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**Promoting Sustained Recovery through Economic Diversification**  
**February 7-8, 2023, Bridgetown (Barbados)**

# **Regional Integration and Industrialization**

## **Challenges and opportunities for Barbados in the current global scenario**

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# Roadmap

- Setting the scene – The global scenario
- Diversification challenge:
  - Barbados export structure
  - Policy precepts & directions



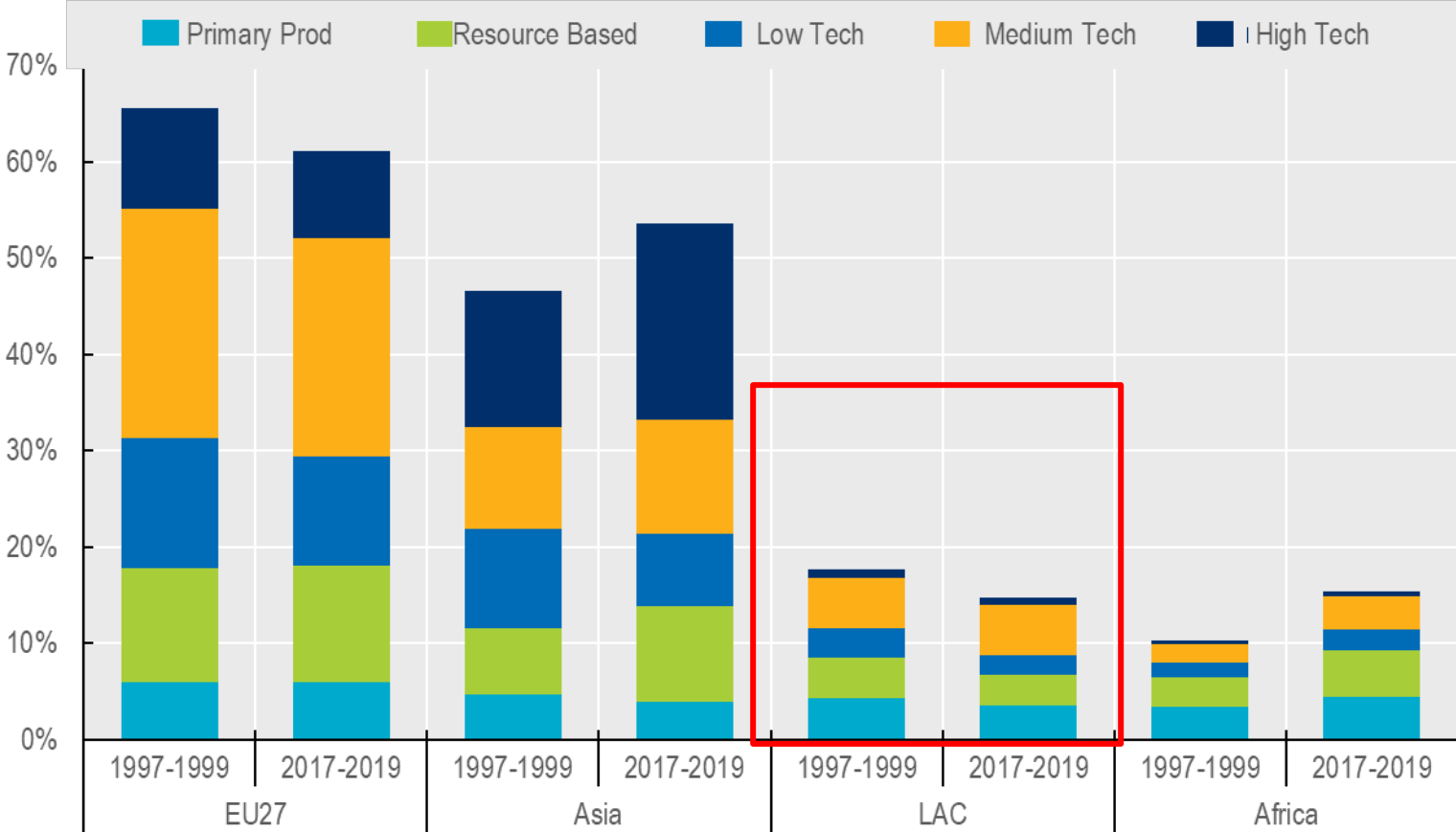
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## Setting the scene I – Few winners

- In the last 30 years the weight of developing countries in global trade/GDP has increased markedly
- BUT only few developing economies had taken serious advantage (production, technology, etc.), many of them intensified their role as providers of commodities
- Rising importance of GVCs led to more participation to trade & eased the access to markets, but many DEs risk to remain locked-in low value-added activities



