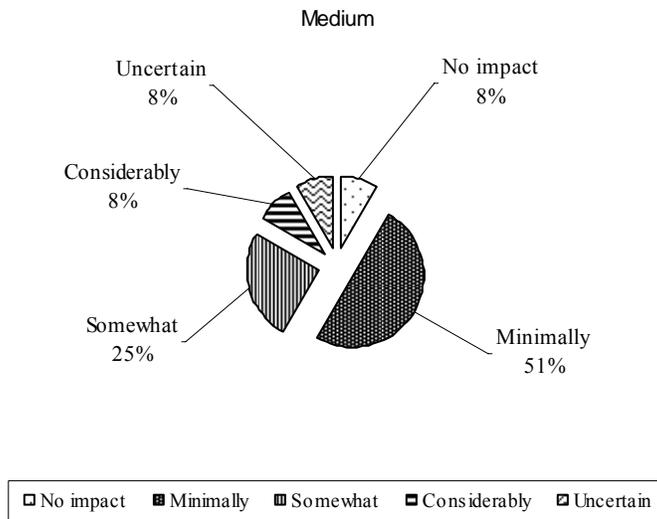


Figure 3-40. Medium firms' view of the contribution of CARICOM arrangements to economic gains

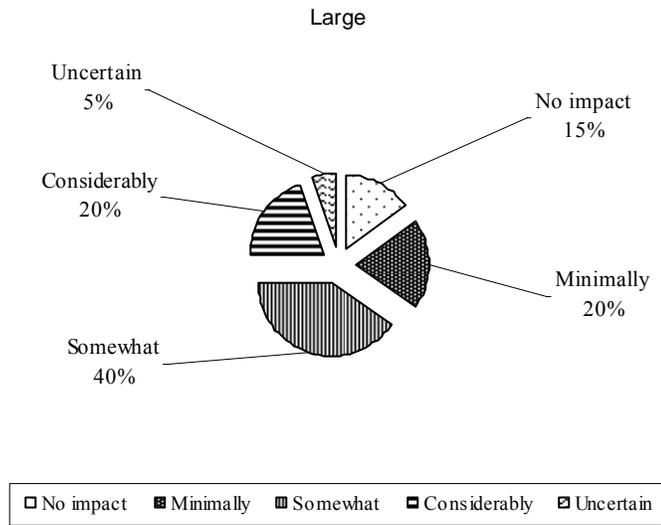


Figure 3-41. Large firms' view of the contribution of CARICOM arrangements to economic gains

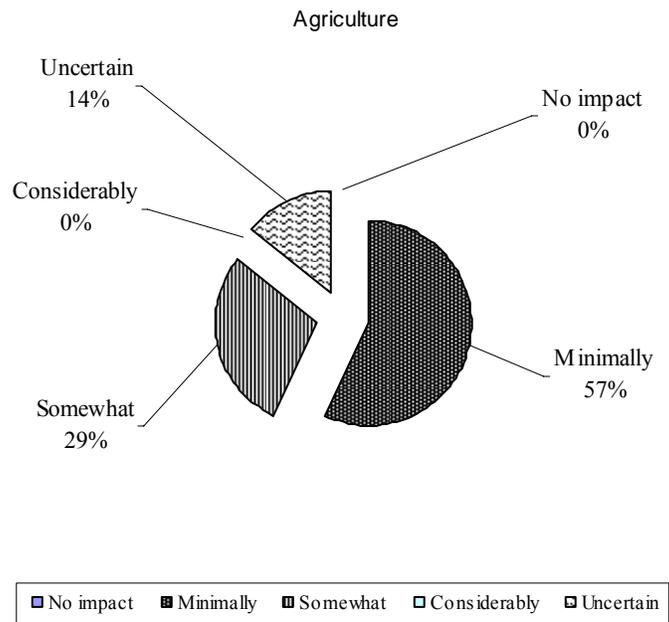


Figure 3-42. Agricultural firms view of the contribution of CARICOM arrangements to economic gains

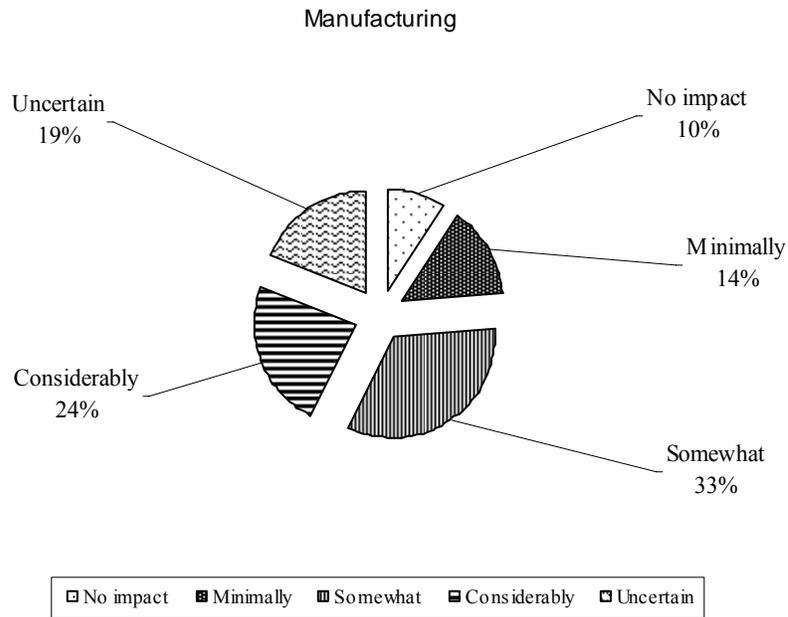


Figure 3-43. Manufacturing firms' view of the contribution of CARICOM arrangements to economic gains

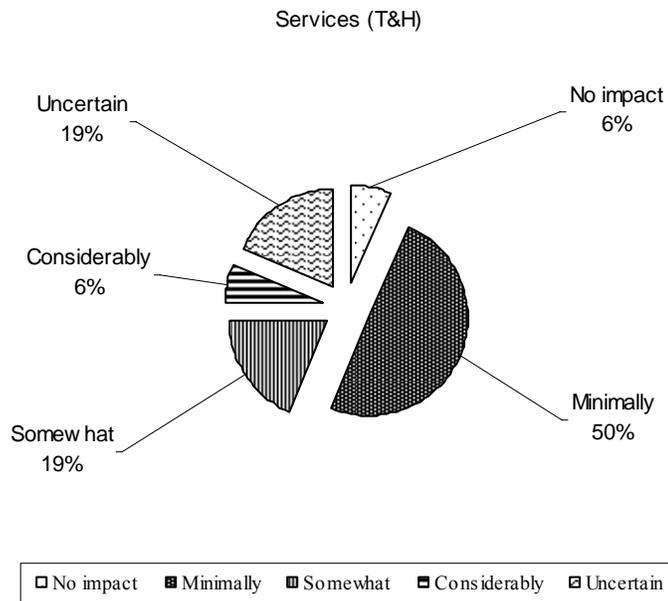


Figure 3-44. Service (Tourism & Hospitality) firms' view of the contribution of CARICOM arrangements to economic gains

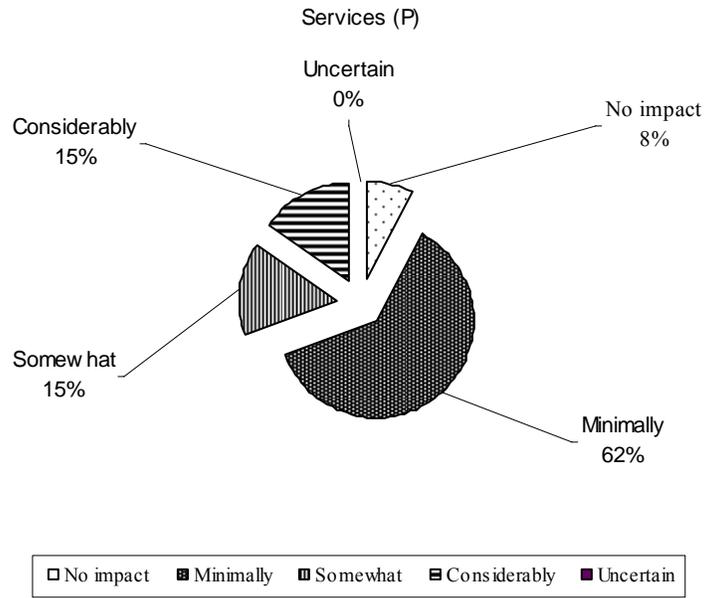


Figure 3-45. Service (Professional & Other) firms' view of the contribution of CARICOM arrangements to economic gains

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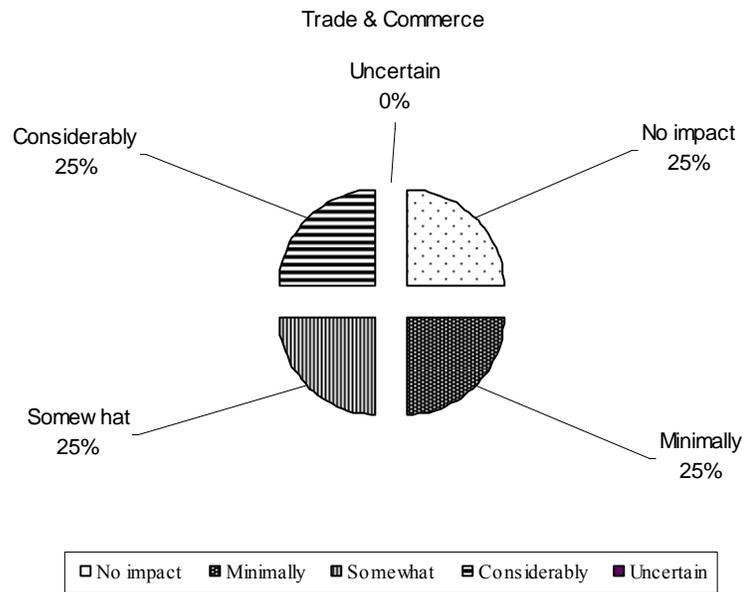


Figure 3-46. Trade and Commerce firms' view of the contribution of CARICOM arrangements to economic gains

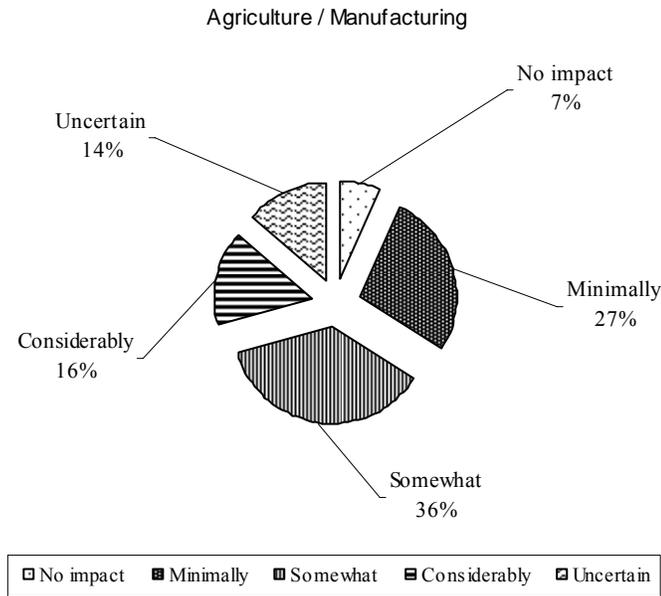


Figure 3-47. Agriculture and manufacturing firms' view of the contribution of arrangements to economic gains

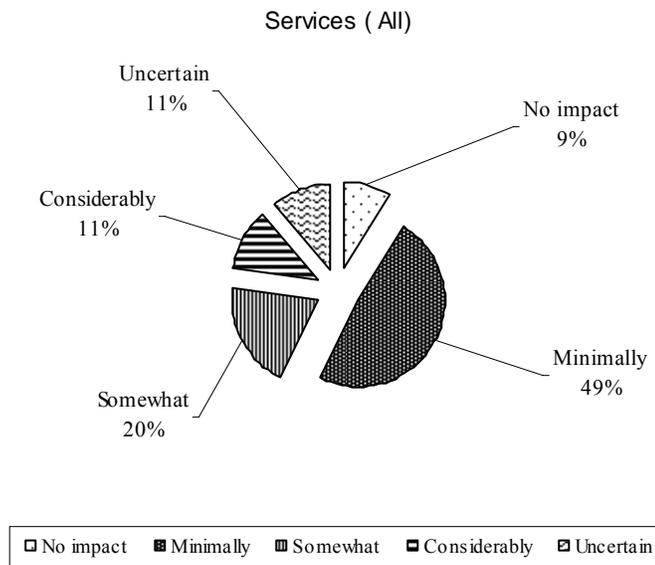


Figure 3-48. Service (All) firms' view of the contribution of CARICOM arrangements to economic gains

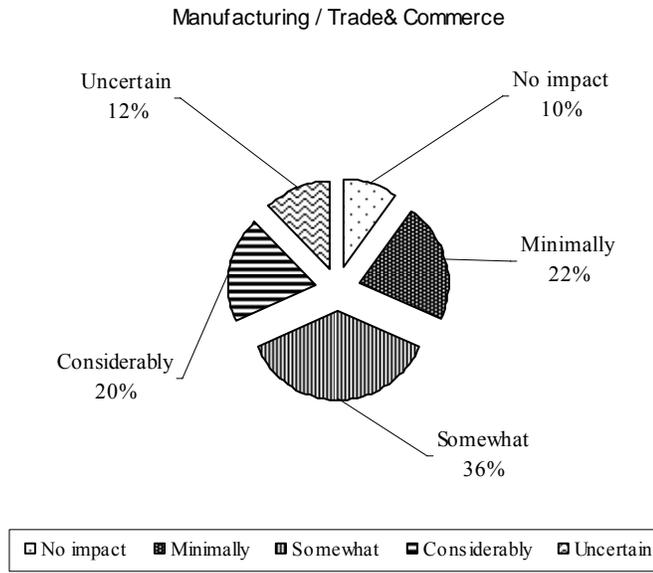


Figure 3-49. Manufacturing, trade and commerce firms' view of the contribution of CARICOM arrangements to economic gains

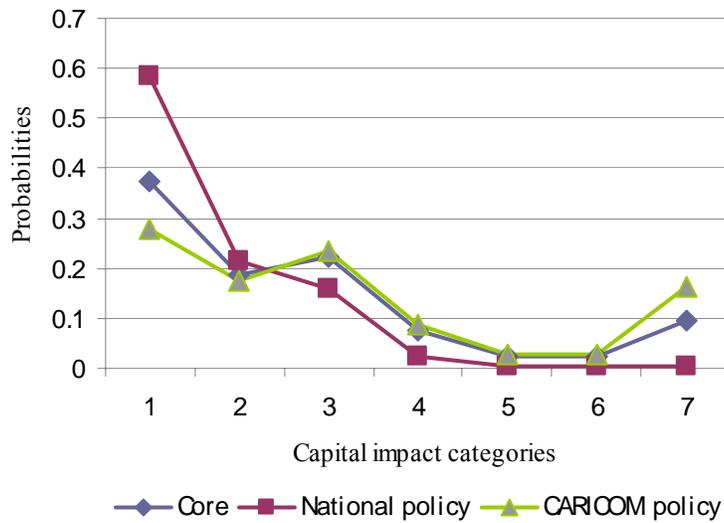


Figure 3-50. Probability distribution function for cost of capital probability response projection for the least influential variable impact in the current business environment. Capital impact category 1= least important; Capital impact category 7= most important

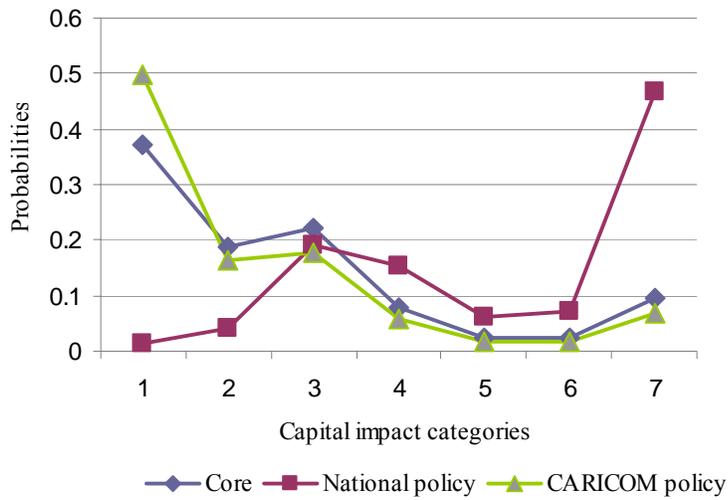


Figure 3-51. Probability distribution function for cost of capital probability response projection for the most influential variable impact in the current business environment Capital impact category 1= least important; Capital impact category 7= most important.

