



IICA-COLEAD Caribbean Agrifood Business Series

Session n°15:

How trade infrastructure can boost Caribbean entrepreneurship: Challenges and opportunities

Wednesday 23 October 2024 – 14:00-16:00 UTC

[Online \(Zoom\)](#)

Live interpretation in English, French, Spanish and Portuguese

1. Context

Trade is essential for Caribbean countries development in terms of growth, employment creation and poverty reduction. The development of trade infrastructure is crucial to unlocking this potential. In many Caribbean countries, trade (exports and imports) accounts for a substantial portion of (GDP). For example, in 2022, trade represented over 80% of GDP in countries like Belize and Guyana.¹

Tourism is a major economic driver, contributing significantly to GDP and employment. In some countries, tourism accounts for more than 50% of GDP.²

Several Caribbean nations rely heavily on the export of commodities. The region imports a wide range of goods, including food, machinery, and manufactured products. This dependency makes the Caribbean vulnerable to global supply chain disruptions.³ The United States, the European Union, and China are major trading partners for the Caribbean. The region's trade with these partners includes a mix of raw materials, manufactured goods, and services.

Main determinants of trade performance include: (i) the location and proximity to major markets; (ii) the effects of climate change effects and natural disasters on trade infrastructure; (iii) the export composition based on tourism, agriculture, and minerals; (iv) the small domestic markets and the need for economies of scale; (v) the institutional and policy factors (trade policies, agreements); a regulatory environment that is conducive to business growth; (vi) the quality and efficiency of infrastructure and logistics; (v) the role of technology in improving trade logistics and reducing costs; (vi) the human capital and innovation affecting trade competitiveness.

Despite progress in decreasing trade barriers, Latin America and the Caribbean (LAC) degree of trade integration remains low, especially within the region. Intraregional trade is between 40% (for goods) and 50% (for services) lower than in regions with similar economic and geographic

¹ World Bank. [Caribbean overview](#).

² World Bank. [Caribbean overview](#).

³ Economic Commission for Latin America and the Caribbean (ECLAC), [International Trade Outlook for Latin America and the Caribbean](#), 2023 (LC/PUB.2023/16-P), Santiago, 2023.

characteristics.⁴ Obstacles derived from poor infrastructure, and inadequate governance, among other deficiencies, have played an important role in limiting trade within and outside the region. Closing half of the existing infrastructure gap between the region and advanced economies would lift exports by 30 %.⁵

Despite progress in lowering trade barriers over the last three decades, LAC continues to trade considerably less than other countries with similar economic and geographic characteristics. The region's trade underperformance is particularly evident at the intra-regional level and in the manufacturing sector. This is partly explained by low levels of infrastructure, although poor governance and human capital are also behind the observed under-trading. Improvements in cross-border infrastructure, both physical and digital, can deepen and strengthen regional integration and boost trade and investment flows while reducing operating costs for enterprises.

2. The role of trade infrastructure in supporting entrepreneurship growth

Trade infrastructure refers to the physical and organizational structures and facilities needed for the operation of trade. This includes:

- **Transportation networks:** Roads, railways, ports, and airports that facilitate the movement of goods and services across borders.
- **Energy systems:** Reliable energy sources that power industries and transportation systems
- **Communication networks:** Efficient communication systems that enable businesses to coordinate and manage trade activities
- **Logistics and customs facilities:** Warehouses, distribution centers, and customs offices that streamline the storage, handling, and clearance of goods.

These components work together to ensure that goods, services, and information can move efficiently and effectively, supporting international commerce.⁶

Despite the clear benefits, several challenges hinder the development of trade infrastructure in the Caribbean:

- **Geographical constraints:** The Caribbean consists of numerous islands, making the development of interconnected infrastructure complex and costly. Each island requires tailored solutions to address its unique geographical and logistical challenges.
- **Limited financial resources:** Many Caribbean nations face budgetary constraints (i.e., dependence on external funding and loans), limiting their ability to invest in large-scale infrastructure.
- **Political and economic instability:** Political instability and economic fluctuations can disrupt infrastructure projects.
- **Environmental vulnerability:** The Caribbean is prone to natural disasters, which can damage infrastructure and require significant resources for rebuilding and maintenance.

For Caribbean entrepreneurs, robust trade infrastructure can:

- **Facilitate market access:** Improved transportation and logistics can help entrepreneurs reach broader markets, both regionally and internationally. Efficient ports and shipping services reduce the time and cost of exporting goods, making Caribbean products more competitive globally.

⁴ IMF. 2023. Regional Economic Outlook—Western Hemisphere. Trade Integration and Implications of Global Fragmentation for Latin America and the Caribbean. This chapter was prepared by Rafael Machado Parente (co-lead), Flavien Moreau (co-lead), Rina Bhattacharya, and Samuel Pienknagura, under the supervision of Gustavo Adler and Anna Ivanova, with contributions from Mengqi Wang, Swarnali Hassan, Ben Keith, Marijn Bolhuis and Simeng Zeng. Genevieve Lindow provided superb editorial assistance. We would also like to thank Mario Larsch and Yoto V. Yotov for a very helpful discussion.