# Setting the scene II - Uneven regional integration



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## Setting the scene III - Megatrends

Push for re-shoring and nearshoring:

- Supply side – Automation and Digitalization (I4.0):
  - Changing processes, products, and localization of production
  - IO (from manufacture- to platform-centred GVCs) and distribution of rents (pre- and post-production segments where intangibles are used more intensively more important)
- Demand side - Changing aspirations and values:
  - Demand for sustainability, inclusion, etc.
  - NEW: Demand for resilience & dependability (Covid-19)
  - NEW: Geopolitical tensions



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## Barbados in the last 30 years

- High average growth 1990-2008
- GFC triggered a “lost decade” (fiscal-debt crisis and unemployment)
- **Trade as a share of GDP has fallen to 66% in 2020** (from 90% in early 2000s) and it became **increasingly concentrated**
- [COVID-19 pandemic dealt a severe blow to Barbados' economic prospects but rebound especially in 2022]



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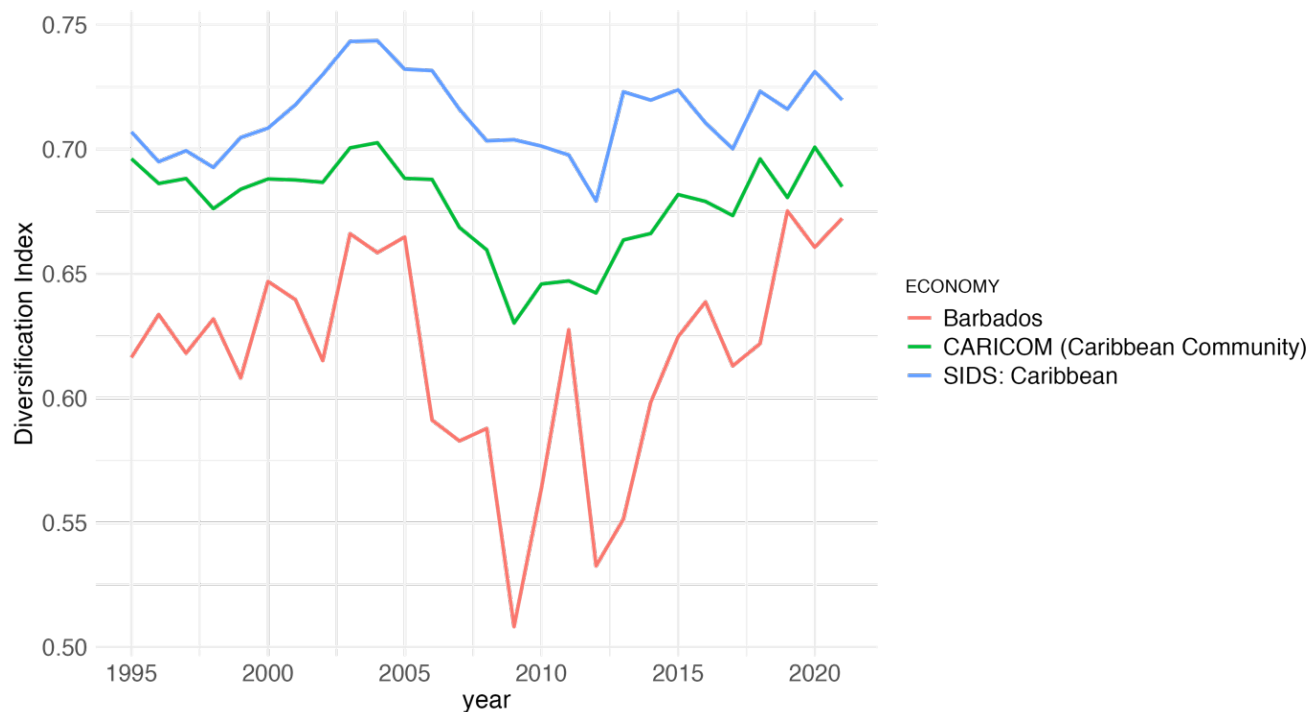
## Trade volume - Barbados vs. comparator countries

Country	Trade as a share of GDP	Year
Barbados	66	2020
Antigua and Barbuda	92	2020
Bermuda	75.86	2019
Seychelles	197	2021
Maldives	118	2020
Dominica	107	2018
Bahamas	70	2021