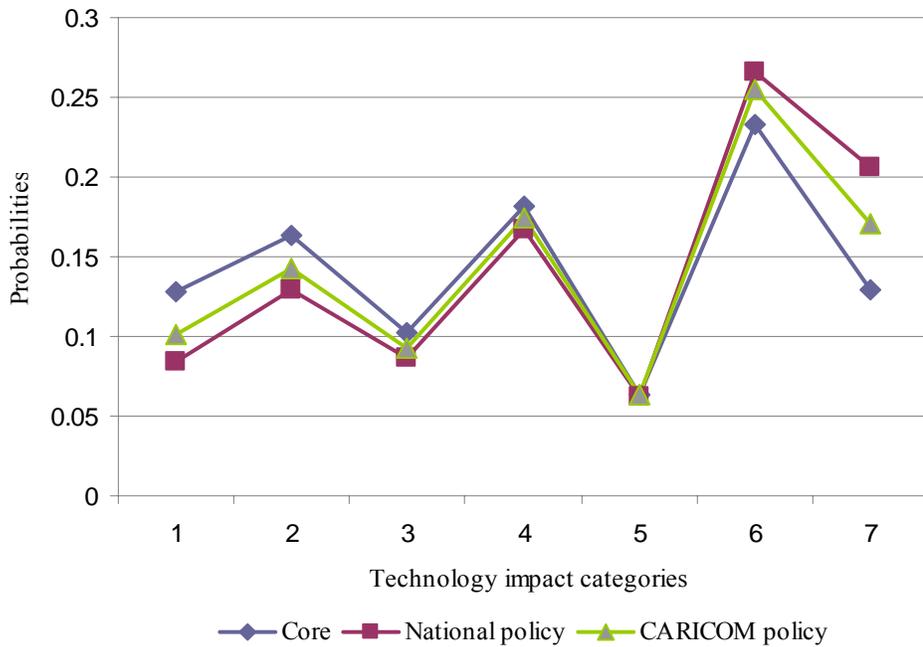


Figure 3-52. Probability distribution function for availability of technology probability response projection for the least influential policy perception in the current business environment. Technology impact category 1= least important; Technology impact category 7= most important.

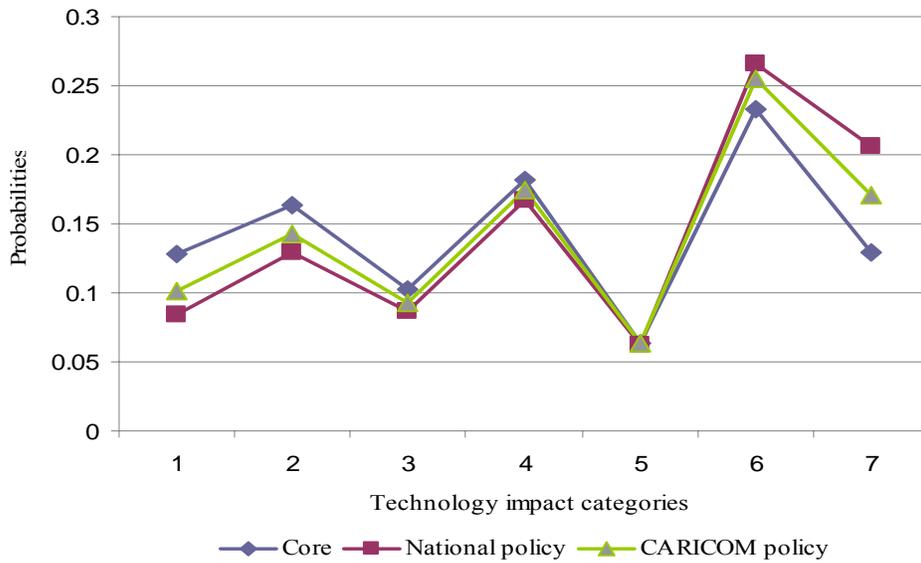


Figure 3-53. Probability distribution function for availability of technology probability response projection for the most influential variable impact in the current business environment. Technology impact category 1= least important; Technology impact category 7= most important.

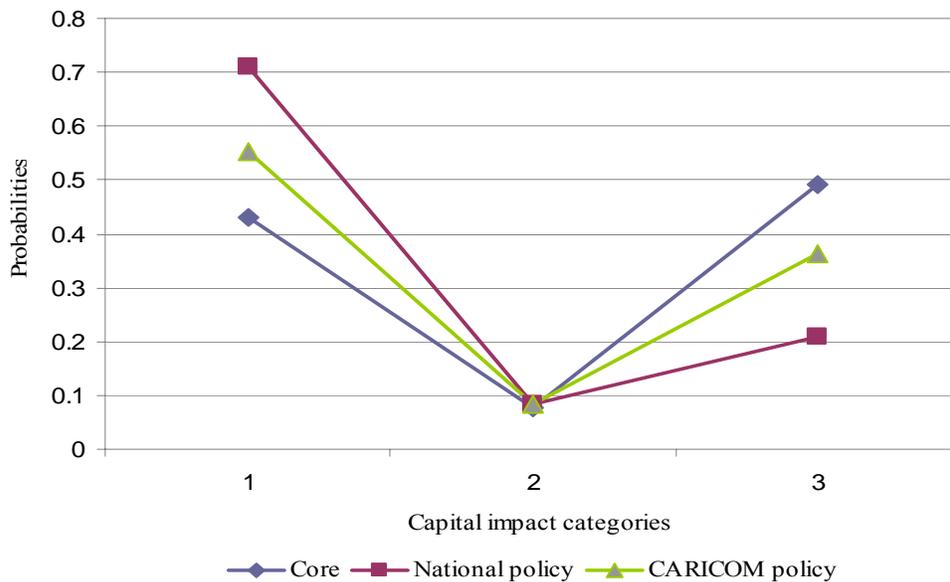


Figure 3-54. Probability distribution function for cost of capital probability response projection for the least influential variable impact in the investment environment. Capital impact category 1= least important; Capital impact category 3 = most important.

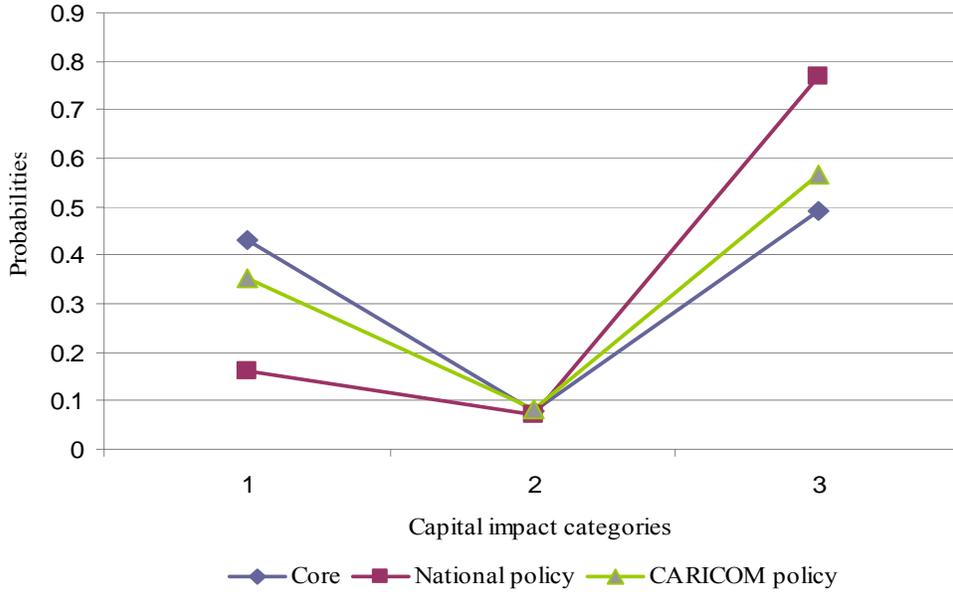


Figure 3-55. Probability distribution function for cost of capital probability response projection for the most influential variable impact in the investment environment. Capital impact category 1= least important; Capital impact category 3 = most important.

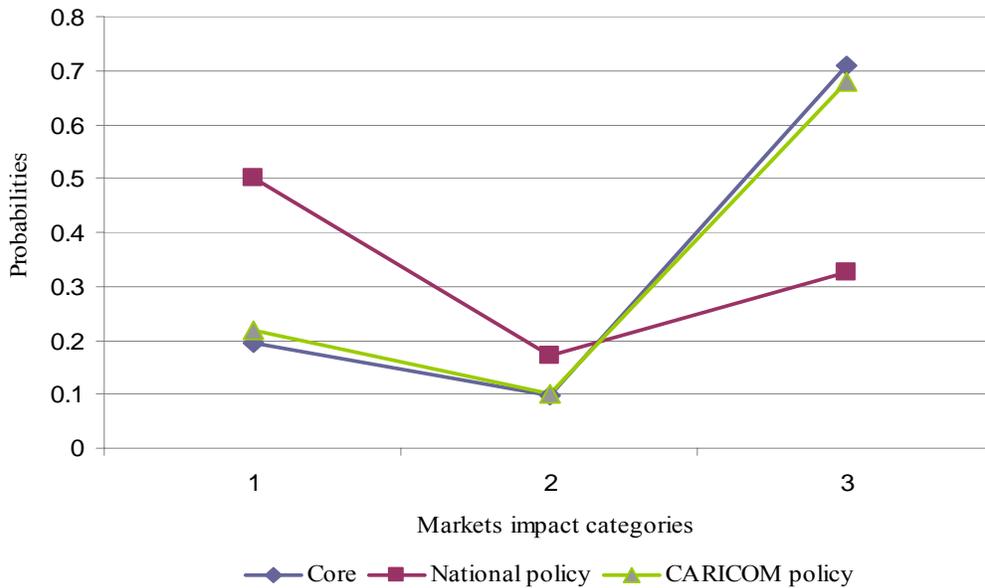


Figure 3-56. Probability distribution function for access to markets probability response projection for the least influential variable impact in the investment environment. Markets impact category 1= least important; Markets impact category 3 = most important.

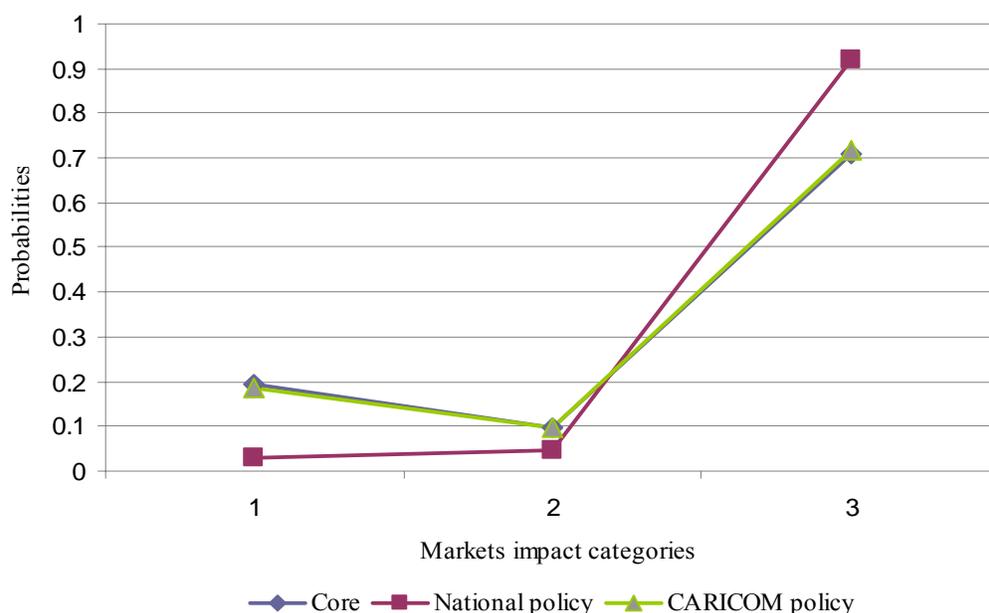


Figure 3-57. Probability distribution function for access to markets probability response projection for the most influential variable impact in the investment environment. Markets impact category 1= least important; Markets impact category 3 = most important.

Table 3-1 Distribution of entrepreneurs interviewed by country and firm type

Firm types	Number of firms by country					Total
	Dominica	Guyana	Jamaica	St. Lucia	Trinidad and Tobago	
Agricultural chemicals	0	0	0	0	2	2
Agricultural marketing	0	0	0	1	1	2
Agro processing	2	2	1	1	2	8
Distributor	0	0	1	2	0	3
Livestock and poultry	0	1	1	1	1	4
Manufacturer	0	6	0	1	1	8
Services-professional	1	2	2	2	1	8
Seafood processing and marketing	0	2	1	2	0	5
Services-tourism and hospitality	2	4	0	0	0	7
Total	5	17	6	10	9	47

Table 3-2 Distribution of policy makers interviewed by country and ministry type

Ministry type	Number of policy makers by country					Total
	Dominica	Guyana	Jamaica	St Lucia	Trinidad and Tobago	
Agriculture and fisheries	1	1	3	2	1	8
Commerce, investment and consumer affairs	0	0	1	1	0	2
Finance	1	1	1	0	0	3
Planning and development	1	0	0	0	1	2
Trade	0	0	0	0	2	2
Tourism	0	0	0	1	0	1
Total	3	2	5	4	4	18

Table 3-3 Profile of country responses indicating impact of CARICOM policies on critical business factors.

Countries	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Dominica	-	0	0	-	+	+	-	-	-	+	-
Guyana	+	0	0	0	0	-	0	+	+	+	+
Jamaica	-	0	0/-	0	0	-	-	-	+	+	0/-
St Lucia	-	0	0	-	-	-	-	-	-	-	-
Trinidad and Tobago	0	0	0	0/-	+	+	0	0	0	+	0

Legend: + = positive impact, 0 = neutral, - = negative impact, 0/- = equal response levels, as indicated

Table 3-4 Profile of country responses indicating impact of CARICOM areas.

Countries	CET	Rules of origin	Trade negotiations			Agric.	Fisheries	Industry	Services (T&H)	Services (P)	Transp.	
			WTO	EU	Other							
Dominica	+	+	+	+	+	+	0	+	+	+	-	
Guyana	+	+	0	0	0	U/NA	0	0	U/NA	+/-	U/NA	0
Jamaica	+	+	-	+	+	0	0	0	0	0/+	0	
St Lucia	-/+	0	-	-	-	0	0	-	-	0/-	0	
Trinidad and Tobago	-/+	0	-	-	-	0	0	-	-	0/-	0	

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, +/- = equal response levels, as indicated

Table 3-5 Profile of firms' responses indicating impact of CARICOM policies on critical business factors.

Firms	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Micro	-	0	0/-	-	-	-	-	-	-	-/+	-
Small	-	0	0	0	0/+	-/+	-	-	+	+	+
Medium	+	0/-	0	0	0	0/-	0	+	+	+	0
Large	0	0	0	0	0	+	0/+	+	+		

Legend: + = positive impact, 0 = neutral, - = negative impact, -/+ = equal response levels, as indicated

Table 3-6 Profile of firms' responses indicating impact of CARICOM policy areas.

