



SRC WORKING PAPER

U.S.-CARICOM TRADE AND INVESTMENT RELATIONS

*Exploring Business Opportunities for and with the Private Sector,
A Transactional Focus*

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In a global economy struggling to recover from the Covid-19 pandemic, contending with climate change, and being haunted by the return of rough and tumble geopolitical risk, U.S.-Caribbean relations are in the process of re-alignment. In many regards, the old business order has been turned on its head and new opportunities and risks are emerging for U.S. and Caribbean companies. Indeed, there is a greater sense that the business landscape is changing and from the creative side there is a sense of energy about opportunities. Nearshoring has returned as a powerful force in this, touching upon everything from Business Process Outsourcing (BPO) and captive insurance to the development of creative and orange economy and blue economy business activities.

Considering that nearshoring is playing such a key role in the new landscape, it is useful to have a clear definition. According to *GlobalNegotiator*, “nearshoring is the transfer of business processes to companies in a nearby country, where both parties expect to benefit from one or more of the following dimensions of proximity: geographic, temporal (time zone), cultural, linguistic, economic, political or historical linkages. Nearshoring is a derivative of the business term offshoring.”²

There are three major themes stressed in this paper: global conditions have changed and in doing so are putting U.S.-Caribbean business relations on a different playing field; new areas have opened up in trade and investment between the two regions; and nearshoring is of central importance. The paper’s roadmap is as follows:

1. A brief look at changing geopolitical and economic landscape in the U.S.-Caribbean context

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² <https://www.globalnegotiator.com/international-trade/dictionary/nearshoring/>.

2. **Nearshoring Services – BPOs, Captive insurance, e-commerce, fintech, logistics**
3. **Agribusiness**
4. **Energy**
5. **Blue economy**
6. **Orange economy**
7. **Recommendations**

1. A changing geopolitical and economic landscape in the U.S. - Caribbean context

U.S.-Caribbean trade and investment have a long track record, dating back to times when both were largely British colonies. During the Cold War, U.S. concerns about the Caribbean and Central America led to the creation of the Caribbean Basin Initiative (CBI). This was launched by the U.S. in 1983 with the goal of facilitating stable economic development by providing beneficiary countries with duty-free access to U.S. markets for a wide range of goods.³ The CBI remained a core element in U.S.-Caribbean business relations, though the Dominican Republic and Central American countries left the agreement to establish a free trade agreement with the United States, which went into effect in 2006.⁴

Following the end of the Cold War, U.S. policymakers downgraded the Caribbean as a region of interest, with a greater focus on the Middle East and China. U.S. business remained active in the region, but U.S. company focus increasingly turned to Asia as a place for offshore manufacturing, which, in turn, pushed U.S. investment flows east. The drivers for many U.S. companies were lower labor costs, more flexible regulatory systems, and suppliers who could provide better inputs for their value chain than either they or other companies could in the home country. Offshoring was reinforced by the attention given by host countries to critical infrastructures, such as ports, roads, rail links, and reliability of power.

Despite the lure of Asia, ongoing competition from European companies (especially in tourism and agribusiness), and the arrival of Chinese companies in the 2000s, U.S. companies remained the largest force in regional trade and investment. In every case

³ The enacting legislation was the Caribbean Basin Economic Recovery Act (CBERA), which was expanded in 2000 by the U.S Caribbean Basin Trade Partnership Act (CBTPA) and again in the Trade Act of 2002. CBERA has no expiration date. CBTPA is scheduled to expire in 2030. Under CBERA there are 17 beneficiaries, while there are 8 of the 17 under CBTPA – Belize, Barbados, Curacao, Guyana, Haiti, Jamaica, St. Lucia, and Trinidad and Tobago.

⁴ The Central American countries that are part of CAFTA-DR are Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

except Trinidad and Tobago, the U.S. had trade surpluses with Caribbean countries in 2021. A rough estimate of Caribbean-U.S. trade (without including Cuba), gives the U.S. a \$12.3 billion surplus in 2021 (according to IMF data).

But the 2020s are seeing a change in the business landscape, driven by the following developments:

- **The Covid-19 pandemic hit the world economy hard, functioning in many ways like a powerful hurricane in its destructive nature.** According to the International Monetary Fund (IMF), global real GDP contracted by 3.5 percent, while world trade volume in goods and services shrank by 7.9 percent. The Caribbean was hit particularly hard, forcing lockdowns, airport closures, and suspension of cruise ship visits. Caribbean government responses to the pandemic left fiscal situations under stress, while debt levels rose precipitously, increasing the risk of default. By year-end 2021 the Caribbean encompassed many countries with high debt-to-GDP levels.
- **The global economy has probably reached peak globalization.** In 2018, the start of a trade war between the world's two largest economies, the United States and China, signaled that the path ahead was one of decoupling of economic relations between the first and second-largest economies on the planet. The Covid pandemic also served to complicate long-distance trade, including the development of supply chain bottlenecks. None of this means the end of trade, but it translates into major changes in supply chains. In particular, trade and investment appear to be heading into **regionalization**, in which long-distance supply chains are less used, but regional trade and investment links become more pronounced.⁵
- **The return of geopolitics is weighing heavily on the global economy.** As globalization fades, geopolitics has returned. This has been marked by China-U.S. tensions, China-Indian tensions, Ethiopia's civil war, and the Russo-Ukrainian War. The last has been the most pronounced and damaging. According to the World Trade Organization (WTO), global GDP growth could slow to 3.1 percent in 2022 and 3.7 percent in 2022, while global trade growth could be cut almost in half from the 4.7 percent the WTO forecast in October