# Trade Composition - An undiversified export basket

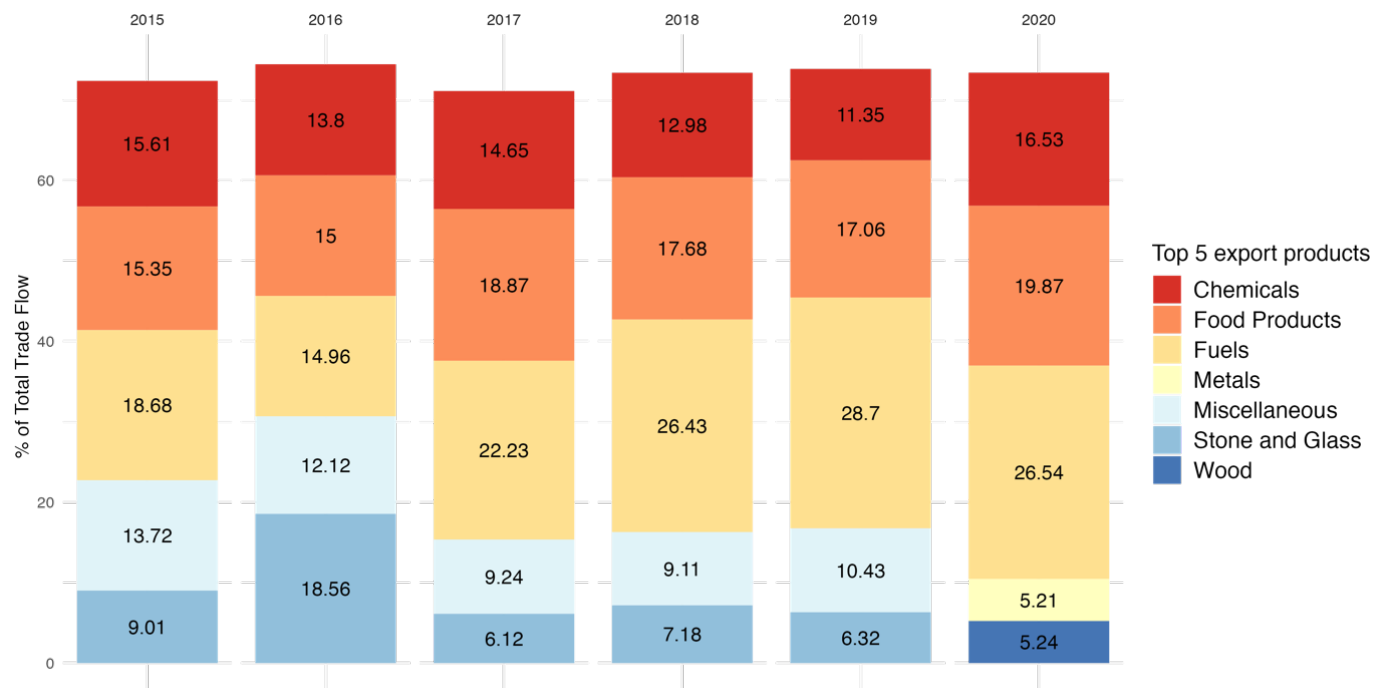
Export Product Diversification Index for Barbados and the region 1995-2022