Countries	CET	Rules of origin	Trade negotiations			Agric.	Fisheries	Industry	Services (T&H)	Services (P)	Transp.
			WTO	EU	Other						
Micro	+	0	-	0/-	0	0	0	0	+	+	0/-
Small	+	+	0/+	+	+	0	0	+	0/U/NA	0	+
Medium	+	+	0/+	0	0	+/	U/NA	+	U/NA	0/+	0
Large	+	+	-/+	+	0	0	0	0	0	0/+	0

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-7 Profile of firms' responses by sub-sector indicating impact of CARICOM policies on critical business factors

Firms' Sub-sectors	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Agriculture	-	0	-	0	U/NA	-/+	-	+	-	+	-
Manufacturing	-/0	-/0	-/0	-	+	+	-	-	-	+	-
Services (T&H)	-	0	0	-	0	-	-	-	+	+	-
Services (P)	0	0	0	0	0	+	+	+	0	+	+
Trade and commerce	0/+	-	-/+	0/-	0	-/0	0	+	0	+	0
Agriculture and manufacturing	-	0	0	0	0	-	-	-	-/0	+	-
Services (All)	0	0	0	0	0	-	+	-	0	+	+
Manufacturing, trade and commerce	0	0	0	0	0	-	-	-	0	+	-/+

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-8 Profile of firms' responses by sub-sector indicating impact of CARICOM policy areas

Countries	CET	Rules of origin	Trade negotiations			Agric.	Fisheries	Industry	Services (T&H)	Services (P)	Transp.
			WTO	EU	Other						
Agric.	0/U/NA	-/0/U/NA	0	0	0/+	-/+	0/U/NA	0	U/NA	+/U/NA	-
Manuf.	+	+	-/+	0/+	+	0	0	+	0	0/+	0
Services (T&H)	0/+	0	-	-	-	0/U/NA	-/U/NA	-	-	-	-
Services (P)	+	0	0	+	0	0	0	0	0	+	0
Trade & commerce	+	0/+	+	+/U/NA	0/+	0	0	0	0	0/U/NA	0
Agric. & manuf.	+	+	-	0	+	0	0	0	0	0	0
Services (All)	+	0	-	+	0	0	0	+	0	+	0
Manuf., trade & commerce	+	+	-	-/0	+	0	0	0	0	0	0

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-9 Profile of firm responses by country indicating perceived impact of CARICOM policies on critical factors pertaining to investment decisions

Countries	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Dominica	+	+	+	+	+	+	+	+	+	+	+
Guyana	+	+	+/-	0	-	-	+	+	+	+	+
Jamaica	+	0	+/0	+	0	+	0	0	+	+	+/0
St Lucia	+/0/-	+/0	0	0	+	+	+/0	+	+	+	+
Trinidad and Tobago	0	0	0	0	-	+	0	0	+	+	0

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-10 Profile of firm responses by country indicating perception of CARICOM policy areas influence on investment decisions

Countries	CET	Rules of origin	Trade negotiations	Movement of capital	Movement of persons	Rights of Establishment	Agriculture	Fisheries	Industry	Services (T&H)	Services (P)	Transportation
Dominica	+	+	+	+	+	+	+	+/-	+	+	+	+
Guyana	0	0	+	+	-	+	0	0	+	+	+	+
Jamaica	+	+	+	+	+	+	+	0	+	+	+	+
St Lucia	+	+	+/0	+	+	+	+	0	0	0	+	+
Trinidad and Tobago	+	+	+	+	+	+	+	0	+	+	+	+

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-11 Profile of firm responses by firm size indicating perceived impact of CARICOM policies on critical factors pertaining to investment decisions

Firm size	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Micro	+	+	+	0	0	+	+	+	+	+	+
Small	+/0	0	+/0/U	+/U	+	+/-	+/0	+/0	+	+	+
Medium	+	+	+	+	-	+	-	-	+	+	+
Large	0	0	0	0	0	+	0	0	0	+	0

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-12 Profile of firm responses by firm size indicating perception of CARICOM policy areas influence on investment decisions

Firm size	CET	Rules of origin	Trade negotiations	Movement of capital	Movement of persons	Rights of Establishment	Agriculture	Fisheries	Industry	Services (T&H)	Services (P)	Transportation
Micro	+	+	+	+	+	+	+	0	+	+	+	+
Small	+	+	+	+	+	+	+	0	+	0	+	+
Medium	+	+	+	+	+	+	+	+	+	+	+	+
Large	+	+	+	+	+	+	0	0	+	+	+	+

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-13 Profile of firm responses by sub-sector indicating perceived impact of CARICOM policies on critical factors pertaining to investment decisions

Sub-sector	Cost of capital	Exchange rate	Exchange rate management	Inflation	Unskilled labor	Skilled labor	Local inputs	Foreign inputs	Technology	Access to markets	Rules
Agriculture	+	0	0	0	+	+	+	+	+	+	+
Manufacturing	0	0	0	0	+	+	+	+	+/0	+	0
Services (T&H)	+	+	+	+	-	-	+	+	+	+	+
Services (P)	+	+	+	+	+	+	+	+	+	+	+
Trade and Commerce	+	+	+	0	-	+	0	+/0	+	+	+
Agriculture & Manufacturing	+/0	0	0	0	+	+	+	+/0	+	+	+
Services (All)	+	+	+	+/0	0	+	+	+	+	+	+
Manufacturing & Trade and Commerce	0	+	+	0	+	+	+/0	+/0	+	+	+

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-14 Profile of firm responses by sub-sector indicating perception of CARICOM policy areas influence on investment decisions

Sub-sector	CET	Rules of origin	Trade negotiations	Movement of capital	Movement of persons	Rights of Establishment	Agriculture	Fisheries	Industry	Services (T&H)	Services (P)	Transportation
Agriculture	+	+	+	+	+	+	+	0	+	+	+	+
Manufacturing	+	+	+	+	+	+	+	0	+	+	+	+
Services (T&H)	+	+	+	+	+	+	+	+	+	+	+	+
Services (P)	+	+	+	+	+	+	+	0	+	+	+	+
Trade and Commerce	+	+	+	+	+	+	+	+	+	+	+	+
Agriculture & Manufacturing	+	+	+	+	+	+	+	0	+	+	+	+
Services (All)	+	+	+	+	+	+	+	0	+	+	+	+
Manufacturing & Trade and Commerce	+	+	+	+	+	+	+	+	+	+	+	+

Legend: + = positive impact, 0 = neutral, - = negative impact, U/NA = uncertain / not applicable, -/+ = equal response levels, as indicated

Table 3-15 Univariate statistics for the cost of capital variable

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.17568	0.38314	0.00000	1.00000
Guyana _{dummy}	0.13514	0.34420	0.00000	1.00000
Jamaica _{dummy}	0.32432	0.47132	0.00000	1.00000
St Lucia _{dummy}	0.13514	0.34420	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.22973	0.42353	0.00000	1.00000
RECAP ^r	2.60811	1.84923	1.00000	7.00000
Firms _{agri.&manuf.}	0.50000	0.50341	0.00000	1.00000
Service _(T&H)	0.22973	0.42353	0.00000	1.00000
Service _(P)	0.29730	0.46019	0.00000	1.00000
Micro	0.50000	0.50341	0.00000	1.00000
Small	0.13514	0.34420	0.00000	1.00000
Medium	0.13514	0.34420	0.00000	1.00000
Large	0.22973	0.42353	0.00000	1.00000
NCAP ^s	2.52703	1.92477	1.00000	7.00000
CCAP ^t	3.51351	1.61536	1.00000	7.00000

N=74

^r Variable for core ranking

^s Variable for national policy ranking

^t Variable for CARICOM policy ranking

Table 3-16 Ordered probit regression results for policy influences on the business environment of selected CARICOM countries for the variable cost of capital
 Dependent variable: Core ranking of importance of cost of capital

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	.596817 (.705251)	.846249
Firms _{Sagri.&manuf.}	-.295191 (.296789)	-.994613
Service (T&H)	-.681041 (.395286)	-1.72291*
Service (P)	.217115 (.348411)	.623156
Guyana _{dummy}	.217115 (.527332)	.520273
Jamaica _{dummy}	-.408762 (.465246)	-.878595
St Lucia _{dummy}	-.223651 (.484597)	-.461519
Trinidad & Tobago _{dummy}	-.216052 (.457826)	-.471909
Micro	-.708196 (.386005)	-1.83468
Small	.179104 (.489512)	.365883
Medium	-.279393 (.471834)	-.592143
NCAP	.544069 (.111066)	4.89859***
CCAP	-.174482 (.114419)	-1.52494
μ ₃	.703040 (.169925)	4.13734***
μ ₄	1.71047 (.265101)	6.45217***
μ ₅	2.19527 (.303112)	7.24242***
μ ₆	2.37244 (.316612)	7.49321***
μ ₇	2.57258 (.332685)	7.73280***

N=75

Scaled R squared= .524386

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-17 Univariate statistics for the exchange rate variable

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.08475	0.28089	0.00000	1.00000
Guyana _{dummy}	0.15254	0.36263	0.00000	1.00000
Jamaica _{dummy}	0.30508	0.46440	0.00000	1.00000
St Lucia _{dummy}	0.13559	0.34529	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.32203	0.47127	0.00000	1.00000
REEXRT	3.42373	1.92267	1.00000	7.00000
Firms _{agri.&manuf.}	0.49153	0.50422	0.00000	1.00000
Service _(T&H)	0.23729	0.42907	0.00000	1.00000
Service _(P)	0.28814	0.45678	0.00000	1.00000
Micro	0.44068	0.50073	0.00000	1.00000
Small	0.13559	0.34529	0.00000	1.00000
Medium	0.13559	0.34529	0.00000	1.00000
Large	0.28814	0.45678	0.00000	1.00000
NEXRT	3.42373	1.88646	1.00000	7.00000
CEXRT	3.66102	1.37226	1.00000	7.00000

N=59

Table 3-18 Ordered probit regression results for policy influences on the business environment of selected CARICOM countries for the variable availability of technology
 Dependent variable: Core ranking of importance of exchange rate

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-.746558 (.725754)	-1.02867)
Firms _{Sagri.&manuf.}	-.070142 (.352279)	-.199110
Service (T&H)	.547801 (.392013)	1.39740
Service (P)	.506781 (.384705)	1.31732
Guyana _{dummy}	-.080390 (.540775)	-.148657
Jamaica _{dummy}	.185136 (.500900)	.369606
St Lucia _{dummy}	-.753882 (.555641)	-1.35678
Trinidad & Tobago _{dummy}	-.231357 (.485555)	-.476479
Micro	.539543 (.364551)	1.48002)
Small	.762221 (.493740)	1.54377
Medium	.102644 (.508133)	.202002
NEXRT	.563498 (.105339)	5.34937***
CEXRT	-.059609 (.125680)	-.474295
μ_3	.858810 (.221234)	3.88191***
μ_4	1.75312 (.278494)	6.29498***
μ_5	2.41966 (.317858)	7.61240***
μ_6	2.57526 (.327338)	7.86728***
μ_7	3.04978 (.363676)	8.38597***

N=62

Scaled R squared= .498633

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-19 Univariate statistics for the availability of technology variable: current business environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.16667	0.37509	0.00000	1.00000
Guyana _{dummy}	0.15385	0.36314	0.00000	1.00000
Jamaica _{dummy}	0.29487	0.45894	0.00000	1.00000
St Lucia _{dummy}	0.14103	0.35030	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.24359	0.43203	0.00000	1.00000
RETEC	4.11538	2.01282	1.00000	7.00000
Firms _{agri.&manuf.}	0.50000	0.50324	0.00000	1.00000
Service (T&H)	0.24359	0.43203	0.00000	1.00000
Service (P)	0.28205	0.45291	0.00000	1.00000
Micro	0.51282	0.50307	0.00000	1.00000
Small	0.11538	0.32155	0.00000	1.00000
Medium	0.15385	0.36314	0.00000	1.00000
Large	0.21795	0.41552	0.00000	1.00000
NTEC	3.71795	1.89940	1.00000	7.00000
CTEC	4.08974	1.79600	1.00000	7.00000

N= 78

Table 3-20 Ordered probit regression results for policy influences on the business environment of selected CARICOM countries for the variable availability of technology
 Dependent variable: Core ranking of importance of availability of technology

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-1.42361 (.684461)	-2.07989**
Firms _{Sagri.&manuf.}	.353236 (.289969)	1.21818
Service (T&H)	-.267493 (.324045)	-.825479
Service (P)	.267222 (.326487)	.818479
Guyana _{dummy}	.931110 (.485652)	1.91724*
Jamaica _{dummy}	.391376 (.431663)	.906671
St Lucia _{dummy}	.819300 (.496024)	1.65174*
Trinidad & Tobago _{dummy}	.973246 (.444860)	2.18776**
Micro	-.083061 (.339953)	-.244330
Small	.088108 (.463426)	.190124
Medium	-.178706 (.427427)	-.418097
NTEC	.418988 (.099729)	4.20159***
CTEC	.242890 (.114187)	2.12711**
μ ₃	1.00608 (.262023)	3.83967***
μ ₄	1.46343 (.285950)	5.11779***
μ ₅	2.17187 (.311869)	6.96406***
μ ₆	2.4170 (.320080)	7.53466***
μ ₇	3.48621 (.374566)	9.30733***

N=78

Scaled R squared=.569757

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-21 Univariate statistics for the access to markets variable: current business environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.086207	0.28312	0.00000	1.00000
Guyana _{dummy}	0.15517	0.36523	0.00000	1.00000
Jamaica _{dummy}	0.31034	0.46668	0.00000	1.00000
St Lucia _{dummy}	0.15517	0.36523	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.29310	0.45916	0.00000	1.00000
REMKT	3.93103	2.02495	1.00000	7.00000
Firms _{agri.&manuf.}	0.53448	0.50317	0.00000	1.00000
Service (T&H)	0.22414	0.42066	0.00000	1.00000
Service (P)	0.25862	0.44170	0.00000	1.00000
Micro	0.43103	0.49955	0.00000	1.00000
Small	0.13793	0.34784	0.00000	1.00000
Medium	0.13793	0.34784	0.00000	1.00000
Large	0.29310	0.45916	0.00000	1.00000
NMKT	3.98276	1.84953	1.00000	7.00000
CMKT	4.62069	1.98969	1.00000	7.00000

N=58

Table 3-22 Ordered probit regression results for policy influences on the business environment of selected CARICOM countries for the variable access to markets

Dependent variable: Core ranking of importance of access to markets

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	.240375 (.692345)	.347189
Firms _{Sagri.&manuf.}	-.242927 (.353529)	-.687148
Service (T&H)	-.316875 (.387242)	-.818286
Service (P)	-.202524 (.384891)	-.526185
Guyana _{dummy}	.207232 (.547138)	.378757
Jamaica _{dummy}	-.303915 (.530881)	-.572474
St Lucia _{dummy}	-.018211 (.580341)	-.031379
Trinidad & Tobago _{dummy}	.085329 (.505150)	.168918
Micro	-.353037 (.364672)	-.968096
Small	.102944 (.478983)	.214922
Medium	-.565589 (.486231)	-1.16321
NMKT	.371784 (.119276)	3.11701**
CMKT	.00273 (.117931)	.023163
μ_3	.447132 (.157719)	2.83143**
μ_4	.897005 (.204245)	4.39181***
μ_5	1.46502 (.244510)	5.99167***
μ_6	1.97354 (.270837)	7.28682***
μ_7	2.45110 (.298674)	8.20660***

N=61

Scaled R squared=.345316

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-23 Univariate statistics for the cost of capital variable: investment environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.20635	0.40793	0.00000	1.00000
Guyana _{dummy}	0.22222	0.41908	0.00000	1.00000
Jamaica _{dummy}	0.23810	0.42934	0.00000	1.00000
St Lucia _{dummy}	0.079365	0.27248	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.25397	0.43878	0.00000	1.00000
RECAPIV	2.06349	0.96508	1.00000	3.00000
Firms _{agri.&manuf.}	0.49206	0.50395	0.00000	1.00000
Service (T&H)	0.23810	0.42934	0.00000	1.00000
Service (P)	0.33333	0.47519	0.00000	1.00000
Micro	0.42857	0.49885	0.00000	1.00000
Small	0.12698	0.33563	0.00000	1.00000
Medium	0.15873	0.36836	0.00000	1.00000
Large	0.26984	0.44744	0.00000	1.00000
NCAPIV	1.98413	0.94172	1.00000	3.00000
CCAPIV	2.25397	0.78223	1.00000	3.00000