⁵ Richard E. Feinberg, Widening the Aperture: Nearshoring in Our "Near Abroad", Wilson Center Latin American program, April 2021.

<https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/WideningTheApertureNearshoringInOurNearAbroadRichardEFeinbergApril2021.pdf>.

2021 to between 2.3-3.0 percent.⁶ The effects of that conflict are being felt in the Caribbean by higher food and fuel prices.

- **The U.S. political establishment has embraced nearshoring.** Early in the new presidency, the administration signed Executive Order 14017, which directed an all-of-government approach to assess vulnerabilities in and strengthen the resilience of the United States’ critical supply chains. While pulling together a package of policies to strengthen U.S. domestic supply chains and establishing a Supply Chain Disruptions Task Force (SCDTF), it was also understood that there is a need to work closely with the country’s trade partners.⁷ The thrust of U.S. policy is to craft a policy line that balances U.S. economic and national security concerns, which is evident in the “Western Hemisphere Nearshoring Act” (2022). This proposed bill states: “Free trade and expanded commercial ties between the United States and Western Hemisphere partners will foster economic and commercial cooperation, increase investment opportunities, decrease migration in violation of the Immigration and Nationality Act, reduce our dependence on the People’s Republic of China, and create jobs for American workers.”⁸
- **De-risking has hurt Caribbean economies but forced changes.** De-risking is broadly defined as a decision by which financial institutions in mainly advanced economies opt to terminate or restrict business relationships (usually correspondent banking) with clients (like other banks) to avoid, rather than manage risk.⁹ Caribbean countries have been under relentless pressure from the U.S., Canada, the United Kingdom, and the European Union concerned about money laundering and the financing of terrorism. This has led to “de-risking” on the part of U.S., Canadian, and European banks, which has hurt regional development on a number of fronts, including threatening to cut off access to the global financial system for remittance companies and local banks. The ongoing pressure on Caribbean financial jurisdictions, however, has also forced

⁶ WTO.

⁷ The Biden-Harris Plan to Revitalize American Manufacturing and Secure Critical Supply in 2022. February 24, 2022. The White House. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/24/the-biden-harris-plan-to-revitalize-american-manufacturing-and-secure-critical-supply-chains-in-2022/>.

⁸ <https://www.govinfo.gov/app/details/BILLS-117hr7579ih>.

⁹ The World Bank defines de-risking as the following: “Global financial institutions are increasingly terminating or restricting business relations with remittance companies and smaller local banks in certain regions of the world – a practice called de-risking”. <https://www.worldbank.org/en/topic/financialsector/brief/de-risking-in-the-financial-sector>. The pressure on banks is usually from regulatory agencies in home countries, such as the United States, Canada, the United Kingdom and the European Union, which have been active in putting pressure on banks to limit their risks from criminal money laundering and terrorist financing. Scott B. MacDonald, Is There a ‘New Normal’ for De-risking in the Caribbean?, Center for Strategic & International Studies, October 16, 2019. <https://www.csis.org/analysis/there-new-normal-de-risking-caribbean>. It should be added that the Caribbean is not the only area to suffer from de-risking.

local governments to be much more aggressive in their rules and regulations pertaining to transparency and disclosure and developing other financial products, including fintech, captive insurance, and eCommerce. Efforts are being made from the U.S. under the leadership of Maxime Waters, the Chairwoman of the U.S. House Committee on Financial Services, most recently in April 2022, with a joint meeting between a Waters-led U.S. congressional delegation in Barbados and with a large number of Caribbean leaders.

- **The global economy is also in the early stages of a massive transition away from fossil fuels to green alternatives.** While this process is critical, its implementation is likely to take longer and be more disruptive than initially expected. Most Caribbean states are keenly aware of their dependency on imported energy and the need to develop alternatives. The green transition is occurring, but it remains a challenge. In the U.S., as of 2021, fossil fuels still accounted for 60.8 percent of utility-scale generation, compared to 18.9 percent for nuclear and 20.1 percent for renewables.¹⁰ As for the Caribbean, fossil fuels, mainly oil, overwhelmingly dominate as the fuel most used for power generation.
- **Related to the energy transition is the development of blue and orange economies.** As the global economy is disrupted, there is a need to create new economic opportunities, to let some degree of specialization of human capital play a role. According to the World Bank, “The ‘*blue economy*’ concept seeks to promote economic growth, social inclusion, and the preservation or improvement of livelihoods while at the same time ensuring environmental sustainability of the oceans and coastal areas. At its core it refers to the decoupling of socioeconomic development through oceans-related sectors and activities from environmental and ecosystems degradation.”¹¹ Economic activities under this concept include fisheries, tourism, and maritime transport as well as offshore renewable energy, aquaculture, seabed extractive activities and marine biotechnology. Nearshoring could also play a role in the development of the blue economy.