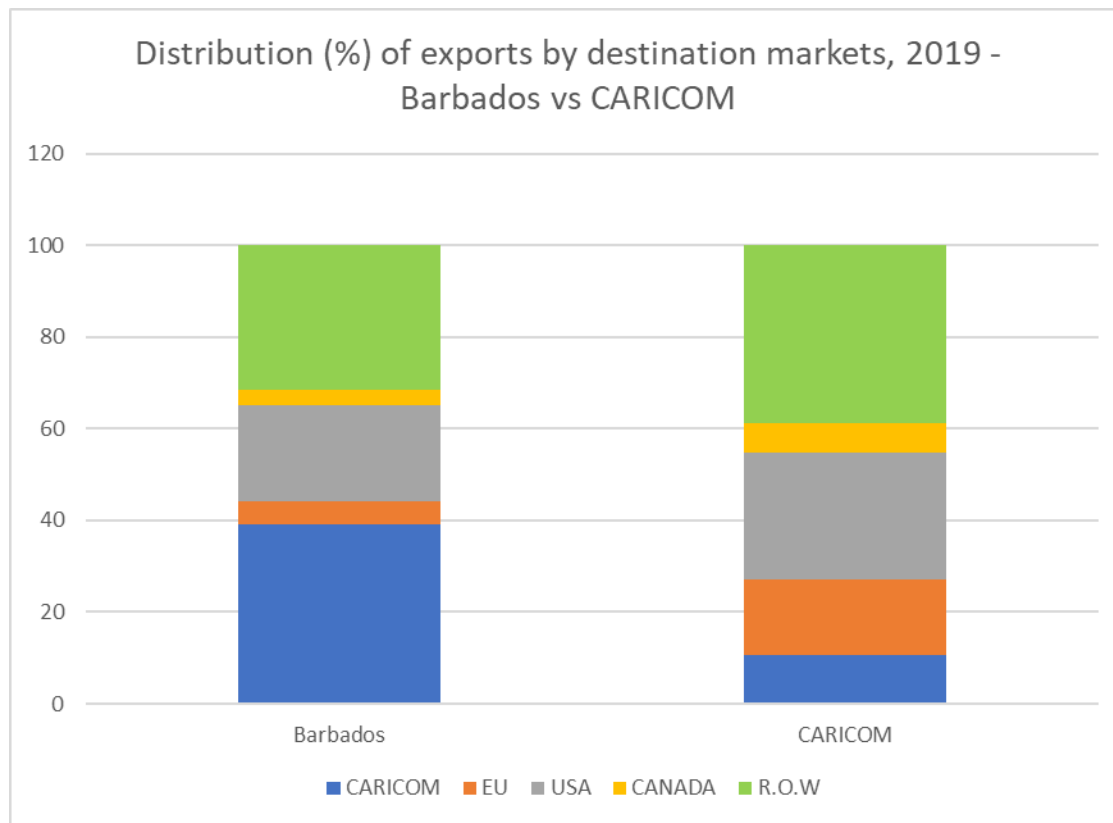
# The best sellers

Petroleum oil, sugarcane-based rum and a few metals and chemicals



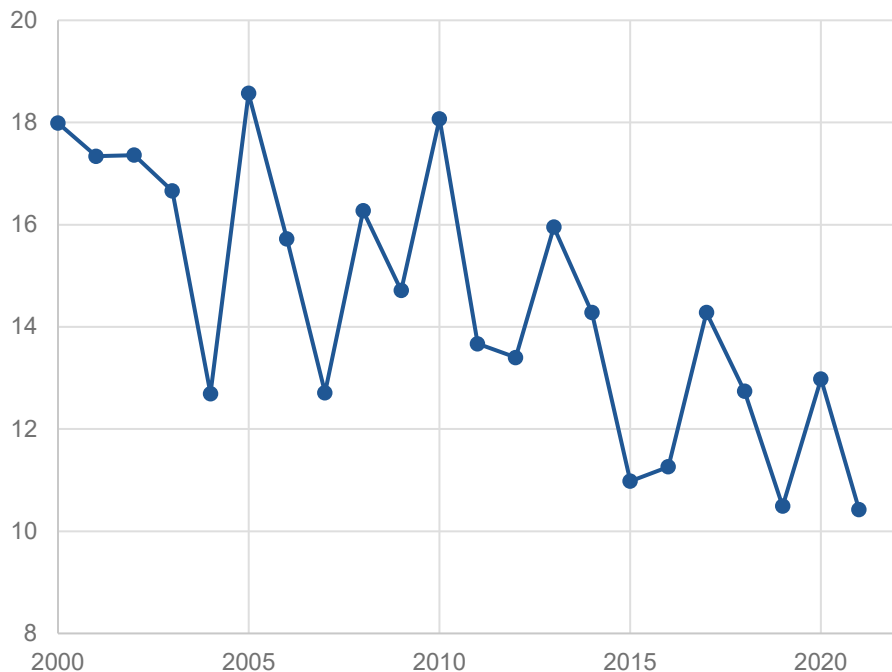
# An undiversified market structure

Percentage of trade export flow for Barbados (and CARICOM) by partner country, 2019