N= 63

Table 3-24 Ordered probit regression results for policy influences on the investment environment of selected CARICOM countries for the variable cost of capital
 Dependent variable: Core ranking of importance of cost of capital for investment

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-2.45786 (.992654)	-2.47605**
Firms _{Sagri.&manuf.}	-.425661 (.481306)	-.884387
Service (T&H)	.084279 (.476847)	.176741
Service (P)	-.521961 (.492978)	-1.05879
Guyana _{dummy}	-.232178 (.649765)	-.367459
Jamaica _{dummy}	-.232178 (.617374)	-.376073
St Lucia _{dummy}	-.549882 (.869430)	-.632463
Trinidad & Tobago _{dummy}	.674535 (.628061)	1.07399
Micro	.481764 (.486615)	.989994
Small	-.279921 (.691770)	-.404645
Medium	.922369 (.629647)	1.46484
NCAPIV	.945770 (.245604)	3.85079***
CCAPIV	.379612 (.282135)	1.34550
μ_3	.314486 (.133326)	2.35878

N= 63

Scaled R squared= .469070

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-25 Univariate statistics for the exchange rate variable: investment environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.15789	0.36788	0.00000	1.00000
Guyana _{dummy}	0.22807	0.42332	0.00000	1.00000
Jamaica _{dummy}	0.26316	0.44426	0.00000	1.00000
St Lucia _{dummy}	0.070175	0.25771	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.28070	0.45334	0.00000	1.00000
REEXRTIV	1.94737	0.87466	1.00000	3.00000
Firms _{Sagri.&manuf.}	0.50877	0.50437	0.00000	1.00000
Service (T&H)	0.24561	0.43428	0.00000	1.00000
Service (P)	0.28070	0.45334	0.00000	1.00000
Micro	0.40351	0.49496	0.00000	1.00000
Small	0.12281	0.33131	0.00000	1.00000
Medium	0.19298	0.39815	0.00000	1.00000
Large	0.26316	0.44426	0.00000	1.00000
NEXRTIV	2.08772	0.91184	1.00000	3.00000
CEXRTIV	2.29825	0.75510	1.00000	3.00000

N= 57

Table 3-26 Ordered probit regression results for policy influences on the investment environment of selected CARICOM countries for the variable exchange rate
 Dependent variable: Core ranking of importance of exchange rate for investment

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-3.45571 (1.41601)	-2.44045**
Firms _{Sagri.&manuf.}	.152070 (.461524)	.329494
Service (T&H)	-.433295 (.479562)	-.903522
Service (P)	-.00391 (.493698)	-.792163E-02
Guyana _{dummy}	.920816 (.815132)	1.12965
Jamaica _{dummy}	.00776 (.665783)	.011654
St Lucia _{dummy}	-.947309 (.926042)	-1.02296
Trinidad & Tobago _{dummy}	.561588 (.777791)	.722029
Micro	.343681 (.505591)	.679761
Small	-.133414 (.667645)	-.199828
Medium	-.568527 (.683618)	-.831644
NEXRTIV	1.30440 (.276179)	4.72303***
CEXRTIV	.327491 (.297083)	1.10235
μ_3	1.02462 (.240948)	4.25246***

N= 57

Scaled R squared= .563480

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-27 Univariate statistics for the access to markets variable: investment environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.20968	0.41040	0.00000	1.00000
Guyana _{dummy}	0.17742	0.38514	0.00000	1.00000
Jamaica _{dummy}	0.27419	0.44975	0.00000	1.00000
St Lucia _{dummy}	0.080645	0.27451	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.25806	0.44114	0.00000	1.00000
REMKTIV	2.51613	0.80454	1.00000	3.00000
Firms _{agri.&manuf.}	0.53226	0.50303	0.00000	1.00000
Service (T&H)	0.22581	0.42153	0.00000	1.00000
Service (P)	0.30645	0.46478	0.00000	1.00000
Micro	0.38710	0.49106	0.00000	1.00000
Small	0.16129	0.37080	0.00000	1.00000
Medium	0.17742	0.38514	0.00000	1.00000
Large	0.25806	0.44114	0.00000	1.00000
NMKTIV	2.27419	0.89019	1.00000	3.00000
CMKTIV	2.62903	0.68314	1.00000	3.00000

N=62

Table 3-28 Ordered probit regression results for policy influences on the investment environment of selected CARICOM countries for the variable access to markets

Dependent variable: Core ranking of importance of access to markets for investment

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-.961442 (1.03648)	-.927599
Firms _{Sagri.&manuf.}	-.218608 (.540081)	-.404769
Service (T&H)	.446935 (.581773)	.768228
Service (P)	-.192042 (.533415)	-.360023
Guyana _{dummy}	-.573974 (.725186)	-.791485
Jamaica _{dummy}	-.111917 (.678341)	-.164986
St Lucia _{dummy}	-.153879 (1.07853)	-.142675
Trinidad & Tobago _{dummy}	-.493711 (.616450)	-.800894
Micro	.275050 (.543675)	.505910
Small	-.264978 (.663677)	-.399257
Medium	.176355 (.690441)	.255424
NMKTIV	.993092 (.260930)	3.80597***
CMKTIV	.084768 (.286012)	.296380
μ_3	.477788 (.181649)	2.63027***

N=62

Scaled R squared=.399896

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 3-29 Univariate statistics for the availability of technology variable: investment environment

Parameter	Mean	Standard deviation	Minimum	Maximum
Dominica _{dummy}	0.19697	0.40076	0.00000	1.00000
Guyana _{dummy}	0.22727	0.42228	0.00000	1.00000
Jamaica _{dummy}	0.25758	0.44065	0.00000	1.00000
St Lucia _{dummy}	0.090909	0.28968	0.00000	1.00000
Trinidad & Tobago _{dummy}	0.22727	0.42228	0.00000	1.00000
RETECIV	2.43939	0.78699	1.00000	3.00000
Firms _{agri.&manuf.}	0.50000	0.50383	0.00000	1.00000
Service (T&H)	0.21212	0.41194	0.00000	1.00000
Service (P)	0.31818	0.46934	0.00000	1.00000
Micro	0.40909	0.49543	0.00000	1.00000
Small	0.13636	0.34580	0.00000	1.00000
Medium	0.19697	0.40076	0.00000	1.00000
Large	0.24242	0.43183	0.00000	1.00000
NTECIV	2.27273	0.85116	1.00000	3.00000
CTECIV	2.50000	0.68500	1.00000	3.00000

N= 66

Table 3-30 Ordered probit regression results for policy influences on the investment environment of selected CARICOM countries for the variable availability of technology
 Dependent variable: Core ranking of importance of availability of technology for investment

Parameter	Estimate	t-statistic
C _{intercept-Dominica & large firms}	-1.36988 (.940456)	-1.45661
Firms _{Sagri.&manuf.}	-.127573 (.481991)	-.264680
Service (T&H)	.445480 (.523254)	.851365
Service (P)	.488829 (.458370)	1.06645
Guyana _{dummy}	-.039032 (.620189)	-.062936
Jamaica _{dummy}	-.144522 (.571883)	-.252712
St Lucia _{dummy}	-.231836 (.755449)	-.306885
Trinidad & Tobago _{dummy}	-.273616 (.581944)	-.470176
Micro	.038361 (.459025)	.083570
Small	-.656064 (.559865)	-1.17183
Medium	.681150 (.611056)	1.11471
NTECIV	.706584 (.248463)	2.84382***
CTECIV	.380511 (.291992)	1.30315
μ_3	.831682 (.205497)	4.04718***

N= 66

Scaled R squared =.388566

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

CHAPTER 4 GRAVITY ANALYSIS OF INTER-COUNTRY TRADE

Introduction

Trade has been dominated by three sets of trading partners and arrangements for CARICOM countries, namely: intra-Caribbean trade, European Union (EU) trade and trade with the United States (US). This occurs despite trading agreements with other countries within and outside the Caribbean (Gasiorek and Winters, 2004). In their analysis of the patterns of trade in the Caribbean, Gasiorek and Winters (2004) demonstrate that for these three major trading partners of CARICOM countries, the EU is the more important for exports while the US is the more important for imports, particularly for the smaller CARICOM countries.

Preferential trade between the EU and CARICOM countries originated in the colonial era and was supported through successive rounds of the Lomé Convention beginning in 1975 followed by the Cotonou Agreement of 2000 (Gasiorek and Winters, 2004). CARICOM / US trading arrangements have been conducted under the umbrella of the Caribbean Basin Initiative (CBI), a collective of three legislative measures designed to promote trade in diverse manufactured products between Caribbean countries and the US and investment from the US into those countries (Dypski, 2002,). The CBI is similar to the US Generalized System of Preferences in allowing duty-free entry of products into the US market. However, the CBI is more facilitative for trade offering, *inter alia*, wider product coverage, technical assistance for trade facilitation and investment financing (Gasiorek and Winters, 2004).

As observed earlier, the achievement of economic integration in CARICOM has been challenging. Lewis and Webster (2001) and Gasiorek and Winters (2004) refer to the existence of a common external tariff in principle and many national exemptions together with variation in tariff rates across countries in practice. Lewis and Webster (2001) observe that in some instances

domestic producers are afforded greater protection against partners than extra-CARICOM imports. Firm respondents to a recent survey indicated experiencing non-tariff barriers to trade (Gordon and VanSickle, 2007). Gasiorek and Winters (2004, p1346) provide a summarized description of the countries as:

‘a group of small island economies, most of which are specialized in services (tourism and banking) and for whom neither agriculture nor manufacturing are the principal sectors of economic activity’.

Therefore the inter-country trade analysis is being undertaken in a context where there are key external trading partners and impediments to the established internal trading arrangements.

Results

Equation 2-4 was estimated with TSP version 5.0 as a panel for the 25 annual cross sections of data on inter-country trade between pairs of the target countries, over the years 1981-2005. Because the actual implementation of the CET commenced in 1993, a dummy was used in the model to ascertain whether there was any difference in the trade effects over the periods 1981-1992 and 1993 to 2005. The panel is unbalanced because of missing data and the number of observations was 423. The estimated coefficients for the panel regression are reported in Table 4-2, for both the fixed effects and the random effects estimation models that are used for accounting for unobserved heterogeneity in panel data (Adams et al., 2003; Greene, 2003; Hsiao, 2003; Kennedy, 1998). Following the approach of Adams et al. (2003), Hausman’s statistic for evaluating between the fixed effects and random effects specifications is applied (Greene, 2003; Hsiao, 2003). The estimated Hausman test statistic, as reported in Table 4-2, was more than the critical value at the 5 percent level therefore the random effects specification can be rejected. This same result of the Hausman test was obtained when applied to the models in equations 2-5

and 2-6. Consequently, only the results of the fixed effects model will be examined for the other models.

Since each of equations 2-4, 2-5 and 2-6 is linear in logarithms the estimated coefficients are the elasticities associated with the respective variables. From equation 2-4, the estimated parameter on exporter income²¹ suggests that an increase in this variable has a positive effect on bilateral trade, confirming *a priori* expectations. For two other variables in the model, the tariff ratio and the rest of the world imports, the results indicate that incremental increases in these also have a positive impact on the trade. Both parameter estimates are statistically significant at the 5 percent level. The parameter estimates for the other variables in the model are not statistically significant. (See Table 4-2).

When the model is expressed as equation 2-5 the only statistically significant parameter estimates are for the variables representing exporter income, the tariff ratio and imports from the rest of the world (See Table 4-3). The positive signs on the later two variables indicate that incremental increases in these contribute to increased imports. The negative sign on the estimate for exporter income contradicts expectations as well as the results obtained from the model as equation 2-4²². In all instances, the dummy reflecting the implementation of the CET does not show any significant difference between the two periods 1981-1992 and 1993-2005.

Interpretation

Population size can be viewed as an indicator of demand for the importer and of supply for the exporter. Large countries however, with a more diversified production base, can benefit from scale economies and likely trade less (Brada and Mendez, 1983; Linnemann, 1966). These

²¹ Nominal values were used for income, imports and exports

²² Distance was found to have no measurable impact on trade and was dropped from the model. This may be a reflection of the weak intra-regional transportation system.

circumstances lead to ambiguity in the signs of the population parameters (Brada and Mendez, 1983). The negative sign on the exporter population parameter for equation 2-6 is likely an indication that the demand for goods has shifted from the regional partner to an extra-regional partner rather than an indication of greater self-sufficiency, given the relative small size of the countries. The tariff variable reflects the relative levels of the common external tariff faced by third country goods being imported into the preferential trading area. A reduction in the CET levels will increase trade from the rest of the world and consequently increase imports as indicated by the positive sign on this parameter estimate that is statistically significant at the 1 percent level. The parameter estimate for imports from the rest of the world was positive and statistically significant at the 1 percent level in all estimations of the model. This indicates a great influence of external trade on imports from a partner country. Increased external trade is likely associated with an improvement of trade infrastructure that benefits both external and inter-regional trade. The coefficient value for imports from the rest of the world is less than unity, an indication that there is greater proportion of trade with third countries than with partner countries.

The parameter estimate for the tariff ratio variable was found to be statistically significant and positively signed for the period 1981 -2005 as well as for the period 1993-2005 indicating its importance in influencing intra-regional trade. In separate regressions over the period 1981-1992 there was no impact of this variable. This likely reflects the hiatus surrounding the implementation of the common external tariff from the inception of CARICOM in 1973 through to the end of 1992. It is unexpected that an incremental increase in imports from the rest of the world lead to an increase in intra-regional imports. One possible explanation is that this is a

reflection of a large proportion of the goods being routed through transshipment or gateway ports to final destinations as identified by Harding and Hoffmann (2002).

Implications

The results suggest that both trade creation and trade diversion have been experienced by the countries studied. Trade creation was likely influenced by imports from third countries, possibly through infrastructural improvements that benefited intra-zonal trade also. The reduction in the CET levels seems to be a key influence on trade diversion, with the reduction in the tariff barriers to third country trade. A similar analysis on intra-CARICOM trade at a disaggregated SITC level could help in understanding the degree of trade creation or diversion, as a result of the preferential trading arrangements.