⁵ Ibid

⁶ World Bank Blogs. [How does infrastructure support international trade?](#)

- **Enhance supply chain efficiency:** Reliable infrastructure supports supply chains, reducing delays and costs associated with the procurement of raw materials and the distribution of finished products.
- **Attract investment:** Investors are more likely to invest in regions with well-developed infrastructure. This can lead to increased funding for startups and small businesses, fostering innovation and growth.
- **Support tourism:** The Caribbean's tourism industry can benefit from better infrastructure, attracting more visitors and creating opportunities for entrepreneurs in the tourism-related sector.

However, entrepreneurs face challenges to access and use infrastructure which could ease trade and access to new markets. According to a 2023 study by Improving Economies for Stronger Communities⁷ (IESC), challenges for intra-regional agricultural trade in the Caribbean include low production, high logistics and transportation costs, and regulatory barriers that impede market access. Additionally, the low volumes of production inhibit economies of scale for agricultural commodities. Burdensome trade facilitation measures and the transport distance relative to the small market size of many Caribbean countries make them undesirable destinations for many shipping companies, which prefer to focus on major regional and global routes. These issues are intensified by policy and institutional barriers to trade in the form of sanitary and phytosanitary standards and technical requirements that limit market access.

Closing the infrastructure gaps would generate substantial gains from trade. The concept of infrastructure encompasses physical infrastructure as well as customs infrastructure.⁸ Countries with a low Transport Logistics Performance Index (LPI) tend to have low Customs LPI—which measures, among other things, processing times for customs clearance.⁹

Furthermore LAC face significant challenges related to the **availability and quality of physical and digital infrastructure**,¹⁰ which condition their competitiveness in international markets, productivity and growth. Intra-regional and external trade is also hampered by the poor logistics and high transport costs. However, inefficiencies (including port charges) are sometimes an impediment to trade for importers and exporters. Deficiencies in physical and digital assets that enable regional connectivity (the hardware of integration), and the lack of harmonization of regulatory frameworks and administrative procedures that facilitate cross-border circulation of goods, services, and people (the software of integration), hinder the ability to harness the economic benefits associated with integration processes in the region. Countries have varied **regulatory frameworks and policies for physical and digital infrastructure** and associated services relevant to regional integration. **Transport costs** for imports to the Caribbean tend to be high relative to other countries in the region. Port handling costs tend to be much higher in the Caribbean than in other countries in Latin America. Some of the problems include scale, low productivity of labor, little competition among shipping companies, poor technology, security costs and excessive waiting periods.¹¹

3. Investment in trade infrastructure and policy support

⁷ IESC, 2023. [Intra-Regional Agricultural Trade in the Eastern and Southern Caribbean: An Operational Model for Agri-Food Corridors](#).

⁸ The Logistics Performance Index overall score reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace. For country-specific interventions, please refer to previous LPI reports at: <https://lpi.worldbank.org/report>.

⁹ Economic Commission for Latin America and the Caribbean (ECLAC), Economic Survey of Latin America and the Caribbean, 2023 (LC/PUB.2023/11-P/Rev.1), Santiago, 2023. <https://www.cepal.org/en/publications/67990-economic-survey-latin-america-and-caribbean-2023-financing-sustainable-transition>.

¹⁰ Interamerican Development Bank. Juan Pablo Brichetti, Leonardo Mastronardi, María Eugenia Rivas Amiassorho, Tomás Serebrisky, Ben Solís. 2021. [The infrastructure gap in Latin America and the Caribbean: investment needed through 2030 to meet the sustainable development goals](#).

¹¹ World Bank Country Study. Accelerating Trade and Integration in the Caribbean Policy Options for Sustained Growth, Job Creation, and Poverty Reduction. The World Bank. 2009.

Investing in infrastructure is critical to accelerate trade and growth in the Caribbean region. However, despite the infrastructure weaknesses and the importance of infrastructure for trade and growth, Caribbean government often cannot afford to borrow for infrastructure investment. Many Caribbean countries have debts that are at or approaching unsustainable levels. According to estimates by the International Monetary Fund (IMF), in late 2022, 60% of low-income countries were in a situation of debt vulnerability: 12 countries were in debt distress and 28 countries were at high risk of debt distress. At least 25% of middle-income countries are in a similar situation. In the case of LAC, the countries most vulnerable to debt distress include Argentina, the Bolivarian Republic of Venezuela, Dominica, Ecuador, El Salvador, Grenada, Haiti, Saint Vincent and the Grenadines, and Suriname.¹²

A wide range of policy actions could help close infrastructure gaps. The World Bank's LPI points to several policies that could help improve infrastructure and boost trade in LAC, including: (i) streamlining, automating, and digitizing customs procedures, reducing bureaucratic red tape, and enhancing transparency in trade processes; (ii) investing in the quantity, the quality, and the integration of different transport modes, and improving transport-related technologies such as digital tracking systems; (iii) developing a logistics sector with efficient freight forwarding, warehousing, and providers by encouraging competition and fostering Public-Private Partnerships (PPPs); and (iv) training customs and transportation personnel to enhance their skills.¹³ The Caribbean Community (CARICOM) has set ambitious targets for renewable energy: for 47% renewable energy contribution to total electricity generation by 2027.¹⁴ The World Bank is partnering with Caribbean governments to invest nearly USD 500 million in renewable energy projects by 2025.