The creative and orange economy is also likely to have a role to play. According to the University of West Indies’ Keith Nurse, the orange economy includes

¹⁰ U.S. Energy Information Administration. <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>.

¹¹ World Bank, *The Potential of the Blue Economy: Increasing Long-term Benefits of the Sustainable Use of Marine Resources for Small Island Developing States and Coastal Least Developed Countries*. (2017). <https://openknowledge.worldbank.org/bitstream/handle/10986/26843/1/15545.pdf?sequence=1&isAllowed=y>

“cultural industries, creative industries, leisure industries, entertainment industries, content industries, copyright protected industries, the cultural economy and the creative economy.”¹² Although Nurse wrote in 2014, his comments still carry considerable weight today, especially his statement that “The intersecting crises of global finance, climate change, and food and energy price rises suggest an increased need for developing countries to pursue an innovation-driven growth agenda to avoid the commodity and low value-added traps...”¹³

- **The U.S. population is aging, with one result being a decline in work force numbers.** As U.S. businesses face labor shortages at home, the Caribbean offers a valuable human resource pool. This last point is important from the standpoint that it provides a long-term trajectory in supply and demand (labor in this regard). Research from the U.S. firm Deloitte and the Manufacturing Institute indicates that by 2030 as many as 2.1 million manufacturing jobs will be unfilled in the United States, costing its economy as much as \$1 trillion.¹⁴

2. Considering the above, what is the state of nearshoring between the U.S. and the Caribbean? The following trends are evident:

- Caribbean governments and the U.S. are adopting rules and regulations to help facilitate nearshoring. This includes the promotion of nearshoring.
- U.S. companies are increasingly implementing nearshoring strategies.
- Caribbean countries are looking for partners to develop cleaner sources of energy (geothermal, solar, and wind).
- AgTech is a growth area for both the U.S. and Caribbean as there is a need to raise productivity, decrease costs and counter climate change by adopting new technologies.
- Cultural and creative industries offer new fields of work (a reference to the creative and orange economy approach).
- New demands for sustainability and inclusiveness could make traditional sectors willing to increase local linkages (e.g. tourism along the lines of orange and blue economies).

¹² Keith Nurse, Human Imagination, Innovation, and Competitiveness in the Caribbean 4-6 (Inter-American Development Bank, 2014). <https://www.competecaribbean.org/wp-content/uploads/2014/12/Human-Imagination-Innovation-and-Competitiveness-in-the-Caribbean-Keith-Nurse-RIAC-Version.pdf>.

¹³ Colombia’s Orange Economy, *Borgen Magazine*, February 23, 2021. The term orange economy was coined by Felipe Buitrago Restrepo and Iván Duque, who were advisors at the Inter-American Development Bank and would later be the Minister of Culture and the President of Colombia, respectively. The color was selected as the two men felt it best represented “culture, creativity and identity.” In 2019, Colombia’s orange economy accounted for 3.3 percent of the country’s GDP

¹⁴ Doni Romero, “Supply Chains: ‘Nearshoring’ Could Be the Answer to America’s Logistics Problems, Deloitte Executive Says”, *Yahoo Finance*, April 3, 2022. <https://finance.yahoo.com/news/nearshoring-could-be-the-answer-to-americas-logistics-problems-175720272.html>.

- Tapping into local talent for start-up creation of small and medium enterprises. (SMEs).
- Caribbean governments and companies are leveraging their respective diasporas in the United States.

But it is in nearshoring where the Caribbean has its opportunities. Nearshoring is not limited to the trade of goods. Significantly, it includes a wider range of services, many of them captured in Business Process Outsourcing (BPO). The services offered include customer support, back-office support, insurance claims management, medical billing and coding, human resource management, digital marketing, third party risk management, predictive asset optimization, and research and data entry. The BPO industry is global in nature and highly competitive. India and the Philippines have been the dominant players in the sector, though Colombia, Costa Rica, and Jamaica have gained ground. Guyana is being touted as an upcoming location to establish BPO call centers.¹⁵

BPO companies are spreading throughout the Caribbean, most notably in Barbados, Belize, Jamaica, Guyana and St. Lucia.¹⁶ Jamaica, in particular, has put resources to work to develop the BPO sector, which has paid off. The sector employs 44,000 people (as of June 30, 2021), which was up 15 percent from the same period a year prior. Revenues have also seen a nice rise: in 2012 the sector brought in US\$230 million; in 2021 it was US\$780 million.¹⁷ Jamaica has been able to both attract U.S. (and other national) companies to the island as well as launch its own companies. Among those companies setting up a BPO shop in Jamaica are 10 Fortune 500 companies.