Table 4-1 Univariate statistics for variables pertaining to inter-country trade between pairs of selected CARICOM countries

Parameter	Mean	Standard deviation	Minimum	Maximum
ln(Total imports _i)	15.1633	1.4688	12.0601	19.4495
ln(total exports _j)	15.1762	1.6620	11.1436	19.4090
ln(GDP _i)	20.5398	1.4968	18.0085	23.3876
ln(GDP _j)	20.3949	1.3688	18.0085	23.3876
ln(Population _i)	12.5629	1.1989	11.1715	14.0819
ln (Population _j)	12.6931	1.1584	11.1715	14.7089
ln (Per capita income _i)	7.9769	0.6429	6.6075	9.3057
ln (Per capita income _j)	7.7017	0.8328	6.1375	9.3057
ln (Real exchange rate ratio i/j)	-1.1658	1.0127	-13.6705	1.7345
ln (Official exchange rate ratio : i/j)	-0.3322	2.1587	-4.2966	4.2966
ln (CET ratio: i/j)	-0.02170	0.2011	-0.3597	0.3597
ln (Imports from rest of world _i)	19.8548	1.2993	17.5232	22.4682
ln (Exports to rest of world _j)	19.3228	1.7699	16.7688	22.8507

N= 235

Table 4-2 Panel regression results for inter-country trade between pairs of selected CARICOM countries, 1981-2005: model 2-4
 Dependent variable: $\ln(\text{Imports of } i \text{ from } j)$

Independent variables	Fixed effects (FE)	Random effects (RE)
$\ln(\text{GDP}_i)$	-.03117 (.17794)	-.04021 (.16047)
$\ln(\text{GDP}_j)$	.31707*** (.11859)	.48139*** (.10700)
$\ln(\text{Population}_i)$	.68429 (.71022)	-.21805 (.22330)
$\ln(\text{Population}_j)$	-.21553 (.27127)	.15580 (.17229)
CET implementation _{dummy}	.03772 (.11070)	-.02041 (.10300)
$\ln(\text{ CET ratio: } i/j)$	1.0296*** (.24220)	1.0887*** (.22695)
$\ln(\text{Real exchange rate ratio: } i/j)$	-.00824 (.03262)	.00125 (.03221)
$\ln(\text{Imports from rest of world}_i)$	.67689*** (.15869)	.70274*** (.15462)
$\ln(\text{Exports to rest of the world}_i)$	-.02525 (.13055)	-.07224 (.11616)
Constant		-5.6268 (3.5893)
R-squared	.90845	.61755
Adjusted R-squared	.89987	.60297
F-stat : F (12,224)	48.646	
Hausman test of H0: RE vs. FE	CHISQ(9)=27.998	CHISQ(9)=27.998
Durbin-Watson	1.3693	.29524

N= 246

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 4-3 Panel regression results for inter-country trade between pairs of selected CARICOM countries, 1981-2005: models 2-5 and 2-6

Dependent variable: $\ln(\text{Imports of } i \text{ from } j)$

Independent variables	Fixed effects (FE) Model 2-5	Fixed effects (FE) Model 2-6
$\ln(\text{Per capita GDP}_i)$	.22435 (.81866)	.19448 (.19363)
$\ln(\text{Per capita GDP}_j)$	.29894 (.20534)	-.24304** (.11430)
$\ln(\text{GDP}_i)$	-.02986 (.78039)	
$\ln(\text{GDP}_j)$	-.54198** (.21728)	
$\ln(\text{Population}_i)$		-.02988 (.78039)
$\ln(\text{Population}_j)$		-.54199** (.21728)
CET implementation _{dummy}	.13332 (.12045)	.13332 (.12045)
$\ln(\text{Official exchange rate ratio: } i/j)$	.00753 (.04167)	.00753 (.04167)
$\ln(\text{ CET ratio: } i/j)$	.69208*** (.22532)	.69208*** (.22532)
$\ln(\text{ Imports from rest of world}_i)$	.69232*** (.19067)	.69232*** (.19067)
$\ln(\text{Exports to rest of the world}_i)$	-.15555 (.14325)	-.15555 (.14325)
R-squared	.84223	.84223
Adjusted R-squared	.83102	.83102
F-stat :	F(19,394)=53.063	F(19,394)=53.063
Hausman test of H0: RE vs. FE	CHISQ(9)=33.531	CHISQ(9)=33.531
Durbin-Watson	.78959	.78959

N=423

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

CHAPTER 5 INVESTMENT AND OUTPUT GROWTH ANALYSIS

Introduction

Recent growth in world trade has been influenced by more liberal foreign investment policies and open trade regimes. These circumstances are generally supportive of outward-oriented investment projects (DeRosa, 2000). Liberal foreign investment policies stimulate foreign direct investment (FDI). Interest in the determinants of FDI in developing countries occurs because it is considered a stable component of capital flows and a vehicle for technological progress through the use of improved production techniques (Benassy-Quere et al., 2007). These authors refer to the link between FDI and institutions as one channel that promotes productivity growth. They cite good governance infrastructures, improved efficiency and strong enforcement of property rights as elements of good institutional systems that are positively correlated with FDI (Benassy-Quere et al., 2007). These researchers conclude that among the important determinants of inward FDI are bureaucracy, corruption, the banking sector and legal institutions. Their results suggest that improvements in the institutional environment of developing countries will contribute to increased levels of FDI (Benassy-Quere et al., 2007). Using the experience of South Korea manufacturing as a model, (Kim and Kwon, 1977) analyzed the utilization of capital in that economy and its contribution to the manufacturing industry in South Korea. They concluded that improved capital utilization is a major source of output growth. In this context the analysis of investment and output growth of the target countries is undertaken.

Investment

Data were collected for the period 1981-2005 for the five target countries, for the dynamic analysis. The data were analyzed as a panel using the investment model of equation 2-8. The

output indicated that OLS provided the best SBIC model for the data. Using OLS, the investment model equation 2-8 was re-estimated with separate intercepts for each of the countries. The OLS parameters are reported in Table 5-2. There is a good fit of the model and the data with the estimates generally conforming to *a priori* expectations. The estimate and sign of the capital inflow parameter is an indication that domestic capital formation is closely related to foreign direct investment.

Output Growth

The effect of increased levels of capital stock formation is evaluated by the model depicted in equation 2-10. On the assumption that capital stock formation will contribute to technological progress through improved production techniques it is argued that this model may also be used to indirectly assess technological progress. Two sets of OLS parameter estimates are reported in Tables 5-3 and 5-4 respectively. Table 5-3 contains the estimates of the model when data on the labor force were used. Because these data were unavailable for Dominica the model was again estimated using data on population that were available for all five countries. Those estimates are reported in Table 5-4. In both cases the estimate associated with the growth in capital stock is positive and statistically significant. This is to be expected given the results of the investment analysis. In neither instance is the other explanatory variable statistically significant.

Implications

The results indicate that growth in GDP was strongly influenced by growth in capital stock and possibly the related technological improvements influenced by the growth in capital stock. The capital stock growth was likely a product of the growth in foreign direct investment that was experienced by all the countries studied.

Table 5-1 Univariate statistics for the variables in the analysis of investment and productivity

Parameter	Mean	Standard deviation	Minimum	Maximum
GDP (Y)	72110509.4460	1.5296D+08	314965.2500	9.0303D+08
Gross capital formation (I)	16404622.5828	33206543.2268	68031.3125	1.8885D+08
I/Y	0.2619	0.06527	0.1307	0.5249
GDP growth (DY/Y)	-8.2174	41.7841	-486.9698	0.5249
Real foreign capital inflow(F)	1514526.5871	2749206.2489	-4383778.00	11986409.00
TAR (average tariff difference between i and j)	0.009054	3.3689	-5.7000	5.7000

Table 5-2 OLS regression results for investment model of selected CARICOM countries, 1981-2005

Dependent variable: [(Real gross capital formation)/ (Real GDP)]

Variable	Estimated coefficient	t-statistic
Intercept country 1 (Dominica)	.24359 .00633	38.454***
Intercept country 2 (Guyana)	.26907 .00596	45.138***
Intercept country 3 (Jamaica)	.24569 .00538	45.706***
Intercept country 4 (St Lucia)	.20154 .00689	29.321***
Intercept country 5 (Trinidad / Tobago)	.18652 .00586	31.8240***
$\Delta Y/Y_{i,t}$	-.00007 .00006	-1.1211
FDI / $Y_{i,t}$	.49189 (.04383)	11.222***

N= 486

Table 5-3 OLS regression results for output growth model of selected CARICOM countries,
1981-2005: model 2-10

Dependent variable: [Growth of Real GDP in country i in year t]

Variable	Estimated coefficient	t-statistic
Intercept country 3 (Jamaica)	-.05156 (1.1600)	-.04445
Intercept country 4 (St Lucia)	.27282 (1.3929)	.19587
Intercept country 5 (Trinidad / Tobago)	-.03913 (1.1903)	-.03287
$\Delta K / K_{i,t}$	1.3242 (.02596)	51.016***
$\Delta L / L_{i,t}$	-.14757 (.18604)	-.79325

N= 362

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

Table 5-4 OLS regression results for output growth model of selected CARICOM countries, 1981-2005; model 2-10 (with population as proxy for labor)

Dependent variable: [Growth of Real GDP in country i in year t]

Variable	Estimated coefficient	t-statistic
Intercept country 1 (Dominica)	.43924 (1.2969)	.33868
Intercept country 2 (Guyana)	.02813 (1.1655)	.02413
Intercept country 3 (Jamaica)	-.05175 (1.1534)	-.04487
Intercept country 4 (St Lucia)	-.40141 (1.3039)	-.30786
Intercept country 5 (Trinidad / Tobago)	-.04117 (1.1835)	-.03479
$\Delta K / K_{i,t}$	1.2716 (.02163)	58.789***
$\Delta P / P_{i,t}$	-.08282 (.15367)	-.53895

N= 476

***, **, * Denotes significance level at .01, .05 and .10 respectively

Standard errors in parenthesis

CHAPTER 6 SUMMARY, IMPLICATIONS AND CONCLUSIONS

Summary

Interviews

Information gathered from the interviews provides a number of insights. The prevailing view among both firms and policy makers is that the Caribbean Community was a good concept but there was a stark difference between firms and policy makers about whether CARICOM arrangements strengthened the business environment. Among firms, strong differences were also displayed concerning the contribution of CARICOM arrangements to increasing the volume of business, reducing the cost of doing business, increasing the target market and minimizing non-tariff barriers to trade. Some interviewees also made reference to their experiencing non-tariff barriers to trade that negatively affected potential growth of their firms. These issues create doubt about the efficacy of the impact of CARICOM arrangements on the business environment.

Firms commented about the narrow and ineffectual mechanisms available for input into the design of CARICOM policies. Policy makers acknowledged their opportunity to input into the design of CARICOM policies but expressed reservation concerning inadequate consideration of national circumstances when designing CARICOM policy. A related issue is the apparent overlooking of structural differences such as differences in debt burden, availability and cost of capital and the level of skill in the labor force, resulting in the existence of considerable divergence among some elements of the economies of the CARICOM members. These circumstances promoted the view that there may be need for a differential approach to the policy design and formulation process in order to more effectively accommodate the weaker states within the overall regional policy framework.

Firms' Surveys

The entrepreneurial population of CARICOM is very diverse with respect to firm size, area (sub-sector) of operation and scope of operations. Micro firms with annual sales volume of less than US\$ 1.0 million is the dominant group being twice as large as the next largest group of large firms that have an annual sales volume greater than US\$ 6.5 million. The small firms group and the medium firms group are approximately equally sized. Manufacturing is the dominant area of operation but many firms are multi-faceted and operate in more than one sub-sector. Some operational combinations revealed are: agriculture and manufacturing; agriculture and services (professional); agriculture, manufacturing and trade and commerce; services (professional) and trade and commerce. This multi-faceted feature was observed in firms of different sizes. Some of the firms have global experience, operating in countries outside of their home base and the Caribbean Community. Large firms lead in this regard but micro and small firms are also involved.

For the collective of firms, there is an overwhelming negative perception of the critical business factors influencing the business operations of firms, except for 'availability of technology'. This view is substantiated when the data are examined by country with the exception of 'unskilled labor', 'skilled labor' and 'local inputs' in Guyana and 'institutional structures' or 'rules' in St. Lucia. At the country level, all critical factors were perceived to be of 'negative' influence by firms in Dominica. The collective of firms also perceived an across-the-board 'negative' impact of government policy on the critical business factors. There were a few exceptions to this profile when the data were disaggregated by country. These pertained to Dominica for 'exchange rate management', 'cost of unskilled labor', 'cost of skilled labor' and 'access to markets'; Guyana and Trinidad and Tobago for 'access to markets'; and St. Lucia for

‘exchange rate’, ‘exchange rate management’, ‘availability of technology’ and ‘access to markets’.

The collective of firms indicated a positive impact of CARICOM policies on only one critical business factor, namely ‘access to markets’ and in three areas an overall negative impact was demonstrated. Examination of the data disaggregated by country, however, elicited a much more varied impact perception profile. A similar varied perception profile was obtained when the data were disaggregated by firm size and sub-sector of operation. One striking feature revealed by this additional disaggregation was that there was no overriding ‘negative’ perception indicated by medium firms, large firms or the service (professional) sub-groups.

There was a ‘positive’ perception of the impact of three CARICOM policy areas, namely the CET, the Rules of Origin and Services (professional) for the collective of firms. Mainly, this profile was mirrored by the sub-groups in the disaggregated data except for St. Lucia, which did not perceive a positive impact for any CARICOM policy area. The perception of impact of the other CARICOM policy areas varied when the data are disaggregated by sub-groups. Across the sub-group categories, except for a few instances, there was either a ‘no impact’ or ‘negative’ perception for some CARICOM policy areas such as agriculture, fisheries, industry, services (tourism and hospitality) and services (professional).

A comparison of the relative importance of national versus CARICOM policy sources influencing the critical factors indicates a perception of the national policies being generally ranked the more important policy influence, by the more optimistic set of respondents. In only one instance, that of ‘market access’ were the CARICOM policies perceived to be of greater influence. The econometric analysis of the survey data for the four business variables cost of capital, exchange rate, availability of technology and access to markets indicated a statistically

significant perception of the influence of national policy only on those variables, with one exception. For the availability of technology, the influence of CARICOM policy was also perceived statistically significant.

A relatively conservative response was offered to the perception of the CARICOM arrangements contributing to countries' economic gain with the 37 percent indicating 'minimally', 30 percent indicating 'somewhat' and only 15 percent indicating 'considerably'. A review of the data disaggregated by firms indicated that the most optimistic view ('considerably') was shared primarily by large and micro firms. Disaggregation by country revealed that the optimistic view was shared by twice the proportion of Trinidad and Tobago respondents as by Jamaica respondents. Disaggregation by sub-sector indicates that manufacturing and trade and commerce lead in having an optimistic perception followed by service (professional). Respondents from agriculture are only weakly optimistic in this regard.

Policy Makers' Surveys

The experience profile of the policy makers indicates that over 60 percent of them have a minimum of five years experience. Economics is the top field among the areas of specialization, with the majority holding masters degrees and one holding a PhD degree. Management, agricultural economics and agriculture are among the top areas of specialization. Some policy makers are qualified in multiple areas of specialization.

The perception of policy makers is that both national policies and CARICOM policies have a general 'positive' impact on the critical business factors. They also view the interface of CARICOM policy on national policy as well as the impact of specific CARICOM policy areas as 'positive'. A comparison of national versus CARICOM policy sources with respect to the influence on the critical business factors revealed, for the more optimistic policy makers, that there was a perception of greater national policy influence for all but 'the cost of skilled labor'

and ‘access to markets’. CARICOM policy was perceived to have greater influence on these two factors.

Policy makers are quite optimistic about the contribution of the CARICOM integration arrangements to countries’ economic gain with 24 percent indicating ‘considerably’ and 52 percent ‘somewhat’. Policy respondents perceived that all the critical business factors had a positive impact on the investment climate. They also viewed the policies they were formulating to have a ‘positive’ impact except on ‘exchange rate’ and ‘exchange rate management’ about which they indicated ‘no impact’ or ‘neutral’. CARICOM policies were seen to have a ‘positive’ impact on the critical business factors except for ‘exchange rate’ and ‘exchange rate management’. All CARICOM policy areas were projected to have a positive impact on investment. Policy respondents were quite optimistic about the contribution of CARICOM arrangements to countries’ economic gain with 24 percent indicating ‘considerably’ and 44 percent ‘somewhat’.

Firms’ Supplemental Comments and Observations

The supplemental comments and observations provided by firm respondents provided insight into various aspects of the institutional structures within the Caribbean Community that require policy attention in order to enhance the business environment. Among the issues raised were reducing bureaucratic constraints to the implementation of announced policy measures; a call for a general revision of the institutional structures, such as double taxation arrangements, maritime boundary delimitation and multiple stock exchanges; and incentives to promote indigenous raw material use, production integration and cross-border partnerships, all within the context of economies of scale. The persistence of market entry barriers was also identified as a major constraint to business growth.

It was suggested that prevailing national level circumstances would thwart investment growth, despite articulated CARICOM policies. The implication is that greater consideration was required of the diversity of economic characteristics that exist between and among CARICOM member states, when designing and formulating CARICOM policies. This seems to call for a more deliberate attempt at engaging national policy makers and target stakeholders in the regional policy formulation process. Capacity building within the cadre of national policy makers, particularly in the OECS states, was identified as being necessary. A more targeted policy design and formulation process may also be required to catalyze the formation of potential linkages between and among entrepreneurs. Innovative policy design will be required to resolve some business constraints, such as transportation, that result from the geographical configuration of the Caribbean Community. In summary, the dynamism within many sectors of the local and regional economies was perceived as a challenge to the CARICOM policy formulation process.