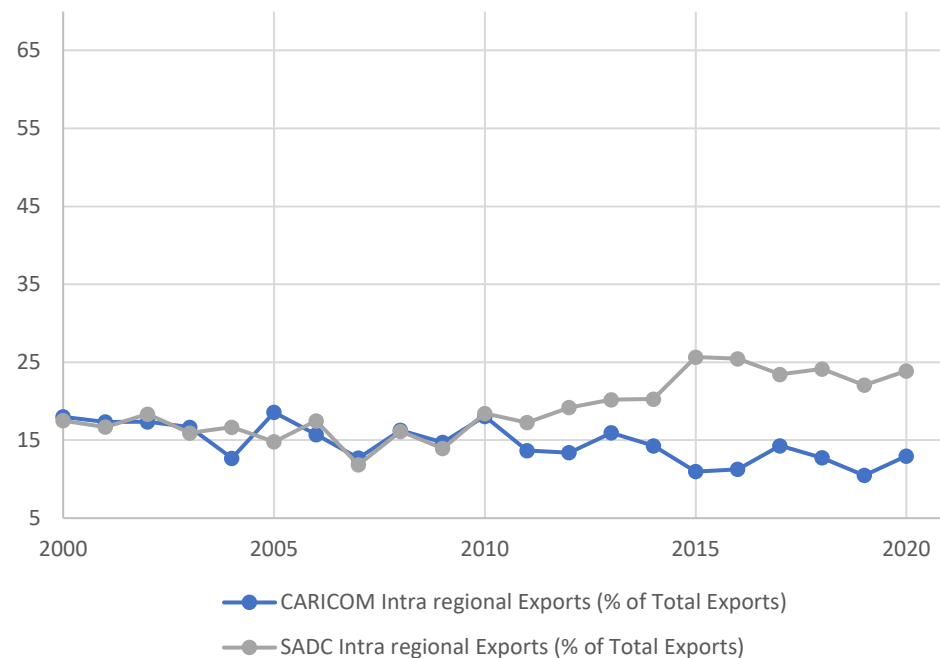


# Declining regional relevance - Volume

Intra-CARICOM Exports (% of Total Exports)