The Caribbean Regional Communications Infrastructure Program (CARCIP) has significantly increased access to high-quality, low-cost digital connectivity (i.e., in St. Lucia, Grenada, and St. Vincent and the Grenadines).¹⁵

Despite challenges, there are several opportunities to enhance trade infrastructure and boost entrepreneurship in the Caribbean, namely (i) promoting **regional collaboration** on regional infrastructure projects, sharing resources and expertise; (ii) promoting Private Partnerships PPPs, engaging the private sector through PPPs can mobilise additional resources and expertise for infrastructure development; (iii) promoting **technological advancements** which can overcome some geographical and logistical challenges; (iv) and **focusing on resilience**, investing in resilient infrastructure that can withstand natural disasters is crucial. This includes building robust transportation networks, disaster-resistant buildings, and efficient emergency response systems. Closing the infrastructure gap in both transport and customs efficiency areas between LAC and advanced economies (AEs) by 10, 20, and 50 % would increase LAC's exports between 5, 11, and 30 %, respectively.

4. The way forward

In addition to streamlining trade procedures and formalities, the countries of the region need to progressively deal with the infrastructure gaps that have been highlighted by various international indicators and that limit their development prospects. This means not only increasing the regional

¹² IMF Annual Report 2023.

¹³ IMF. 2023. Regional Economic Outlook. Western Hemisphere. Trade Integration and Implications of Global Fragmentation for Latin America and the Caribbean. This chapter was prepared by Rafael Machado Parente (co-lead), Flavien Moreau (co-lead), Rina Bhattacharya, and Samuel Pienknagura, under the supervision of Gustavo Adler and Anna Ivanova, with contributions from Mengqi Wang, Swarnali Hassan, Ben Keith, Marijn Bolhuis and Simeng Zeng. Genevieve Lindow provided superb editorial assistance. We would also like to thank Mario Larsch and Yoto V. Yotov for a very helpful discussion.

¹⁴ CARICOM. [Targets approved for renewable energy development and energy efficiency improvement in CARICOM](#). 2013.

¹⁵ World bank. [Building the Caribbean Digital Economy Bit by Bit](#). 2022.

infrastructure stock, but also allocating adequate resources to the maintenance and repair of existing infrastructure, improving technical and regulatory frameworks and preparing for the challenges of climate change and the extreme events accompanying it. However, increasing the amounts allocated to infrastructure investment is a major challenge given the context of fiscal stringency facing most countries in the region. Different innovative financing options therefore need to be explored, particularly those associated with the development of green infrastructure.¹⁶ Enhancing trade infrastructure is vital for boosting entrepreneurship in the Caribbean. While there are significant challenges, the opportunities for growth and development are substantial. By addressing these challenges through regional collaboration, PPP, technological advancements-the Caribbean can create a thriving entrepreneurial ecosystem that drives economic growth and improves the quality of life for its people. Easing supply side constraints through innovation enhancement, and improvement to key services (electricity, transport and telecommunications) would have a major impact on the productivity of Caribbean firms. Investments are needed in digitalization in trade processes which can streamline logistics, reduce costs, and improve the overall efficiency of trade operations, thereby supporting entrepreneurial activities.

¹⁶ Economic Commission for Latin America and the Caribbean (ECLAC), *International Trade Outlook for Latin America and the Caribbean*, 2023 (LC/PUB.2023/16-P), Santiago, 2023

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Agenda

14:00-14:05 Introduction

- Daniel Rodríguez Sáenz, International Trade and Regional Integration Programme Manager, IICA

Moderation: Isolina Boto, Head of Networks and Alliances, COLEAD

14:05-15:00 Panel: How trade infrastructure affects Caribbean entrepreneurs

- Jody Williams, Chief Sales and Marketing Director, Marie Sharp's Fine Foods Ltd, Belize
- Nadja Thomas, Draw Teas, Dominica
- Shondel Abby Alexander, Abby's Exotic Blends, St Lucia

Moderation: Allister Reynold Glean, Representative in Barbados, IICA

15:00-15:30 Insights from experts

- Darwin Telemaque, Chief Executive Officer, Antigua Port Authority, Antigua & Barbuda
- Krista Lucenti, Lead Trade Specialist, Inter-American Development Bank
- Sandiford Edwards, Programme Director, USAID CAPA project

15:30-15:50 Q&A session

15:50-16:00 Conclusion and way forward



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