



THE CHALLENGE OF TRANSLATING MARKET ACCESS INTO MARKET PENETRATION

According to the Office of Trade Negotiations (OTN), in 2008, the Barbadian economy spent US \$1.3 billion more in goods imports than goods exporters earned. Even when revenue from the services sector is factored into this equation, this economy still spends more on imports than it generates from export sales. It is clearly undesirable that Barbados should continue to run such a trade deficit. However, the current global economic environment makes any attempt to reduce this trade deficit a significant challenge in light of the prevailing climate of reduced global demand for products.

The task ahead is not for Barbados to bury its head in the sand and wait for the global economy to climb out of the doldrums, but to actively and intelligently prepare itself to take advantage of the global economy's recovery. As firms undertake initiatives to streamline their operations and reposition themselves to benefit from renewed global growth, one of the key elements in their success will be the ability to enter new overseas markets or strengthen their presence in some of the other markets. In order to do so, firms need to be able to identify potentially lucrative markets, pay special attention to markets where they already have preferential access and understand the terms of such access.

Barbados, starting from the mid-1990s, became a party to a number of free trade agreements (FTAs). These are the CARICOM-Colombia, CARICOM- Venezuela, CARICOM-Dominican Republic, CARICOM-Costa Rica free trade agreements and, most recently, the CARIFORUM-European Community Economic Partnership Agreement. As a member of CARICOM, Barbados is also currently engaged in negotiating a trade agreement with Canada. The latter two

agreements represent a significant shift for us as we move away from one-way preferential regimes to trade based on the reciprocal exchange of preferences.

The burning question is- what has been Barbados' experience with FTAs? In many cases, Barbados' trading relations with its FTA partners have been characterised by declining exports from Barbados to those markets and increasing imports from our FTA partners.

It has long been recognised that Barbados' export markets are not adequately diversified. Barbados' top export market in 2008 was the USA, which accounted for over one-fifth of the total merchandise export earnings. In 2008, other top export markets included Trinidad & Tobago, the United Kingdom, St. Lucia, Jamaica, the Netherland Antilles, St. Vincent & the Grenadines, Guyana, Grenada and Antigua & Barbuda.

The most dynamic markets for exports from Barbados between 2001 and 2008 included the Netherlands Antilles, Switzerland, Germany, China, Chinese Taipei, Greece, Hong Kong, Brazil, Malaysia and Turkey. Yet, these dynamic export markets only account for 7% of the total earnings for Barbadian exporters in 2008.

It is striking that neither Colombia, Venezuela, Costa Rica nor the Dominican Republic feature among Barbados' top export markets or its more dynamic export markets. By contrast, Barbados' imports from most of its FTA partners have seen appreciable growth.

- From 2001 to 2008, exports from the Dominican Republic grew by 64%.
- From 2005 to 2008, exports from Colombia have grown at an average of 15% per annum.
- Between 2001 and 2008, exports from Costa Rica grew by 70.4%.

For the most part then, Barbados' FTA partners have been effectively able to translate market access into market penetration. The Trade Team has been somewhat at a loss to explain why

the converse is not similarly true for Barbados. There could be a myriad of possible competing explanations. For example,

- there could be a lack of interest in penetrating these particular markets;
- these markets may contain an armoury of regulatory barriers which effectively serve to nullify market access;
- there could be difficulties in the implementation of the agreement;
- there could be lack of capacity within our private sector to take advantage of the access granted;
- there could be a lack of knowledge about the access offered in FTAs; or
- possibly there are some hindrances in the domestic environment which preclude firms from seeking their fortunes elsewhere.

It is not clear which combination of these factors serve to explain the lack of utilisation of the different FTAs.

But in spite of this rather gloomy picture, there have been some success stories. The paper products industry seems to have gained a foothold in the Venezuelan and Costa Rican markets and appears to be replicating this trend in the EC market. In addition, there have been a number of individual success stories in terms of gaining export markets. These include Trinity Homes, Chickmont Foods and Lenstec, which were recently featured at the joint Office of Trade Negotiations/ Private Sector Trade Team Workshop- ***Trade Agreements 101***, which was held on February 16, 2010. As the audience listened to the representatives of these firms, some important common characteristics became evident in the strategy of these winners from trade liberalisation. These include the following:

- they actively sought export opportunities as opposed to depending on other sources to point out them out;
- they never considered themselves to be too small to seize opportunities;

- they made use of a number of options to strengthen their businesses which ranged from entering their firms into competitions which gave them access to additional capital to accessing the more user-friendly local business support funds and schemes;
- they utilised a range of options to gain market intelligence on potential markets, these options included participating in trade missions such as those facilitated by the Barbados Coalition of Service Industries;
- they were not afraid to approach government officials or other business support agencies **in the export market** to determine how they could best enter the markets and they further used such interfaces to engage in aggressive marketing;
- they were persistent- they were not deterred by initial negative responses to their attempts to enter export markets;
- they were not wedded to one particular type of market entry- if they could not export directly, then they considered using other vehicles to trade such as joint ventures;
- they made it their business to understand the rudiments of trade as they pertain to their particular operations;
- they voluntarily committed themselves to ensuring that their operations complied with internationally recognised standards; and
- above all, they had a ***hunger*** to succeed.

Beyond these characteristics though, it is recognised that some firms will require additional assistance. Hence, the Barbados Private Association (BPSA), of which the Private Sector Trade Team is a unit, is working on several fronts to assist the local exporters. First, the BPSA has secured funding to the tune of US \$225, 000.00 under the Multilateral Investment Fund of the Inter-American Development Bank to support the private sector in taking advantage of global and regional integration. The two elements of this project which will be of particular interest to exporters are:

- The provision of information on the challenges and opportunities of the CARIFORUM- EC Economic Partnership Agreement to business owners, managers and workers; and

- Building capacity to increase exports in selected sectors. This component involves the commissioning of studies for five specific sectors to coach firms through the process of exporting.

By the end of this quarter, the Barbados Private Sector Association should commence with the implementation of this project.

In addition, a number of development co-operation facilities to support of the private sector have recently come on stream and more funds are already committed for this purpose. For example, the IADB will shortly be launching its Caribbean Compete facility which will make US \$30 million available firms in the region. In response to the limited capacity in the private sector to prepare strong project proposals, the BPSA has successfully secured US \$ 190, 000.00 from the United Kingdom's CARTfund for the creation of a Private Sector Project Proposal Hub. This initiative was driven by the recognition that the development assistance being provided can only be accessed through the creation of well-structured and viable projects which comply with the requirements established by the individual donors. The Barbados Private Sector Association hopes to commence the implementation of this project in the second quarter of 2010.

Clearly, there are a number of ongoing activities and initiatives to ensure that the Barbadian private sector is able to effectively reposition itself for brighter future. However, the ultimate responsibility for doing so rests with the individual firms themselves.

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