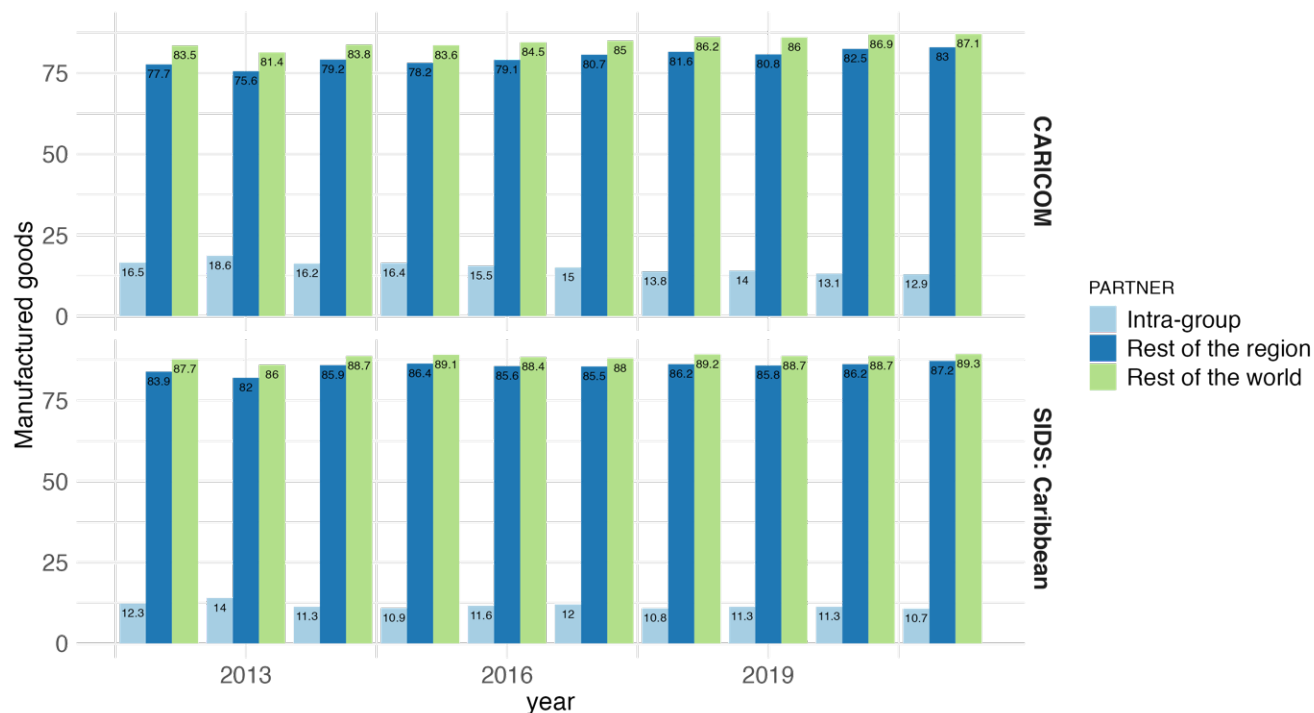


Intra-regional trade in comparative terms



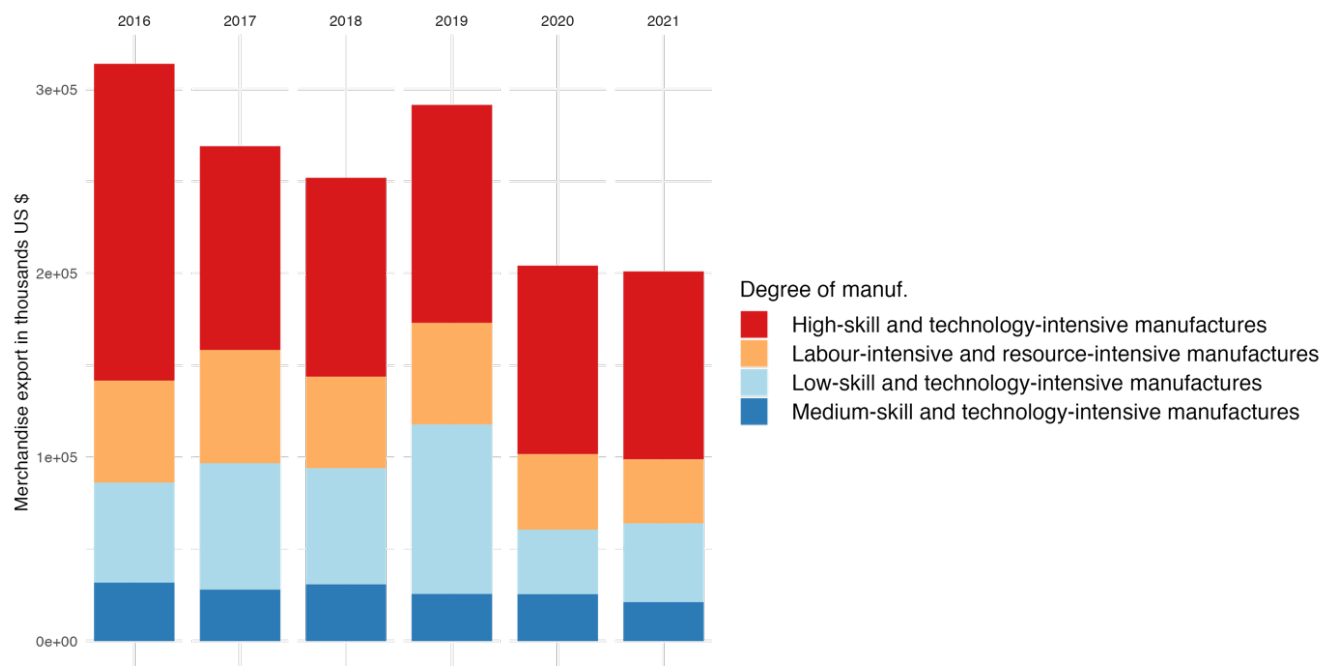
# Declining regional relevance - Composition