Why has the BPO sector been successful in Jamaica? The sector benefits from a combination of government support, an entrepreneurial private sector, and the ability to engage and attract foreign companies, with U.S. firms representing a solid majority. Equally important is that the island embraced a sense of vision that the BPO sector could help generate employment, stimulate economic growth, and contribute to national development. Jamaica also checks other important boxes for U.S. companies – close proximity, cultural compatibility and economic ties.

In terms of government support, one of the major cornerstones has been the Global Services Sector (GSS) project, which was initiated in 2019 for a five-year period and

¹⁵ “Call Centre that Started Operations during Pandemic Now Employs over 300 Persons, mulls Expansion Across Guyana.” *News Guyana*, August 25, 2021. <https://www.inewsguyana.com/call-centre-that-started-operations-during-pandemic-now-employs-over-300-persons-mulls-expansion-across-guyana/>.

¹⁶ Naomi Parris, “New call Centre to Create Jobs for Over 1,000 Guyanese”, *Guyana Chronicle*, August 25, 2021. <https://guyanachronicle.com/2021/08/25/new-call-centre-to-create-jobs-for-over-1000-guyanese/>.

¹⁷ Alecia Smith, “Jobs Increase by 15% in BPO Sector”, *Jamaica Information Service*, July 18, 2021. <https://jis.gov.jm/jobs-increase-by-15-in-bpo-sector/#:~:text=The%20number%20of%20jobs%20in,saw%2038%2C400%20persons%20being%20employed.>

funded by the Inter-American Development Bank. According to the Jamaican government: “The main objectives of the project are to improve the skills development system to provide the GSS with better skilled workers, particularly in higher value-added jobs and to strengthen Jamaica’s capacity to attract investment and increase exports.”¹⁸ Significantly, the GSS project will consult with the industry to identify training needs, develop training programmes to meet these needs and forge partnerships to grow the industry and position the island as a leader in regional digital services.” Significantly, Jamaica is thinking ahead.

But the success of the Jamaican BPO sector is not just a product of government planning and support. The private sector has played a key role in the push to make Jamaica a regional BPO center and hopefully a competitive global center. One local company that has embraced the new economy is itel (formerly ItelBpo and before that Island Outsourcers). Founded by Yoni Epstein in 2012, the company provides technical support for telecom, media, entertainment, gaming and e-commerce clients as well as integrated chat and receivables management. The company rapidly expanded through the 2010s, growing revenues and extending operations to other countries, including most recently Honduras and Guyana through the 2021 acquisition of Emergo BPO.¹⁹ In 2016, itel expanded into the U.S. market by acquiring CarRental8.com, which was significant in that it gave the company a U.S. footprint.

What is there to learn from itel’s experience? Itel was able to take advantage of the changing nature of technology and the Covid pandemic), trade and investment links with the United States (and Canada) and geopolitical changes driving nearshoring. Technology, in particular digitalization, made it able to leap over national boundaries in a single bound, while shifting geopolitics created a conducive environment for a Jamaican SME to penetrate the U.S. and other Caribbean markets.

Captive Insurance: A captive insurer is generally defined as an insurance company that is wholly owned and controlled by its insured. Its primary purpose is to ensure the risks of its owners, while its insureds benefit from the captive insurer’s underwriting profits. The industry has been dominated by Bermuda, the Cayman Islands, and Vermont, but Barbados has made steady advances in this industry. It is the largest independent sovereign jurisdiction capable of negotiating treaties with other sovereign nations on its own accord. Bermuda and the Cayman Islands are still British territories as are other major jurisdictions Anguilla and Guernsey.

¹⁸ <https://dobusinessjamaica.com/invest/sectors/global-services-sector-project/>.

¹⁹ Peter Appleby, “Labor Arbitrage Drove itel’s Guyana Acquisition”, *Nearshore Americas*, 2021. <https://nearshoreamericas.com/labor-arbitrage-itel-emerge-acquisition-guyana/>.

Barbados has been a captive insurance domicile since the 1980s and is ranked No. 7 among global players.²⁰ As of year-end 2021, there were 308 captives in Barbados, with the U.S. and Canada accounting for 74 percent of the total. There were 266 captives in 2018. The business has attracted major multinational companies to the island, including Marsh Solutions (part of Marsh McLennan), Deloitte, and Aon PLC (a British-American multinational professional services firm that sells a range of risk-mitigation products, including insurance, pension administration, and health-insurance plans).