Issues Pertinent to Surveys in General

There are four major sources of error in surveys: coverage, sampling, non-response and measurement. Coverage error involves a mismatch between the target population and the frame population. Non-response bias obtains when there are significant differences between respondents and non-respondents on the issues of interest. Sampling error occurs during the process of selecting the sample from the frame population. Measurement error arises when the respondents' replies differ from their true value (Couper, 2000). Generally, in qualitative research, the assumption is that coverage, sampling and non-response errors are not as important as in quantitative research. With the objective of qualitative research being to understand a phenomenon rather than to make inferences, the quality of the information gathered, or the reduction of measurement errors, is of greater concern (Coderre et al., 2004). For this research,

the methodology used for the selection of the sample frame would have considerably minimized any coverage and sampling error.

Fricker et al. (2005) reported on an experiment conducted on a comparison of web and telephone surveys. They found a much lower response rate for those who were administered the web survey (51.6%) compared with two groups who were administered a random digit dial (RDD) telephone survey (97.5% and 98.7%), despite higher cash incentives to those who were administered the web survey. In a separate study, Ilieva et al. (2002) provide a comparison of response rates to email and mail surveys separately conducted by eleven researchers. In seven instances the email survey response rates were lower than the mail survey response rates (6% email vs. 20% mail; 6% email vs. 27% mail; 7% email vs. 52% mail; 19% email vs. 56% mail; 52% email vs. 65% mail; 29.8% email vs. 35.7% mail; 54.3% email vs. 56.5% mail). In four instances the email response rates were higher (58% email vs. 57.5% mail; 50% email vs. 32% mail; 68% email vs. 38% mail; 75% email vs. 76% mail). Fricker et al. (2005) also reported that web surveys were perceived advantageous in comparison to mail surveys for reducing measurement errors.

Predominantly email and web surveys were used to collect the data for the qualitative component of this research. In light of the above discussion it can be concluded that coverage and sampling errors were considerably reduced, measurement errors minimal and non-response bias acceptable in comparison to other studies.

Trade and Investment Analysis

There is indication that the Caribbean Community experienced both trade creation and trade diversion, but the results are inconclusive about which was the more dominant. There is also strong evidence of growth in investment and capital stock.

Implications

Economic Gains from CARICOM Arrangements

The first objective of this research project was to empirically estimate the extent to which CARICOM experienced economic gains since its inception. Two empirical techniques were used, analyzing the trade data and surveying economic agents and policy makers for selected countries. The analysis of the trade data disclosed evidence of both trade creation indicating there were economic gains and trade diversion, suggesting the experience of welfare losses. These results are not sufficiently robust to definitively weigh overall in favor of welfare gains or losses. Further analyses on the trade will be required for such a determination.

The view of 67 percent of the entrepreneurs responding to the survey was that the CARICOM arrangements contributed only minimally (37%) or somewhat (30%) to the economic gains experienced by the countries. A minority (15 %) thought the contribution was considerable while some (11%) were uncertain. Previous reference was made to the report of the Gonzales (2002) study, sponsored by the Inter-American Development Bank and the Institute for the Integration of Latin America and the Caribbean (IDB-INTAL), that CARICOM experienced weak economic gains and moderate trade and investment integration. The findings of this study support those of Egoumé-Bossogo and Mendis (2002) that there has been increased intra-CARICOM trade despite increased trade with the rest of the world. However a more precise determination of the relative gains to members from the CARICOM arrangements will require an inter-industry and an intra-industry trade analysis using trade data disaggregated at the single-digit Standard International Trade Classifications (SITC) level as proposed by Bergstrand (1989).

Dynamic Impact of CARICOM Arrangements

The results of the empirical analysis of investment and productivity performance of the target countries suggest moderate growth in the capital stock formation. The extent to which the CARICOM arrangements contributed is uncertain. From the interview and survey responses, at least two instances of dynamic impact of CARICOM arrangements can be identified, namely: enhancement of scope of operations and an expansion of market size. Pertaining to the scope of operations, some firms indicated that functioning in the CARICOM market afforded them the opportunity to improve their modus operandi and for eventual graduation to functioning efficiently in the global market. Five percent of the respondents reported operations in another country. There was one such respondent in each of the target countries with the greater numbers being in Trinidad and Tobago and St. Lucia. These respondents were spread across each of the firm size groupings, and were predominantly from manufacturing, services (professional) and trade and commerce, indicating that the operational scope enhancement dynamic effects were not limited to a particular group of firms.

Some interviewees pointed to the CARICOM arrangements increasing their target market. Others acknowledged an increase in market size but could not attribute that increase to the CARICOM arrangements. Yet still, others made reference to experiencing non-tariff barriers (NTBs) that are presumed to have a constraining impact on attempts at increasing their market size. Collectively, these responses suggest that the accurate impact of this dynamic effect requires further investigation.

Perception of Firms and Policy Makers

The interview responses conveyed that both entrepreneurs and policy makers were of the view that CARICOM was a good concept. However, entrepreneurs did not share the view of policy makers that CARICOM contributed to the strengthening of the business environment. The

survey responses indicated that the collective of firms perceived the CARICOM policies or policy areas making a limited positive contribution to their business environment, such as with access to markets and the CET. Examination of the data disaggregated by country, firm size or sub-sector of operation presents a more insightful profile. This suggests the need for a more in-depth understanding of the economic environment influencing respective firm types as a prerequisite to policy formulation. Firms' perception of the investment environment was similarly varied displaying a more optimistic expectation of the influence of CARICOM policies and policy areas on their investment decisions.

Econometric analyses were undertaken on the survey responses to four business variables: the cost of capital, exchange rate, availability of technology and access to markets. The results demonstrated a statistically significant perception by entrepreneurs of the influence of national policy only on each of the variables, except for availability of technology where the CARICOM policy was also perceived influential at a statistically significant level. The simulation of the probabilities associated with the parameter estimates did not reveal any evident pattern from a comparison of the respective probability distribution functions of the respective variables, across perceived levels of variable impact. The implication is that the impact of each business variable should be separately considered in the policy formulation process.

The policy makers who responded to the survey generally had a positive perception of the impact of their own policies as well as the CARICOM policies and policy areas, for both the current business environment and for the investment climate. That there is such a marked divergence of views between entrepreneurs and policy makers is instructive. Detre et al.(2006) demonstrate that, within the United States (US), the market reacts to the agricultural policy proposals at defined stages in the policy formulation process. On the assumption that the market

reaction to policy formulation is not unique to the US market, this divergence of views between policy makers and entrepreneurs within the CARICOM countries suggests that firms' reaction to the policies is contrary to the policy makers' expectation of the impact of the policies. One possible explanation for this divergence of views is that policy makers have a vested interest in their work accompanied by a narrow focus. In contrast, entrepreneurs could be considered to have a much broader outlook. It may also be that the current policies are ineffectual in stimulating the entrepreneurial response anticipated by policy makers.

Assessment of Impact of CARICOM Arrangements on Economic Gains

Firms offered a relatively conservative response to the perception of the CARICOM arrangements contributing to countries' economic gains, with only 15 percent indicating 'considerably' while 37 percent responded 'minimally' and 30 percent 'somewhat'. Policy makers were more optimistic with 24 percent responding 'considerably' and 52 percent indicating 'somewhat'. The results of the analysis of trade data were inconclusive on this issue. A more precise indication of the balance between trade diversion and trade creation can only be obtained from further analysis on the trade at the single digit SITC level.

Alternative Policies and Strategies

The stages outlined in the preparation of the recent vision and policy proposal framework on the CARICOM Single Market and Economy (CSME) (Girvan, 2007) represent a typical approach to the design and adoption of CARICOM policies. This policy statement embodied inputs from various regional fora. It was refined based upon consultation with selected regional stakeholder representatives and comments from a series of CARICOM Ministerial Bodies, prior to approval by the Heads of Government of CARICOM in July of 2007. The report pursues a broad scope of coverage in addressing issues relevant to the vision for the CSME then elaborates on the economic dimension of that vision. Within the context of this research project there are

two noteworthy aspects of the Girvan (2007) report, its elaboration on the scope of stakeholder consultations and its references to the conduct of technical studies to support future policy measures.

On the first issue, the report refers to the participation of over 300 stakeholders in a preparatory regional forum, without giving details on their affiliation. An earlier published report referred the involvement of representatives from regional agencies such as the CARICOM Secretariat (CCS), the Caribbean Development Bank (CDB), the Caribbean Association of Industry and Commerce (CAIC), the Secretariat of the Organisation of Eastern Caribbean States (OECS), the Caribbean Congress of Labour (CCL) and the University of the West Indies (UWI) (Girvan, 2006). Two of these organizations represent agents active in the economy. The CAIC is the umbrella organization representing the interests of the private sector from 20 Caribbean countries at regional and international fora (Caribbean Association of Industry and Commerce, 2004). The CCL is a regional trade union federation representing members from affiliated unions across 17 Caribbean countries (Wikipedia, 2007).

Diversity in the CARICOM business environment is evident from the survey results as well as the membership profile of the Trinidad and Tobago Chamber of Industry and Commerce whose 524 members are spread across 28 different sub-groups with a distribution weighted towards firms with a smaller number of employees and or a lower gross annual income (Ferreira, 2007). The comments entrepreneurs offered during the interviews indicate evidence of weak institutional structures available to provide feedback from firms at the operational level in the business environment to regional level policy framers. Therefore, the extent to which consultation with the CAIC and CCL adequately embodies views from a representative sample of firms in CARICOM is questionable. A more inclusive and comprehensive consultative

process, that embodies representation of views and input from the diverse firm types reflected by the extant business environment profile, seems likely to be more effective in informing the policy design process, by offering greater insights in the design and formulation of policy appropriate for the stated development goals.

The Girvan (2007) report makes extensive reference to the need for technical studies in support of more targeted policy measures without detailing the extensiveness of the studies. The results of this research suggest that appropriately designed industry specific empirical studies, similar to those that informed the World Bank (2005) report on the Caribbean and the Sapir (2004) report on the European Union are useful alternatives to consider for informing the policy formulation process. Appropriately designed empirical studies will provide critical information on the business environment thus enabling the formulation and subsequent monitoring of more targeted policies.

The Caribbean Community faces some unique challenges in its attempt to achieve the developmental goals identified within the CSME. One of these identified by Girvan (2007) and respondents to the survey is the issue of inter-regional transportation for commerce. A second important challenge cited by interview respondents is the divergence of critical characteristics of the economies of some members. A third is the design of an appropriate package of policy incentives that will encourage entrepreneurs into cross-border investment in order to benefit from scale economies that are anticipated to come from production integration. A deeper and more extensive dialogue involving respective firms and countries will likely contribute to solutions that are more workable.

Research Timeline

The components of this research span different time periods. The trade and investment data analyses covered the period 1981-2005. In the survey of firms and policy makers, respondents

were invited to respond to perceptions of the current business environment and the future investment environment. The research results therefore presents two complementary perspectives. The somewhat somber findings pertaining to the historic and current periods contrast sharply with the optimistic views of entrepreneurs for the future. The surveys did not focus on the CSME but some respondents were aware of the general CSME pronouncements, in light of their interview and supplemental comments. Accordingly, one possible implication of the optimistic entrepreneurial view of the future is that policy proposals to be developed under the CSME will be very beneficial to firms. Acceptance of this inference reinforces the proposal for the pursuit of a more inclusive strategy for policy development for the CSME.

Conclusions

The first hypothesis was that the *economic agents within CARICOM recognize benefits from the preferential trading arrangements of CARICOM*. The results of the interviews and surveys suggest that this hypothesis can be accepted. The second hypothesis was that *CARICOM preferential trading arrangements have contributed to the economic gains of its member countries*. The results are such that we fail to reject this hypothesis.

Pertaining to the first objective of this research the conclusion is that CARICOM countries experienced both trade creation and trade diversion. However the results are inconclusive about which was more dominant and consequently whether there were net economic gains from inter-regional trade. The majority of firms surveyed could be described as only weakly optimistic about the CARICOM arrangements contributing to their countries' economic gains. For the second objective the results indicate a moderate growth in capital stock formation. The third objective was to ascertain the view of firms concerning the policy measures influencing their business environment. In general, the perception of the influence of national policy predominated. The results demonstrated a statistically significant perception by entrepreneurs of

the influence of national policy on the four business variables subjected to econometric analyses. For only one variable was the influence of CARICOM policy perceived statistically significant. In light of the above and pertaining to the fourth research objective, it can be concluded that, to date, the CARICOM policy measures likely only weakly influenced in the economic gains experienced by the countries.

Another key conclusion of this research is that the business environment of CARICOM is extremely diverse in firm size, areas of operation and geographical scope of operation. Diverse economic and operational characteristics are evident among the entrepreneurial sector in CARICOM. The sector includes large firms, many of which contribute a great deal to absorption of employment, are multi-sectoral in scope of operations and operate globally. Micro firms, some of which also operate globally and across sub-sectors, are the largest group of firms. These divergent circumstances pose a challenge in the design and formulation of policy to catalyze the actions of those firms. On this, the conclusion is that the considerable heterogeneity within the CARICOM business environment, as indicated by the survey responses from the five countries in this study, should be deliberately considered in devising a policy formulation process intended to stimulate increased economic gains for CARICOM. In order to reflect a comprehensive set of inputs from the business environment, the policy formulation process within CARICOM should be sufficiently inclusive to reflect representative participation of the major sub-groups of firms, across the countries.

Country economic characteristics are also diverse as are those across sub-sectors. Many of these such as the debt burden, cost and availability of capital and the quality of the labor force have a direct impact on output. Overlooking these differences seems detrimental to the achievement of the developmental goals of CARICOM. To complement an inclusive process for

firms, the policy formulation process and strategy should also actively and deliberately embrace consideration of the economic and related characteristics exhibited by countries and the sub-sectors of the respective economies.

National policies are perceived by respondents and indicated by the econometric analyses to be of greater influence on the business environment than CARICOM policies. This reinforces the need for a more active infusion of the circumstances of the national economic environment in the regional policy formulation process. It also suggests that complementarity between national and regional policies ought to be more closely examined.

The results of the trade and investment analysis indicate that both trade creation and trade diversion were experienced. For a definitive conclusion on the gains from trade, further research will be required at a more disaggregated SITC level, as indicated below. While labor productivity was not explicitly examined in this study, based on some comments from the interviews and surveys, there may be need for policies to improve the productivity of labor to complement the investment flows and the strong growth in the capital stock.

The weak perception among firms of the economic gains from CARICOM policies and the results of the econometric analysis of the responses to the policy impact on the business variables suggest an ineffectual impact of CARICOM policy on the business environment. This may be an indication of some level of detachment between the policy makers, the policy formulation process and the economic agents.

Implicit in the drive for establishing preferential trading arrangements is the anticipation of securing opportunities for benefiting from scale economies that come from production integration (Balassa, 1961). This was among the benefits to integration envisaged in the earlier projections for CARICOM (Brewster and Thomas, 1967). However, the geographical

configuration of the Caribbean Community poses some unique challenges to establishing production linkages among some firms. These circumstances indicate the need for innovative policy design in order to formulate appropriate incentives to catalyze production and other economic linkages among the firms. This again suggests a more inclusive policy formulation process. In addition, the influence of trade with the major external trading partners suggests that a more in-depth analysis of intra-regional trade at a disaggregated level will be more appropriate in providing additional insights into the benefits from the CARICOM economic integration arrangements, as advocated for developing countries by Cooper and Massell (1999).