Percentage of export of Manufactured goods by destination, 2012-2021



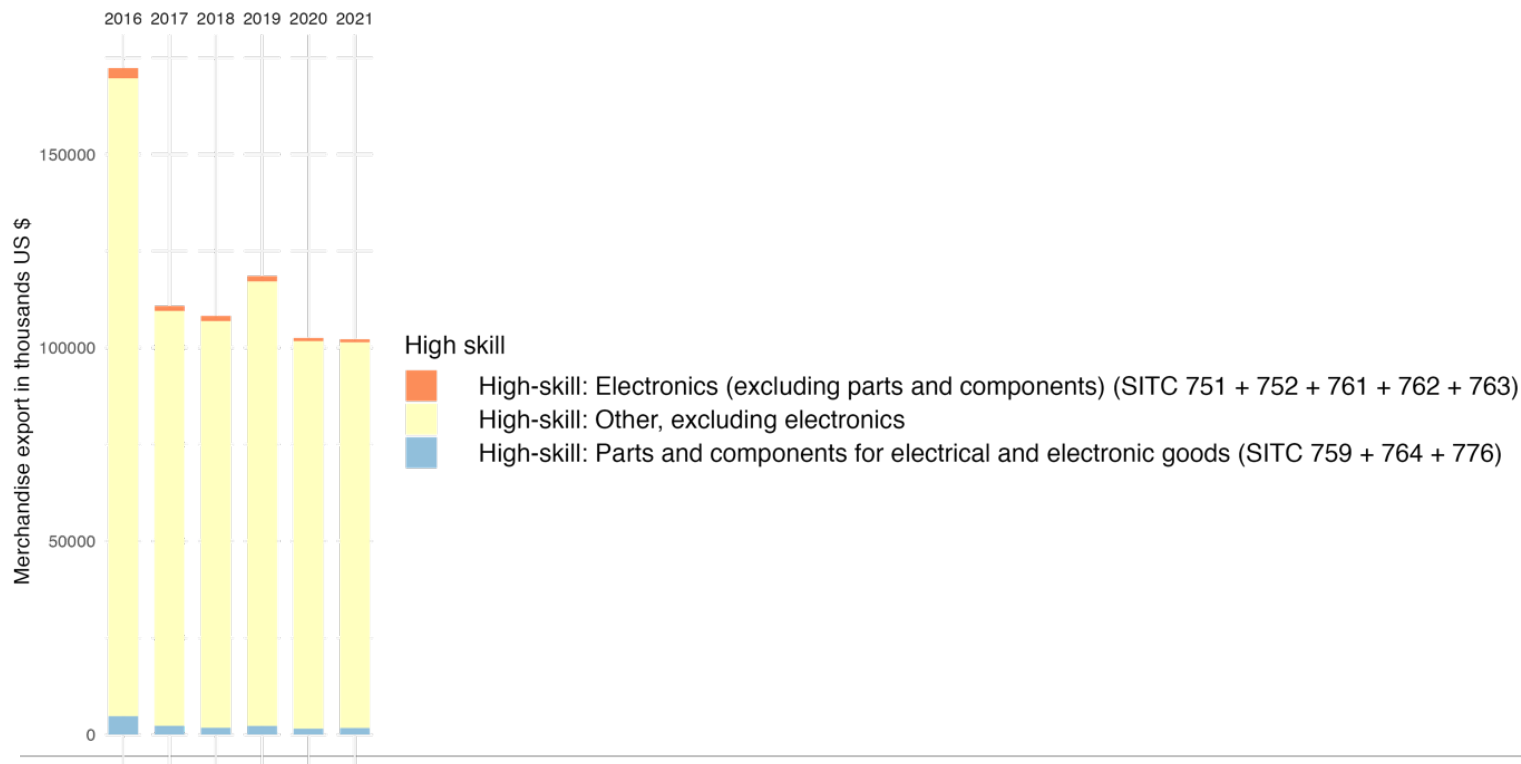
# A closer look to manufacturing I

Merchandise exports in manufactured goods by degree of manufacturing for Barbados, 2016 to 2021