E-commerce: Another area of growth and opportunity is in e-Commerce. It stands to be a major gainer in business throughout the Caribbean and where U.S and Caribbean businesses could reinforce each other. As of January 2022, it is estimated that 62.5 percent of the world's population has access to the Internet, according to Statista.²¹ Of that, there are 5.32 billion unique mobile phone users in the world.²² In Barbados, in 2020 about 82 percent of the population had access to the internet.

The world's digital audience is likely to continue to expand. In this, the government needs to be open to supportive legislation (working through customs and tariffs) and able to provide the necessary infrastructure, in particular electricity. In Barbados, the government, the Barbados Investment & Development, local banks, and the Barbados Chamber of Commerce have been supportive of the development of e-Commerce. The development of e-Commerce content is something that can be done locally. Indeed, the IMF has cited strengthening of the digital economy, backed by the right government policies, as an essential growth area for the private sector throughout the Caribbean.²³

Fintech: In this Barbados has been particularly active. The government and private sector share a consensus that fintech in the form of blockchain, cryptocurrencies, mobile payments, and financial apps are going to provide a more rapid and convenient future. A number of companies have set up shop in Barbados, a trend likely to continue. What are the variables that make it attractive to fintech? Business Barbados' Kaye Brathwaite provides an answer:

- Knowledgeable human resources, in particular access to a pool of business professionals and an educated workforce.

²⁰ "Barbados Captive Insurances Project Steady Growth", April 4, 2022.

<https://www.canadianunderwriter.ca/insurance/barbados-captive-insurance-executives-project-steady-growth-1004217951/>.

²¹ <https://www.statista.com/statistics/617136/digital-population-worldwide/#:~:text=Worldwide%20digital%20population%20as%20of%20January%202022&text=As%20of%20January%202022%2C%20there,percent%20of%20the%20global%20population.>

²² <https://datareportal.com/global-digital-overview#:~:text=There%20are%205.32%20billion%20unique.of%201.7%20percent%20per%20year.>

²³ Geoffrey Okamoto, "Building a Better Digital Economy", International Monetary Fund, June 24, 2021. <https://www.imf.org/en/News/Articles/2021/06/24/sp062421-building-a-better-digital-economy>

- Business-friendly – excellent IC infrastructure with island-wide 4G LTE and Fibre Optic high-speed internet.
- Solid reputation – Barbados has a mature financial system and is well-known as a trusted jurisdiction with good economic, political and social stability. Personal safety is not an issue as it is in other Caribbean countries.
- Quality of life – Barbados boasts a safe and welcoming environment to live, work and play.²⁴

Considering the above, it would appear that Barbados has the “right stuff” to establish itself as one of the world’s fintech hubs. This would appear to be the case considering what Deloitte outlined to be essential ingredients for a fintech hub: “the strength of a FinTech hub is directly related to the ability of FinTech organizations to access talent, capital and demand, as well as the effectiveness of progressive policies and regulations designed to enable FinTech growth.”²⁵

Logistics: Closely related to the idea of fintech and captive insurance companies is the concept of hubs. Antigua and Barbuda, Barbados, Jamaica and Trinidad and Tobago already are moving in that direction and Guyana appears to be gaining momentum as well.²⁶ The hub idea is generally constructed around technology or finance, but in practice, it includes logistics, critical for the development of trade. Considering that Caribbean countries are astride major sea lanes, the development of logistic hubs could help facilitate global and regional trade.

The task for Caribbean countries will be how to create a role in the supply chain that commercially benefits other countries at both ends of a trade. This implies that any Caribbean country embarking upon the creation of a logistics hub can offer a package of goods – and the ability to efficiently offload and on load cargo, provide adequate storage facilities, and make the entire process cost-efficient and seamless. This process could be extended to value-added supply chain production between point A and point C, something that could work for such economic sectors as agribusiness (processing), pharmaceuticals, electric products, medical devices and, of course, logistics.

Jamaica has already indicated that is planning to construct a Global Logistics Hub for the Americas and position it as a regional trading entrepot similar to Singapore, Dubai and Rotterdam.²⁷ The island is well-positioned to advance this development,

²⁴ Kaye Brathwaite, “Barbados Embraces Fintech”, Business Barbados, February 5, 2020.

<https://businessbarbados.com/industries/financial-services/barbados-embraces-fintech/>.

²⁵ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-inside16-full.pdf>.

²⁶ Arthur Deacon, “Will Guyana Become the Next United Arab Emirates? Only Time Will Tell”, Global Americans, February 10, 2022. <https://theglobalamericans.org/2022/02/will-guyana-become-the-next-united-arab-emirates-only-time-will-tell/>.

²⁷ “A Globally Competitive Logistics Hub”, *The Japan Times*, January 9, 2020.

<https://www.japantimes.co.jp/country-report/2020/01/09/global-insight/jamaica-report-2020/globally-competitive-logistics-hub/>.

considering it is already competitive with logistics and transshipments, moving more cargo than any other Caribbean country.