Limitations of the Research

There are some limitations to this study. Foremost among these is the paucity of policy makers interviewed. The opportunity to have spoken with a greater number of those respondents would have contributed to increased insights into the challenges faced by policy makers as they seek to merge national and CARICOM interests for strengthening the business environment. A second research constraint, also pertaining to policy makers, is the low absolute number of survey respondents. An increased number of survey policy respondents would have strengthened the results of the descriptive analysis. It would also have allowed the conduct of econometric analysis on those responses. It has been argued above that the level of responses to the survey by firms is sufficient to provide adequate inferences and guidance in the policy formulation process. Notwithstanding this position, responses from a greater number of firms would have enhanced the robustness of the work. One critical limitation pertaining to the analysis of the trade data was the unavailability of data on the existing tariff levels of the target countries for all but one year, over the period 1981-1992.

Further Research

The conduct of further research on the impact of trade in goods disaggregated by the single digit SITC sub-groups, as discussed by Bergstrand (1989), would provide insight on the relative contributions of the sectors of the economy and greater guidance with the policy formulation process. Similar research on the impact of trade in goods versus trade in services within CARICOM would also be useful. Future research focused on the identification of market and producer environment linkages within CARICOM can also provide a data base that would allow a more informed policy making process at both the national and regional levels.

APPENDIX
SURVEY INSTRUMENTS

Firms
CARICOM Firms' Survey

Research Subject Information and Consent Form
The University of Florida-Gainesville, Florida, U S A

TITLE: Assessment of the Impact of Caribbean Community (CARICOM) Economic Policies on the Business Environment in selected CARICOM States

SPONSORS: Center for Latin American Studies of the University of Florida; International Agricultural Trade and Policy Center of the University of Florida, CARICOM Secretariat, CARIFORUM

INVESTIGATORS: Dr. J VanSickle and Mr. Ronald M Gordon

Dear Enterprise Owner or Manager,

We welcome your participation in this survey. The survey is intended to identify your perspectives on the policies and the policy environment that support and contribute to the economic well being of business enterprises in selected countries of the Caribbean Community (CARICOM). Your inputs are vital and will assist both the national and regional efforts to promote an environment friendly to entrepreneurial activity in the Caribbean.

This research study will gather information and data that will be used for the benefit of all industrial and commercial enterprises in CARICOM²³. The analysis of the collective responses could potentially influence refinements in the policy formulation process to the improvement of the business environment in which you operate. There are no direct benefits, risks or compensation to you for participation in this study. As a consequence, your voluntary participation will be immensely helpful.

Please take time to read this consent form before deciding whether to participate. Your participation is entirely voluntary and you can elect not to take part, if you wish. Your participation will require about 45 minutes of your time.

Strict confidentiality will be maintained concerning all information obtained through this survey; only averages or totals for respondents will be disclosed in reports on the findings of this survey.

For questions about this survey you may contact either of the researchers listed below. Questions about human subjects' research approvals for this project may be directed to the University of Florida Institutional Review Board, PO Box 112250, Gainesville FL 32611-2250 or to irb2@ufl.edu, with reference to protocol UFIRB # 2006-U-565.

Thank you for your cooperation.

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²³ Scope of interest encompasses enterprises within: Agriculture, Fisheries, Manufacturing, Mining, Services (including Tourism), and Trade.

Purpose To evaluate the scope of impact of the Caribbean Community (CARICOM) policies and or national government policies on the firms' production and investment decisions

Objective

To develop a database on the policy parameters influencing the decisions of enterprises or firms within the selected member states of CARICOM in order to:

- Evaluate the main issues considered by enterprises or firms when making decisions affecting the enterprises or firms;
- Identify and characterise those issues as to whether they are influenced by national policies or CARICOM policies;
- Determine the extent to which enterprise or firm owners are influenced by CARICOM policies in the determination of their investment and marketing decisions.

Scope

The survey population is enterprises and firms involved in Agriculture, Fisheries, Manufacturing, Mining, Services (including Professional services, Tourism & Hospitality) and Trade in a representative group of CARICOM Member States. The investigation will encompass enterprises and firms of varying sizes and will pertain to the enterprises' and firms' consideration of marketing, production, investment and related issues.

Results (What will be done if you take part in this research study?)

The responses will be analysed, and the aggregated results will be used to evaluate the impact of the CARICOM Policies on the decisions influencing the economic viability of the enterprises or firms within the Caribbean Community, as represented by the respondents from the selected countries surveyed. These findings will be extremely useful in developing and refining CARICOM policies with respect to the promotion of growth of the business community within CARICOM.

Upon completion of the study, you will be informed of the study's overall findings and may be consulted further.

As indicated earlier, please note that the responses will be aggregated and all responses will be treated confidentially.

QUESTIONNAIRE

Section I General Information

1. Please indicate the country location of your enterprise or firm:
Country _____
2. Where is your enterprise located? Please tick (✓) Urban area _____ Rural area _____
3. In which sub-sector do you operate? Please tick (✓) all that apply:
a) Agriculture _____ b) Fisheries _____ c) Manufacturing _____ d) Mining _____
e) Services (Tourism & Hospitality) _____ f) Services (Professional or Other) _____
g) Trade and Commerce _____ h) Other (please list) _____
4. Do you operate in another country? _____ Yes _____ No
If yes please list that country: _____
5. How many workers do you employ?
Full-time year round workers: _____ Part-time year round workers _____
Full-time seasonal (peak period) workers: _____ Part-time seasonal (peak-period) workers: _____
6. Please indicate (✓) the size of your business (based on annual sales volume: US \$)
 - Micro = Less than US \$1.0 million (_____)
 - Small = US \$ 1.0 million to US \$2.5 million (_____)
 - Medium = US\$ 2.5 million to US\$ 6.5 million (_____)

- Large = Greater than US\$ 6.5 million (_____)

Business Environment Evaluation

The entrepreneurial experience worldwide as well as relevant academic literature have indicated that critical factors such as: interest cost on borrowed capital, exchange rate management, rate of inflation, cost of labour, cost of inputs, availability of technology, ease of access to markets and institutional structures and arrangements to facilitate the conduct of business contribute in various ways to viable and profitable business activities and investments.

These concepts are commonly interpreted as follows:

Interest costs: the amount of money paid by a borrower for the opportunity to use borrowed funds;

Exchange rate: refers to the cost in local currency of purchasing one unit of foreign currency; and,

Exchange Rate Management: refers to the system of determining the purchase price of the unit of foreign currency, usually 'floating' (or determined by market forces of supply and demand) or 'fixed' (set by the government or central bank);

Rate of inflation: the change (increase) in the level of prices of a standard 'basket' of consumer goods from one reference period to the next period;

Cost of labour: the average cost (wages) of employing the labour required for an enterprise or firm;

Cost of inputs: the cost of materials used in a production or manufacturing process or a service enterprise;

Technology: The technical inputs an enterprise or firm uses in its production or manufacturing process, or service enterprises;

Markets: An amorphous collective of buyers and sellers for a specific product or service;

Institutional structures: Formal rules, statutes, traditions and arrangements, agreed to by social groups, for the use of land, credit and other resources in the conduct of economic activities.

Section II Perception of Policy Impacts

In light of the above concepts and context please review and respond to the following:

Impact Evaluation of Business Operations

7. As you review the current circumstances please rate the impact of each of the following factors on your business operations. Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral), and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Cost of capital _____
- 2) Exchange rate _____
- 3) Exchange rate management _____
- 4) Rate of inflation _____
- 5) Cost of labour (unskilled) _____
- 6) Cost of labour (skilled) _____
- 7) Cost of inputs (local) _____
- 8) Cost of inputs (foreign) _____
- 9) Availability of technology _____
- 10) Ease of access to markets _____
- 11) Institutional structures _____
- 12) Other elements (please list, then rank) _____

Perception of National Level Policies

In order to promote the growth of business in an economy a government may, among other things, seek to pursue policies to minimise the cost of capital, maintain a stable exchange rate and rate of inflation, minimise the cost of labour, minimise the cost of inputs, promote access to technology as well as to markets and facilitate the establishment of institutions for the conduct of economic activities.

8. How do you perceive the policies of the government of the country in which you operate with respect to the critical factors that impact on your business operations? Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral), and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Cost of capital _____
- 2) Exchange rate _____
- 3) Exchange rate management _____
- 4) Rate of inflation _____
- 5) Cost of labour (unskilled) _____
- 6) Cost of labour (skilled) _____
- 7) Cost of inputs (local) _____
- 8) Cost of inputs (foreign) _____
- 9) Availability of technology _____
- 10) Ease of access to markets _____
- 11) Institutional structures _____
- 12) Other elements (please list, then rank) _____

CARICOM Level Policies

The CARICOM Treaty broadly outlines a policy agenda in several areas in support of the preferential trading agreement among the member states. This policy agenda relates to, *inter alia*, agricultural and industrial development, services, tourism, trade and transport. It also includes special provisions for disadvantaged countries, regions and sectors.

For ease of reference an indicative summary of the respective policy goals is provided.

Tariff Regime

The policy goal was the removal of tariffs on intra-zonal trade and the establishment of a common tariff on goods originating from outside of CARICOM, usually referred to as a common external tariff or CET, in accordance with the Treaty establishing CARICOM. An October 1992 decision of the Conference of Heads of Government of CARICOM agreed to the establishment of a CET regime with implementation to be phased in commencing in January 1993 and completed in 1998. Within the tariff structure products were classified as either inputs (primary or intermediate) or final goods with each category being further delineated as 'competing' or 'non-competing' with regionally produced goods. An extra-regional import was deemed to be competing with like regional production and required to face the CET in instances where existing regional production exceeded 75% of regional demand. Conversely an extra-regional import was considered non-competing if the existing level of regional production did not satisfy the 75% minimum of regional demand. In addition there was a special tariff structure for the LDC's.

Rules of Origin

Rules of Origin (RoO) prescribing conditions under which goods in intra-zonal trade can benefit from regional (tariff) preferences were associated with the development of the structure of the tariff. To qualify goods must either be wholly produced within CARICOM or have been produced wholly or partly from materials imported extra-regionally through a process of substantial transformation that satisfies specified trade classification characteristics. The RoO were intended, *inter alia*, to strengthen the productive sector and accelerate exports becoming internationally competitive.

Joint Negotiation of Trade Agreements

The Caribbean Community has also pursued the joint negotiation of trade arrangements and donor assistance programs on behalf of its members, coordinated through an agency or a unit established specifically for this purpose.

Agriculture and Fisheries

The Caribbean Community level policies pertaining to agriculture relate to the achievement of a market oriented, internationally competitive and diversified sector taking into consideration the differences in resource endowment and economic development of the member states.

For fisheries the goal is the development, management and conservation of the fisheries resources on a sustainable basis.

Industry and Services

The goal of industrial policy is the facilitation of market-led internationally competitive production of goods and services

For services the goal is to promote the development of the services sector in order to stimulate the economic complementarities and economic development of member states.

Tourism

The goal of the tourism policy is sustainable tourism development, in collaboration with competent international organisations, while conserving cultural and natural resources.

Transport.

The goal of the transport policy relates to the provision of adequate, safe and internationally competitive transport services for the Community.

Establishment, Capital and Movement of Persons

The policy goals ultimately address the right of citizens of member states of the Caribbean Community to establish enterprises in any member state, move capital between and among the members as well as the unrestricted movement of labour.

Perception of CARICOM Level Policies

In light of the above indicative summary:

9. How do you perceive the impact of the policies of CARICOM, collectively, with respect to the critical factors pertaining to your business operations? Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral), and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.
 - 1) Cost of capital _____
 - 2) Exchange rate _____
 - 3) Exchange rate management _____
 - 4) Rate of inflation _____
 - 5) Cost of labour (unskilled) _____
 - 6) Cost of labour (skilled) _____
 - 7) Cost of inputs (local) _____
 - 8) Cost of inputs (foreign) _____
 - 9) Availability of technology _____
 - 10) Ease of access to markets _____
 - 11) Institutional structures _____
 - 12) Other elements (please list, then rank) _____

10. Referring to the CARICOM policy areas stated can you identify any as having impact on your business operations? Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral), and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Implementation of the CET _____
- 2) Rules of Origin _____
- 3) Trade negotiations (WTO) _____
- 4) Trade negotiations (EU) _____
- 5) Trade negotiations (Other) _____
- 6) Agriculture _____
- 7) Fisheries _____
- 8) Industry _____
- 9) Services (Tourism & hospitality) _____
- 10) Services (Professional & other) _____
- 11) Transportation _____

Section III Evaluation of Environment for Investment

Enterprise Outlook on Desirable Investment Climate

11. When you contemplate future investment in the business environment in which you operate how do you rate the importance of the following factors? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Cost of capital _____
- 2) Exchange rate _____
- 3) Exchange rate management _____
- 4) Rate of inflation _____
- 5) Cost of labour (unskilled) _____
- 6) Cost of labour (skilled) _____
- 7) Cost of inputs (local) _____
- 8) Cost of inputs (foreign) _____
- 9) Availability of technology _____
- 10) Ease of access to markets _____
- 11) Institutional structures _____
- 12) Other elements (please list, then rank) _____

Enterprise Outlook on National Government's influence on Desirable Investment Climate

As previously stated, in order to promote the growth of business in an economy a government may, among other things, seek to pursue policies that would minimise the cost of capital, maintain a stable exchange rate and rate of inflation, minimise the cost of labour, promote access to technology as well as to markets and facilitate the establishment of institutions for the conduct of economic activities.

12. To what extent do you perceive that your government's policies and their impact on the factors listed will influence your future investment decisions? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Cost of capital _____
- 2) Exchange rate _____
- 3) Exchange rate management _____
- 4) Rate of inflation _____
- 5) Cost of labour (unskilled) _____
- 6) Cost of labour (skilled) _____
- 7) Cost of inputs (local) _____
- 8) Cost of inputs (foreign) _____
- 9) Availability of technology _____
- 10) Ease of access to markets _____
- 11) Institutional structures _____
- 12) Other elements (please list, then rank) _____

Enterprise Outlook on CARICOM’s influence on Desirable Investment Climate

With reference to the indicative summary of the CARICOM policy agenda:

13. How do you perceive that the collective CARICOM policies and their impact on the factors listed will influence your investment decisions? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Cost of capital _____
- 2) Exchange rate _____
- 3) Exchange rate management _____
- 4) Rate of inflation _____
- 5) Cost of labour (unskilled) _____
- 6) Cost of labour (skilled) _____
- 7) Cost of inputs (local) _____
- 8) Cost of inputs (foreign) _____
- 9) Availability of technology _____
- 10) Ease of access to markets _____
- 11) Institutional structures _____
- 12) Other elements (please list, then indicate) _____

14. Can you identify any CARICOM policy area that seems likely to influence your investment decisions? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Implementation of the CET _____
- 2) Rules of Origin _____
- 3) Trade negotiations _____
- 4) Movement of capital _____
- 5) Movement of persons _____
- 6) Rights of establishment _____
- 7) Agriculture _____
- 8) Fisheries _____
- 9) Industry _____
- 10) Services (Tourism & Hospitality) _____
- 11) Services (Professional & other) _____
- 12) Transportation _____

Section IV Comparative Evaluations

National Policies and CARICOM Policies

15. In light of your earlier responses, how would you compare the importance of your national government’s policies versus the CARICOM policies with respect to their influencing the critical business factors of importance to the viability of your enterprise/firm? Please indicate on a scale of 1 to 4, where 1 = least important and 4 = very important. Respond U if you have no view or are uncertain or N/A if not applicable.

<i>Important Factors</i>	<i>National Policies</i>	<i>CARICOM Policies</i>
1) Cost of capital		
2) Exchange rate management		
3) Rate of inflation		
4) Cost of labour		
5) Cost of inputs		
6) Availability of technology		
7) Ease of access to markets		
8) Institutional structures		
9) Other elements (please list, then rank)		

Overview

16. From your perspective, has the CARICOM economic integration arrangements contributed to the economic gains in your country? Please indicate on a scale of 1 to 4, where 1= no impact, 2 = minimally, 3= somewhat and 4 = considerably. Respond U if you have no view or are uncertain. _____

17. From your perspective, can the CARICOM economic integration arrangements contribute to increased investment in your country? Please indicate on a scale of 1 to 4, where 1 =no impact, 2 = minimally, 3 = somewhat and 4 = considerably. Respond U if your have no view or are uncertain. _____

18. If you so desire, please make or add any general or specific comment(s) that would supplement your responses above and assist this analysis. _____

Thank you for your participation and the time you invested in the completion of this questionnaire.