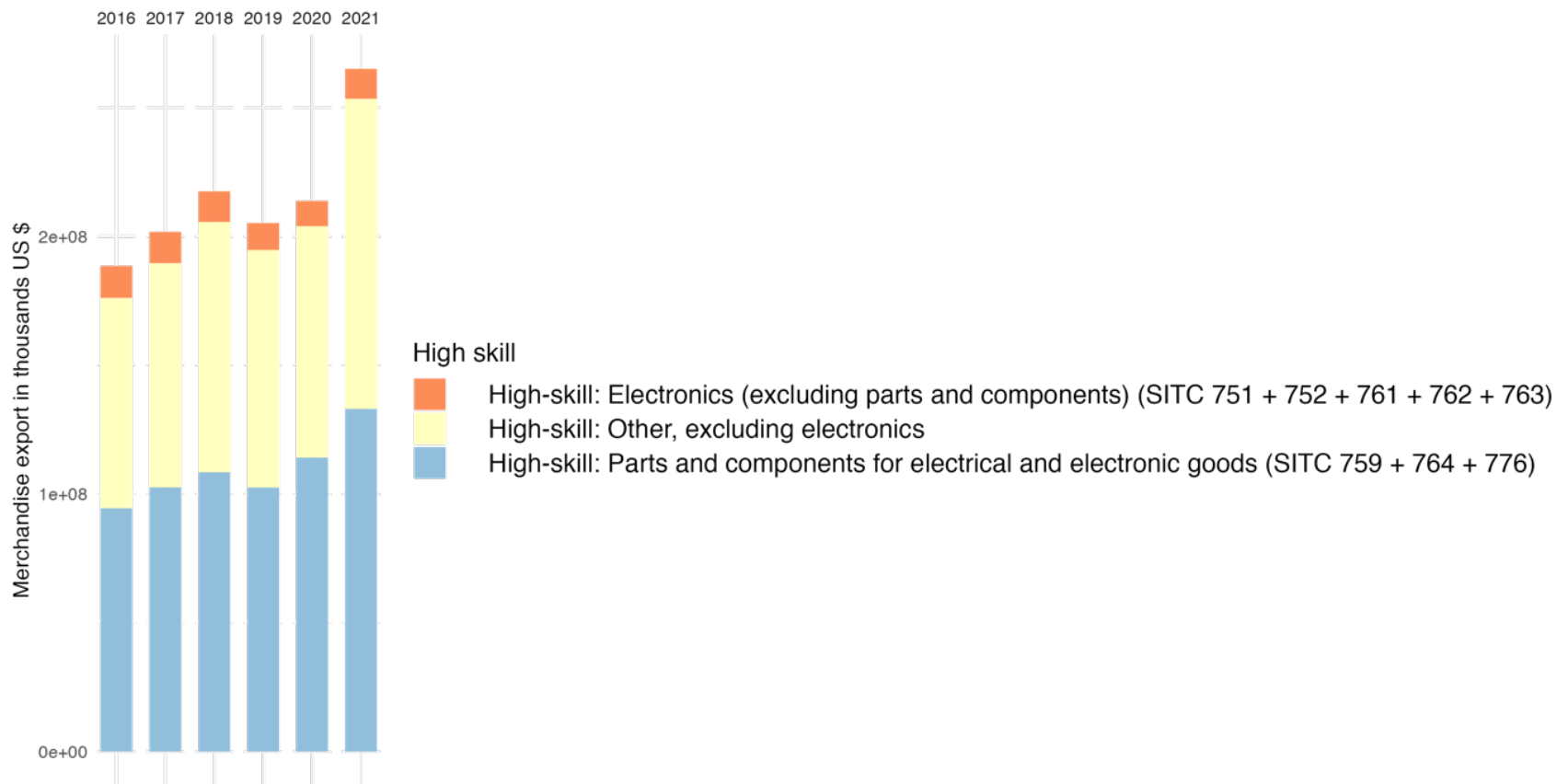


## A closer look to manufacturing II

Merchandise exports in high skill and technology intensive manufactures for Barbados, 2016 to 2021 – Medicaments, insecticides & similar products, alcohols, phenols, jewelry etc



# What about Singapore?



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## Export basket – open issues

- The **relevance of fuels (crude petroleum oil) and minerals** in the export basket makes the country extremely exposed to commodity price volatility
- There is a **lack of high value-adding manufactures** that can provide employment and strengthen social stability
- **Vegetables and food** are also major export categories which can be leveraged to form productive industries
- **High skill and technology intensive goods** is entirely dominated by Medicaments (incl. veterinary medicaments), Printed matter, insectides & similar products
- The **regional inter-Caribbean market** is still underexploited





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## Shaping a policy agenda - Domestic

- **Food & vegetables** can be crucial in the expansion of the Agribusiness sector. Barbados should capitalize on the rum industry, put emphasis on local green enterprises and try to **foster the linkages between agribusiness and tourism**
- **MSMEs** contribute to 64.1 percent of the national added value and account for approximately 60.7 percent of employment but delinked from exports (access to finance, technical capacity to meet regulations)



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## Shaping a policy agenda - Regional

The Regional dimension can be exploited to (i) build value chains around **tourism/agribusiness/creative industry** and (ii) sustain value added growth in **medicaments**

- Complete the **customs union and common market stages** of the integration process (**CSME**) - Whilst intra trade is basically free from tariff barriers there are significant **NTBs still in place**
- **Industrial policy strategy** at CARICOM level (re-shoring and friend-shoring open possibilities in the region) – **cfr SADC!!!**
  - Committee “Caricom Industrial Policy”: links, promotion, SME, diversification, cooperation, optimum use of natural resources
- Explore further **inter-LAC opportunities** with an eye to green transformation (e.g., CCICaMe)



# Precepts for policy in the Era of Black Swans

- Primacy of **diversification** as policy objective. Diversifying away from traditional tasks and activities, which can be affected by automation (more emphasis on new sectors like the creative and digital economy sectors)
- **Regional Value Chains** as instrument for diversification. Strengthening RVCs to diversify risk, reduce vulnerability, increase resilience and foster industrialization
- Role of a **State** along as an enabler of development. Governments need to push firms to internalize the various externalities and spillovers that their investment and innovation decisions produce for the communities and societies where they operate (regulatory and governance frameworks & industrial policy)

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