3. Agribusiness

The agribusiness sector should be a major growth area in the Caribbean and the United States as there are a number of overlapping factors. On the Caribbean side, the region is highly dependent on food imports to feed its population – despite the fertility of its land.²⁸ At the same time, there is an expanding market in the United States for exotic fruits and vegetables as well as different eating experiences, such as “ethnic” sauces and processed food.

Agribusiness represents a significant part of U.S. trade with the Caribbean. In 2018, the U.S. exported \$2 billion in U.S. consumer-oriented foods to the Caribbean Basin, a growth of 4 percent over 2017.²⁹ The region also imported over \$1.4 billion in 2018 in processed food, with the top items being:

- Food preparations
- Fats and Oils
- Non-alcoholic beverages
- Processed/prepared dairy products
- Snack Foods
- Beer and wine
- Condiment and sauces
- Pasta and processed cereals

The U.S. side of agribusiness (as is the case for local agribusiness) is closely linked to the tourist sector. U.S. food imports are also sold via U.S. owned retail chains, such as Price Smart and Save-a-Lot, though smaller, “mom and pop” stores continue to be a major force of meeting consumer needs for basic supplies in most locations. Caribbean integrated retailers, such as Trinidad and Tobago’s Massy Group of Companies, are competitive in a number of markets (including having business in Miami and Colombia).

While the Caribbean is a large market for U.S. agricultural products, the U.S. market increasingly has something more to offer companies in the Caribbean. The U.S. market is changing and that offers opportunities. How is it changing?

²⁸ Food security is a major issue facing the Caribbean, in particular, when considering the negative consequences of climate change. See Elham Mohammadi, Simron Jit Singh, Cameron McCordic and Jeremy Pittman, “Food Security Challenges and Options in the Caribbean: Insights from a Scoping Review”, *Anthropocene Science*, January 20, 2022. <https://link.springer.com/article/10.1007/s44177-021-00008-8#:~:text=Food%20and%20nutrition%20insecurity%20persists,still%20at%20an%20infant%20stage..>

²⁹ Food Export USA. <https://www.foodexport.org/export-insights/market-and-country-profiles/caribbean-basin-country-profile>.

- The Covid-19 pandemic forced many Americans to remain at home, which led to more time in the kitchen, which, in turn, led to greater experimentation with different foods.
- The marketing of exotic and ethnic produce is getting easier in the United States. Consumers are becoming more familiar with and are appreciating fruits and vegetables from other countries. (Look at the success of the Mexican avocado in the United States).
- As diaspora communities expand and millennials seek out more interesting and exotic products, sales of papayas, mangoes, starfruit, guava, dragon fruit, lychees and longans are nudging upwards.

Although the U.S. food market is highly competitive, it is large and expanding. According to Grand View Research, in 2021, the U.S. fruit and vegetable market was valued at \$62.5 billion and is expected to expand at annual growth rate of 5.0 percent from 2022 to 2030.³⁰ Considering the Caribbean's location, fertility of its soil in many locations and diverse agricultural products, there is certainly room to grow in U.S. markets. Moreover, Belize, Jamaica, Guyana and Suriname have larger tracks of land than many of their island neighbors.

One of the food sectors that has benefited from changes in markets and the opening up of a broader U.S. food market are Jamaican sauces and preparations. According to data from Trend Economics in 2020, Jamaica sold \$22 million worth of sauces and mixed seasonings to the United States, accounting for 1.4 percent of the total market in 10th place behind the Philippines and Hong Kong.³¹

One company successfully engaged in the sauce and preparations trade is Walkerswood Caribbean Foods, based in St. Ann, Jamaica and now part of Associated Manufacturers (producers of Busha Browne and Jamaica Joe Brands of condiments). The main products from Walkerswood are sauces and marinades (Jerk BBQ Sauce, Traditional Jerk Seasoning and Scotch Bonnet Pepper Sauce). It was officially registered in 1978 and began as part of a rural community's effort to create employment. It carefully managed its reputation for maintaining and promoting rural ties and is an example of backward and forward integration between agro-processing and marketing operations. In 2008-2009 it ran into bankruptcy troubles and was bought out by Associated Manufacturers, a family run business. Today it has a distribution in the United States, Canada, the United Kingdom and New Zealand.

Through its Walkerswood Caribbean Foods and Busha Browne franchise, Associated made successful use of the Special Economic Zone (SEZ) mandate that at least 85 percent of what's produced is exported. According to the company, 90 percent of

³⁰ <https://www.grandviewresearch.com/industry-analysis/us-fruit-vegetables-market>.