John J VanSickle
 University of Florida

Ronald M Gordon
 University of Florida

Policy Makers
Survey of National Level Policy Framers within CARICOM Member States

Research Subject Information and Consent Form
The University of Florida-Gainesville, Florida, U S A

TITLE: **Assessment of the Impact of Caribbean Community (CARICOM) Economic Policies on the Business Environment in selected CARICOM States**

SPONSORS: **Center for Latin American Studies of the University of Florida;**
International Agricultural Trade and Policy Center of the University of Florida; CARICOM Secretariat; CARIFORUM

INVESTIGATORS: Dr. J VanSickle and Mr. Ronald M Gordon

Dear Policy Framers,

We welcome your participation in this survey. The survey is intended to examine your perspectives on the interfacing of national level approaches to the creation of the economic and institutional environment for the growth of business enterprises within your country and related policy issues collectively discussed and agreed among member states, for implementation within the Caribbean Community integration arrangements.

This research study will gather information and data that will be used to promote the determination of a policy and institutional environment for the benefit of all industrial and commercial enterprises in CARICOM²⁴. The analysis of the collective responses could potentially influence refinements in the policy formulation process that determines a business environment friendly to industrial and commercial enterprises in CARICOM. There are no direct benefits, risks or compensation to you for participation in this study. As a consequence your voluntary participation will be immensely helpful.

Please take time to read this consent form before deciding whether to participate. Your participation is entirely voluntary and you can elect not to take part, if you wish. Your participation will require about 45 minutes of your time.

Strict confidentiality will be maintained concerning all information obtained through this survey; only averages or totals for respondents will be disclosed in reports on the findings of this survey.

For questions about this survey you may contact either of the researchers listed below. Questions about human subjects' research approvals for this project may be directed to the University of Florida Institutional Review Board, PO Box 112250, Gainesville FL 32611-2250 or to irb2@ufl.edu , with reference to protocol UFIRB # 2006-U-565.

Thank you for your cooperation.

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²⁴ Scope of interest encompasses enterprises within: Agriculture, Fisheries, Manufacturing, Mining, Services (including Tourism), and Trade.

Purpose To determine the scope of impact of the Caribbean Community (CARICOM) policies and or national government policies on the economic and institutional environment influencing firms' production decisions

Objective

To develop a database on the creation of the economic and institutional environment influencing the decisions of enterprises or firms within the selected member states of CARICOM in order to:

- Ascertain the sources of stimuli that serve to shape the economic and institutional environment of enterprises or firms;
- Identify those economic and institutional factors that are deemed critical to the economic viability of the enterprises or firms in the target countries;
- Determine the extent to which the national economic and institutional environment is perceived influenced by national or CARICOM policies.

Scope

The survey population is public sector staff in the government ministries pertaining to Agriculture, Finance, Industry, Planning, Tourism, and Trade. Senior and middle level public servants with responsibility for policy formulation and implementation will be surveyed.

Results (What will be done if you take part in this research study?)

The responses will be analysed, and the aggregated results will be used to evaluate the impact of the CARICOM policies on the decisions influencing the economic viability of the enterprises or firms within the Caribbean Community, as represented by the respondents from the selected countries surveyed. These findings will be extremely useful in developing and refining CARICOM policy with respect to the promotion of growth of the business community within CARICOM.

Upon completion of the study, you will be informed of the study's overall findings and may be consulted further.

As indicated earlier, please note that the responses will be aggregated and all responses will be treated confidentially.

QUESTIONNAIRE

Section I General Information

1. Please indicate the country in which you work: Country _____
2. Please indicate (√) the government ministry in which you are located. Government ministry:
a) Agriculture _____ b) Fisheries _____ c) Finance _____ d) Industry _____
e) Planning _____ f) Tourism _____ g) Trade _____ h) Other _____
3. How many years have you served as a policy framer in the ministry in which you are located? Please indicate by (√) in the appropriate category:
a) Less than 2.5 years _____ b) Greater than 2.5 but less than 5 years _____
c) Greater than 5 but less than 7.5 years _____ d) Greater than 7.5 but less than 10 years _____
e) Excess of 10 years _____
4. Have you served as a policy framer in a ministry other than the one in which you are currently located? Please indicate (√): Yes _____ No _____
5. If yes, in which ministry? Please indicate (√) all former ministries that apply:
a) Agriculture _____ b) Finance _____ c) Fisheries _____ d) Industry _____
e) Planning _____ f) Tourism _____ g) Trade _____ h) Other _____

6. What is the highest level of your academic training within your field of specialisation? Please indicate (√): Diploma or Certificate _____, Higher National Diploma _____, Bachelors degree _____, Masters degree _____, Doctoral degree _____, Other (please list) _____
7. What is your field of specialisation? Please indicate (√): Agriculture _____ Agricultural Economics _____ Arts _____ Economics _____ Engineering _____ Fisheries Biology (or related field) _____ Industrial Engineering _____ Management _____ Marketing _____ Natural Science _____ Sociology _____ Other (please state) _____

Business Environment Evaluation

The entrepreneurial experience worldwide as well as relevant academic literature have indicated that critical factors such as: interest cost on borrowed capital, exchange rate management, rate of inflation, cost of labour, cost of inputs, availability of technology, ease of access to markets and institutional structures to facilitate the conduct of business contribute in various ways to viable and profitable business activities and investments.

These concepts are commonly interpreted as follows:

Interest costs: the amount of money paid by a borrower for the opportunity to use borrowed funds;

Exchange rate: refers to the cost in local currency of purchasing one unit of foreign currency; and,

Exchange Rate Management: refers to the system of determining the purchase price of the unit of foreign currency, usually 'floating' (or determined by market forces of supply and demand) or 'fixed' (set by the government or central bank);

Rate of inflation: the change (increase) in the level of prices of a standard 'basket' of consumer goods from a reference period to the next period;

Cost of labour: the average cost (wages) of employing the labour required for an enterprise or firm;

Cost of inputs: the cost of materials used in a production or manufacturing process or a service enterprise;

Technology: The technical inputs an enterprise or firm uses in its production or manufacturing process, or service enterprises;

Markets: An amorphous collective of buyers and sellers for a specific product or service;

Institutional structures: Formal rules, statutes, traditions and arrangements, agreed to by social groups, for the use of land, credit and other resources in the conduct of economic activities.

Further, in order to promote the growth of business in an economy, a government may among other things, seek to pursue policies that would minimise the cost of capital, maintain a stable exchange rate and rate of inflation, minimise the cost of labour, promote access to technology as well as to markets and facilitate the establishment of institutions for the conduct of economic activities.

Section II Perception of Policy Impacts

In light of the above concepts and context please review and respond to the following:

Perception of National Level Policies

8. How do you consider that the national policies you are involved in formulating and implementing impact on the critical business factors below? Please rank on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral) and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- a) Cost of capital _____
- b) Exchange rate _____
- c) Exchange rate management _____
- d) Rate of inflation _____
- e) Cost of labour (unskilled) _____
- f) Cost of labour (skilled) _____
- g) Cost of inputs (local) _____
- h) Cost of inputs (foreign) _____
- i) Availability of technology _____
- j) Ease of access to markets _____

- k) Institutional structures _____
- l) Other elements (please list, then rank) _____

CARICOM Level Policies

The CARICOM Treaty broadly outlines a policy agenda in several areas in support of the preferential trading agreement among the member states. This policy agenda relates to, *inter alia*, agricultural and industrial development, services, tourism, trade and transport. It also includes special provisions for disadvantaged countries, regions and sectors.

For ease of reference an indicative summary of the respective policy goals is provided.

Common Tariff Regime

The policy goal was the removal of tariffs on intra-zonal trade and the establishment of a common tariff on goods originating from outside of CARICOM, usually referred to as a common external tariff or CET, in accordance with the Treaty establishing CARICOM. An October 1992 decision of the Conference of Heads of Government of CARICOM agreed to the establishment of a CET regime with implementation to be phased in commencing in January 1993 and completed in 1998. Within the tariff structure products were classified as either inputs (primary or intermediate) or final goods with each category being further delineated as ‘competing’ or ‘non-competing’ with regionally produced goods. An extra-regional import was deemed to be competing with like regional production and required to face the CET in instances where existing regional production exceeded 75% of regional demand. Conversely an extra-regional import was considered non-competing if the existing level of regional production did not satisfy the 75% minimum of regional demand. In addition there was a special tariff structure for the LDC’s.

Rules of Origin

Rules of Origin (RoO) prescribing conditions under which goods in intra-zonal trade can benefit from regional (tariff) preferences were associated with the development of the structure of the tariff. To qualify goods must either be wholly produced within the community or have been produced wholly or partly from materials imported extra-regionally through a process of substantial transformation that satisfies specified trade classification characteristics. The RoO were intended, *inter alia*, to strengthen the productive sector and accelerate exports to become internationally competitive.

Joint Negotiation of Trade Agreements

The Caribbean Community has also pursued the joint negotiation of trade arrangements and donor assistance programs on behalf of its members, coordinated through an agency or a unit established specifically for this purpose. Agriculture and Fisheries

The Caribbean Community level policies pertaining to agriculture relate to the achievement of a market oriented, internationally competitive and diversified sector taking into consideration the differences in resource endowment and economic development of the member states.

For fisheries the goal is the development, management and conservation of the fisheries resources on a sustainable basis.

Industry and Services

The goal of industrial policy is the facilitation of market-led internationally competitive production of goods and services

For services the goal is to promote the development of the services sector in order to stimulate the economic complementarities and economic development of member states.

Tourism

The goal of the tourism policy is sustainable tourism development, in collaboration with competent international organisations, while conserving cultural and natural resources.

Transport

The goal of the transport policy relates to the provision of adequate, safe and internationally competitive transport services for the Community

Establishment, Capital and Movement of Persons

The policy goals ultimately address the right of citizens of member states of the Caribbean Community to establish enterprises in any member state, move capital between and among the members as well as the unrestricted movement of labour.

Perception of CARICOM Level Policies

In light of the above summary:

9. How do you perceive the impact of the policies of CARICOM, collectively, on the business climate in your country? Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral) and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- a) Cost of capital _____
- b) Exchange rate _____
- c) Exchange rate management _____
- d) Rate of inflation _____
- e) Cost of labour (unskilled) _____
- f) Cost of labour (skilled) _____
- g) Cost of inputs (local) _____
- h) Cost of inputs (foreign) _____
- i) Availability of technology _____
- j) Ease of access to markets _____
- k) Institutional structures _____
- l) Other elements (please list, then rank) _____

10. How do you perceive the policies of CARICOM, collectively, with respect to them being supportive or unsupportive of those of your government, in relation to the critical business factors below? Please indicate on a scale of -3 to +3, where -3 = strongly unsupportive, 0 = no support (neutral) and +3 = strong positive support. Respond U if you have no view or are uncertain or N/A if not applicable.

- a) Cost of capital _____
- b) Exchange rate _____
- c) Exchange rate management _____
- d) Rate of inflation _____
- e) Cost of labour (unskilled) _____
- f) Cost of labour (skilled) _____
- g) Cost of inputs (local) _____
- h) Cost of inputs (foreign) _____
- i) Availability of technology _____
- j) Ease of access to markets _____
- k) Institutional structures _____
- l) Other elements (please list, then rank) _____

11. Referring to the CARICOM policy areas stated can you identify any as having impact on the business climate in your country? Please indicate on a scale of -3 to +3, where -3 = strong negative impact, 0 = no impact (neutral) and +3 = strong positive impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Implementation of the CET _____
- 2) Rules of Origin _____

- 3) Trade negotiations (WTO) _____
- 4) Trade negotiations (EU) _____
- 5) Trade negotiations (Other) _____
- 6) Agriculture _____
- 7) Fisheries _____
- 8) Industry _____
- 9) Services (Tourism & hospitality) _____
- 10) Services (Professional & other) _____
- 11) Transportation _____

Section III Evaluation of Environment for Investment

Policy Framers' outlook on Desirable Investment Climate

12. When you contemplate business' future investment in your country how do you rate the importance of the following factors? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- a) Cost of capital _____
- b) Exchange rate _____
- c) Exchange rate management _____
- d) Rate of inflation _____
- e) Cost of labour (unskilled) _____
- f) Cost of labour (skilled) _____
- g) Cost of inputs (local) _____
- h) Cost of inputs (foreign) _____
- i) Availability of technology _____
- j) Ease of access to markets _____
- k) Institutional structures _____
- l) Other elements (please list, then rank) _____

13. How do you perceive that the national policies you are involved in formulating will impact on the critical business factors listed below and thereby on the investment climate in your country? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain please or N/A if not applicable.

- a) Cost of capital _____
- b) Exchange rate _____
- a) Exchange rate management _____
- b) Rate of inflation _____
- c) Cost of labour (unskilled) _____
- d) Cost of labour (skilled) _____
- e) Cost of inputs (local) _____
- f) Cost of inputs (foreign) _____
- g) Availability of technology _____
- h) Ease of access to markets _____
- i) Institutional structures _____
- j) Other elements (please list, then rank) _____

Policy Framers' outlook on CARICOM's influence on Desirable Investment Climate

14. How do you perceive that the collective CARICOM policies and their impact on the critical business factors listed will influence the investment climate in your country? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- a) Cost of capital _____

- b) Exchange rate _____
- c) Exchange rate management _____
- d) Rate of inflation _____
- e) Cost of labour (unskilled) _____
- f) Cost of labour (skilled) _____
- g) Cost of inputs (local) _____
- h) Cost of inputs (foreign) _____
- i) Availability of technology _____
- j) Ease of access to markets _____
- k) Institutional structures _____
- l) Other elements (please list, then indicate) _____

15. Can you identify any CARICOM policy area that seems likely to influence the investment climate in your country? Please indicate (+) = a positive impact, (0) = no impact (neutral) and (-) = a negative impact. Respond U if you have no view or are uncertain or N/A if not applicable.

- 1) Implementation of the CET _____
- 2) Rules of Origin _____
- 3) Trade negotiations _____
- 4) Movement of capital _____
- 5) Movement of persons _____
- 6) Right of establishment _____
- 7) Agriculture _____
- 8) Fisheries _____
- 9) Industry _____
- 10) Services (Tourism & hospitality) _____
- 11) Services (Professional & other) _____
- 12) Transportation _____

Section IV Comparative Evaluations

National policies and CARICOM policies

16. In light of your earlier responses, how would you compare the importance of the national policies you design and implement versus the CARICOM policies with respect to their influencing the business factors critical to the investment climate in your country? Please indicate on a scale of 1 to 4, where 1 = least important and 4 = very important. Respond U if you have no view or are uncertain or N/A if not applicable.

<i>Important Factors</i>	<i>National Policies</i>	<i>CARICOM Policies</i>
1) Cost of capital		
2) Exchange rate		
3) Exchange rate management		
4) Rate of inflation		
5) Cost of labour (unskilled)		
6) Cost of labour (skilled)		
7) Cost of inputs (local)		
8) Cost of inputs (foreign)		
9) Availability of technology		
10) Ease of access to markets		
11) Institutional structures		
12) Other elements (please list, then rank)		

Overview

17. From your perspective have the CARICOM economic integration arrangements contributed to the economic gains in your country? Please indicate on a scale of 1 to 4, where 1= no impact, 2 = minimally, 3 = somewhat and 4 = considerably. Respond U if you have no view or are uncertain. _____

18. From your perspective have the CARICOM economic integration arrangements contributed to increased investment in your country? Please indicate on a scale of 1 to 4, where 1 = no impact, 2 = minimally, 3 = somewhat and 4 = considerably. Respond U if your have no view or are uncertain. _____

19. If you so desire, please make or add any general or specific comment(s) that would supplement your responses above and assist this analysis.

Thank you for your participation and the time you invested in the completion of this questionnaire.

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BIOGRAPHICAL SKETCH

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