³¹ https://trendeconomy.com/data/commodity_h2/2103.

production is shipped and 10 percent is sent to local markets. Walkerswood has gained strong market positions along the U.S. East Coast and has sales relations with Publix and Kroger, two major U.S. grocery store chains. According to the company, sales benefited from the pandemic, which left more people at home in the U.S. and were more willing to experiment with different foods, including sauces from the Jamaican company. At the same time, Associated has been savvy to tapping the Jamaican and Caribbean diaspora in the United States, Canada, United Kingdom, and New Zealand. As Sean Garbutt, the company's group marketing director stated:

We definitely are very happy with the position and the respect we have within the ethnic area of the market. Those people are our brand ambassadors. They're the people that will tell their friends in North America and the UK what brand to buy and why. They go to the stores and ask the store why they don't have us. We wouldn't have achieved half of what we've achieved without that great link.³²

Tapping the diaspora has served Associated well. In a study conducted by the University of West Indies Research Institute in 2017, it was noted: "While there exist an assumption that Jamaica's crime issue and institutional weaknesses deter those living abroad from investing in the country the diaspora's total contribution through remittances, investment, philanthropy, exports and tourism market represents 28 percent (US\$4 billion) of Jamaica's national output annually."³³ In 2020, remittances, according to the World Bank, stood at 22.2 percent, which was actually up.

4. Energy

A considerable amount of capital is going to flow into the Caribbean's energy sector, both for fossil fuel and alternative development. The Caribbean has considerable opportunities in energy, with the emergence of the Southern Caribbean energy matrix (Guyana, Suriname and Trinidad and Tobago), which is largely based on oil and natural gas. In the case of the former, Trinidad and Tobago has long been established as the regional natural gas power, while Guyana's 2015 discovery of offshore oil by ExxonMobil has led to the birth of the world's newest petro-state. In Suriname, major offshore oil finds were made in 2019 by Apache, a U.S. company, and TotalEnergies,

³² BVC, "Associated Manufacturers – A Huge, Huge Area for growth", Business View Caribbean, November 14, 2014. <https://businessviewcaribbean.com/associated-manufacturers/>. Although this comment was made in 2014, in talking with the company in 2022 it is regarded as being a continued help in pushing the Walkerwoods Caribbean Food label to more consumers.

³³ Caribbean Policy Institute, University of West Indies, Economic Value of the Jamaican Diaspora. https://capricaribbean.org/sites/default/files/public/documents/report/economic_value_of_the_jamaican_diaspora.pdf.

a French company. Both countries are attracting large energy multinational enterprises, both in the energy and services industries.

While the oil and gas industry is likely to remain important for the next couple of decades, the expansion of the renewable energy business is likely to be a fruitful sector to be engaged, including in the newest arrivals to petro-statehood, Guyana and Suriname.³⁴ The U.S. government has established the Caribbean Energy Security Initiative (CESI), which “aims to boost energy security and sustainable economic growth in the region by attracting investment in a range of energy technologies through a focus on improved governance, increased access to finance, and strengthened coordination among energy donors, governments, and stakeholders.”³⁵ Along these lines, U.S. agencies have given technical assistance to St. Kitts and Nevis, Haiti, Jamaica, the Dominican Republic, and Antigua and Barbuda.

Considering the drive to spread the use of solar, wind and geothermal power in the Caribbean, the sector is open to U.S. companies. Indeed, the U.S. company, Azimuth Energy undertook a project for the Eastern Caribbean Central Bank in St. Kitts. The ECCB decided that it wanted to cut the premises’ power consumption and install solar photovoltaic (PV) panels to provide power. Azimuth was responsible for the design, project management and commissioning, while aTec, from the British Virgin Islands, conducted the specialist engineering required to install the solar PV panels.³⁶ The project cost \$4.12 million. While Azimuth completed a profitable venture, the ECCB reduced its carbon footprint and provided an example of a pro-active central bank in the Caribbean taking climate change as a key concern.

5. The Blue Economy

The blue economy represents an important future path for the Caribbean. While the pillars of the old economy, especially tourism and trade, are not going to disappear, the way business around them is conducting will be different. Concerns over climate change and future economic strength demand that new paths are forged. In this, both local and U.S. companies can find a role. The blue economy offers a chance to move away from fossil fuel use and make tourism less stressful on the environment. Moreover, it can open the door to new types of business, including marine biotechnology and bioprospecting. The former is still not well developed, though a sea sponge from the Caribbean was the source of chemicals leading to the development of

³⁴ Lorraine Sobers, “A Sustainable Energy System for Guyana”, *Caribbean Life*, March 11, 2022.

<https://www.caribbeanlife.com/41992-2/>

³⁵ U.S. Department of State, Bureau of Western Hemisphere Affairs, Caribbean Energy Security Initiative (CESI).

<https://www.state.gov/caribbean-energy-security-initiative-cesi/>.

³⁶ “Green Initiative – Operational: Eastern Caribbean Central Bank”, Central Banking, March 21, 2022.

<https://www.centralbanking.com/awards/7929971/green-initiative-operational-eastern-caribbean-central-bank>.

an anti-leukemia drug in the 1960s and to the HIV drug AZT in the 1980s. Aquacultural is another area that can be developed, considering the heavy demand on fish for consumption around the world.

6. The Orange Economy

The Caribbean has considerable potential in this area, something that many major global corporations are engaged. Among the companies dealing with creative and orange economies are IBM, Zoom Video Communications, T-Mobile, Oracle, Cisco, Amazon, and Apple. In the Caribbean small and medium-sized companies can partake in this sector. It will also need Caribbean governments to adapt. Zagaris and Mostaghimi note: “Innovation governance requires coordination mechanisms and networking opportunities for stakeholders to reduce transactional costs. The reduction of transactional costs will assist increased market entry and lower uncertainty and risk, especially for small and medium-sized (SMEs).”³⁷

If the international-renowned Rihanna can be honored as a National Hero in Barbados, as she was in November 2021, the orange economy decidedly has a chance to advance, stimulate the growth of small and medium-sized enterprises and attract U.S. companies to invest. It can also provide an entry of Caribbean talent to further penetrate U.S. markets.

7. Recommendations

The sectors that probably hold the greatest opportunities for Caribbean companies are agri-business, BPO, green energy, fintech and captive insurance. Other sectors have their competitive nature, but the above are riding the wave of global changes.

- The Caribbean needs to further distinguish itself from Central America. U.S. policy tends to push the Caribbean and Central America together for policy purposes, but it is important that CARICOM steps up to differentiate the region from its neighbors, especially as they represent different issues to the U.S. Efforts need to be stepped up to demonstrate that Brand Caribbean is not Brand Central America. The recent meeting with Vice President Kamala Harris with CARICOM heads was a step in the right direction.
- Caribbean companies and their associations looking at the U.S. market need key information, part of which is to figure out the mix of U.S. government agencies involved in trade promotion. This is confusing to many Americans; Caribbean businesses could benefit from further programs to pick out what is “hot and what is not.” Better data is needed, something that was picked up by Darren Peart,

³⁷ Bruce Zagaris and Alexander Mostaghimi, Get Up, Stand Up: The Need for the Caribbean to Facilitate the Creative and Orange Economies”, *Global Americans*, April 6, 2022. <https://theglobalamericans.org/2022/04/get-up-stand-up-the-need-for-the-caribbean-to-facilitate-the-creative-and-orange-economies/>.

founder of Bluedot (in which the Grace Kennedy Company has invested): “Data is driving the future of business and we are looking forward to growing and expanding Bluedot into new markets with the latest in data intelligence technologies.” Larger Caribbean companies, such as Grace-Kennedy, Goddard Enterprises, and Massy understand this, but it is also essential for small and medium-sized enterprises.

- Caribbean private sector companies need to reach beyond Washington, D.C., to look at what state governments are doing for export promotion. Moreover, there are some U.S. states that are more engaged with trading with the Caribbean than others.
- The Caribbean Central American Action (CCAA) should be revived. Established in the 1980s with the CBI, CCAA served as an advocate for Caribbean interests in Washington and held an annual trade conference in Miami. The organization is closed, but considering the potential for greater trade and investment between the Caribbean and the United States, such an organization could have a new and significant role to play.
- Agri-business in the broad sense is a growth area. It is worthwhile for Caribbean food producers - both fruits and vegetables to processed foods - to develop an ongoing dialogue with major North American grocery chains.
- Strongly encourage further efforts by the Caribbean Export development Agency (CEDA) along the lines of its Annual Results Report (which captures the sense of excitement and energy about new directions for Caribbean business); its AgTech Conference, partnership with Republic Bank in holding workshops for small businesses, and promotion of the orange economy.
- Nearshoring has caught on in parts of the Caribbean (like Barbados, Belize, Jamaica and Trinidad and Tobago), but needs to be more probably embraced and assisted. The Inter-American development Bank is supporting national investment promotion agency (IPAs) initiatives in Belize, Jamaica, Guyana, Haiti, Dominican Republic, and Trinidad; this needs to be expanded throughout CARICOM.
- The Caribbean Private Sector Organization (CPSO) needs to play a more aggressive role in selling the Caribbean private sector to its counterparts in North America. That could include gaining its support for a revival of the CCAA and promote particular sectors, such as green energy and the development of the creative and orange economy. The CPSO needs to resolve its identity issue of what does the Caribbean stand for versus individual country identification as well as finding ways to strengthen inter-regional trade.
- Caribbean governments need to provide greater personal safety to attract foreign investment as well as help protect local workers. The Caribbean has some of the highest levels of violent crime in the Western Hemisphere.

- There should be a sustained push by both the private sector and governments to create a central clearinghouse for CARICOM countries. Between de-risking from advanced economies and different central bank jurisdictions within CARICOM ranks, financial transactions, which are at the heart of any cross-border transaction, become complicated and time-consuming.

To conclude, there is a re-alignment in how the U.S. is approaching trade and investment with the Caribbean, while Caribbean business reassesses a changing global economic and political landscape. In a sense, there is a window of opportunity through which nearshoring can be pushed further, agri-business deepened within the region to hit both local food security needs and export demand, and the blue and orange economies further developed. The clock is ticking.