
Implications of CARICOM Business, Economic & Agro- Ecological Environments for Agricultural Policy Formulation

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Outline of Presentation

- Brief on CARICOM
- Review of key economic principles re agricultural policy formulation
- Brief on CARICOM economic and agro-ecological environment
- Summary of CARICOM business environment evaluation
- Discussion of implications for agricultural policy formulation



Economic Principles re Agricultural Policy Formulation

- The macroeconomic environment exercises a critical influence over production decisions and varies greatly across the countries
- Consequently, producers face different macro-prices: wage rates, interest rates, land rental rates, foreign exchange rates and rural/urban terms of trade
- Producers across the region also face different markets, input prices, technological challenges
- Economic agents take production decisions in their own self interest

Agro-Ecological Characteristics Vary

- Agro-climatic conditions differ across and within countries
- Infrastructural circumstances such as access roads & irrigation differ by country
- Land tenure arrangements also vary across countries

Demand Profile

- Food demand profile varies markedly across CARICOM countries
- Some similarity among countries of the Organisation of the Eastern Caribbean States
- Marked differences for the remaining CARICOM countries

Business Environment Evaluation: Scope

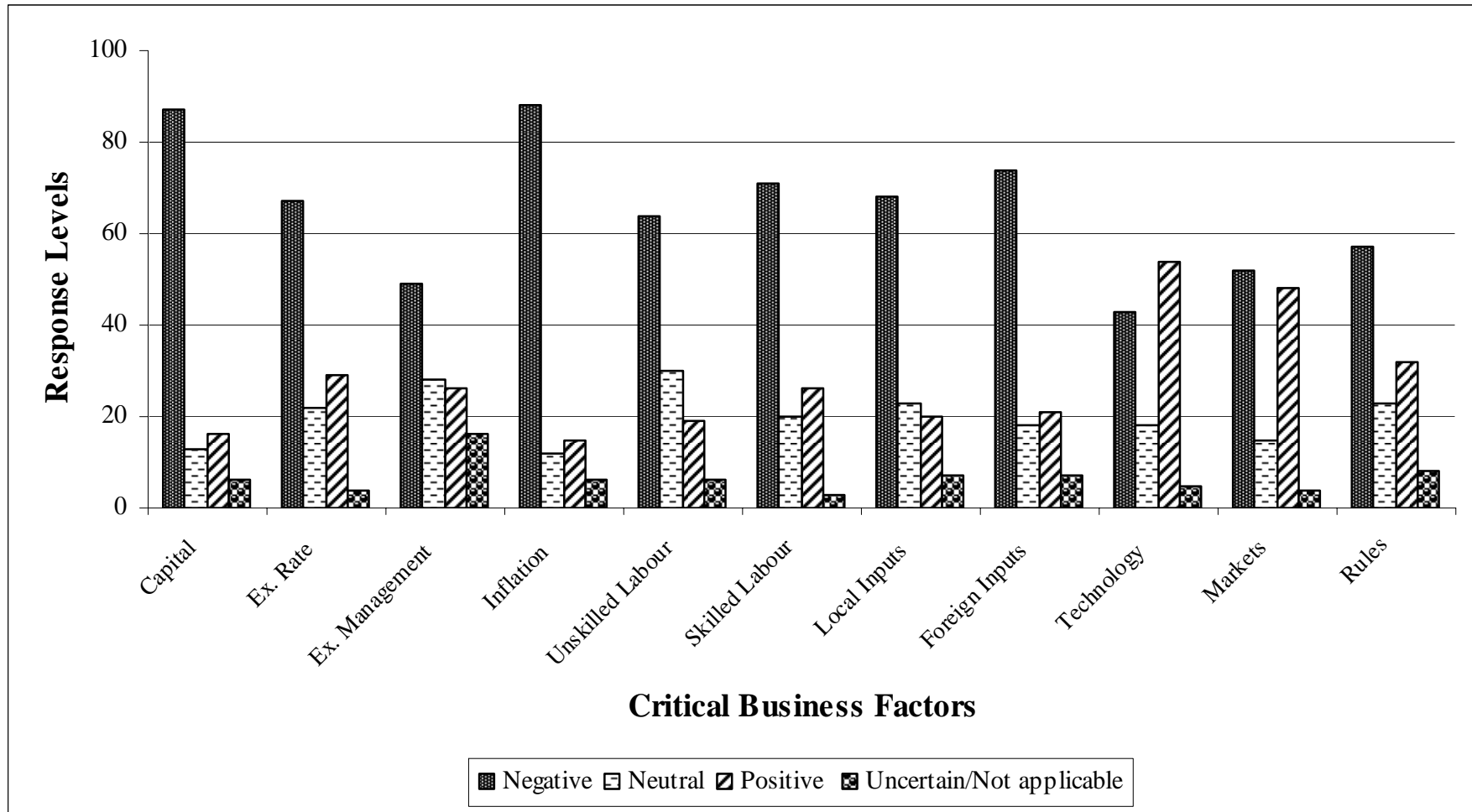
- Effected through interviews and surveys of entrepreneurs and firms in 5 CARICOM countries
- Primary data collected on firms' size, location, scope & areas of operation, and influence on eleven critical business variables:
 - Baseline
 - National & CARICOM policies
- Overall evaluation of economic gains & investment environment

Business Environment Evaluation: Results

- Heterogeneous and multi-faceted with important differences pertaining to firm size, areas and geographical scope of operations
- Size profile based on annual sales volume: micro (46%); large (21%); small (17%); medium (15%)
- Manufacturing (39.5%), Services (P)(29.4%), Services (T&H) (23.9%), Agriculture (22%); Trade & commerce (4.6%)
- T&TCIC: Diamond (13.7%); Platinum (5.5%); Gold (16.2%); Silver (13%); Bronze (30.5%); Individual (17%); Honorary (3.8%)
- T&TCIC: Scope of operations spans 28 areas
- Twenty percent operate in another country with both micro and large firms indicating global operations

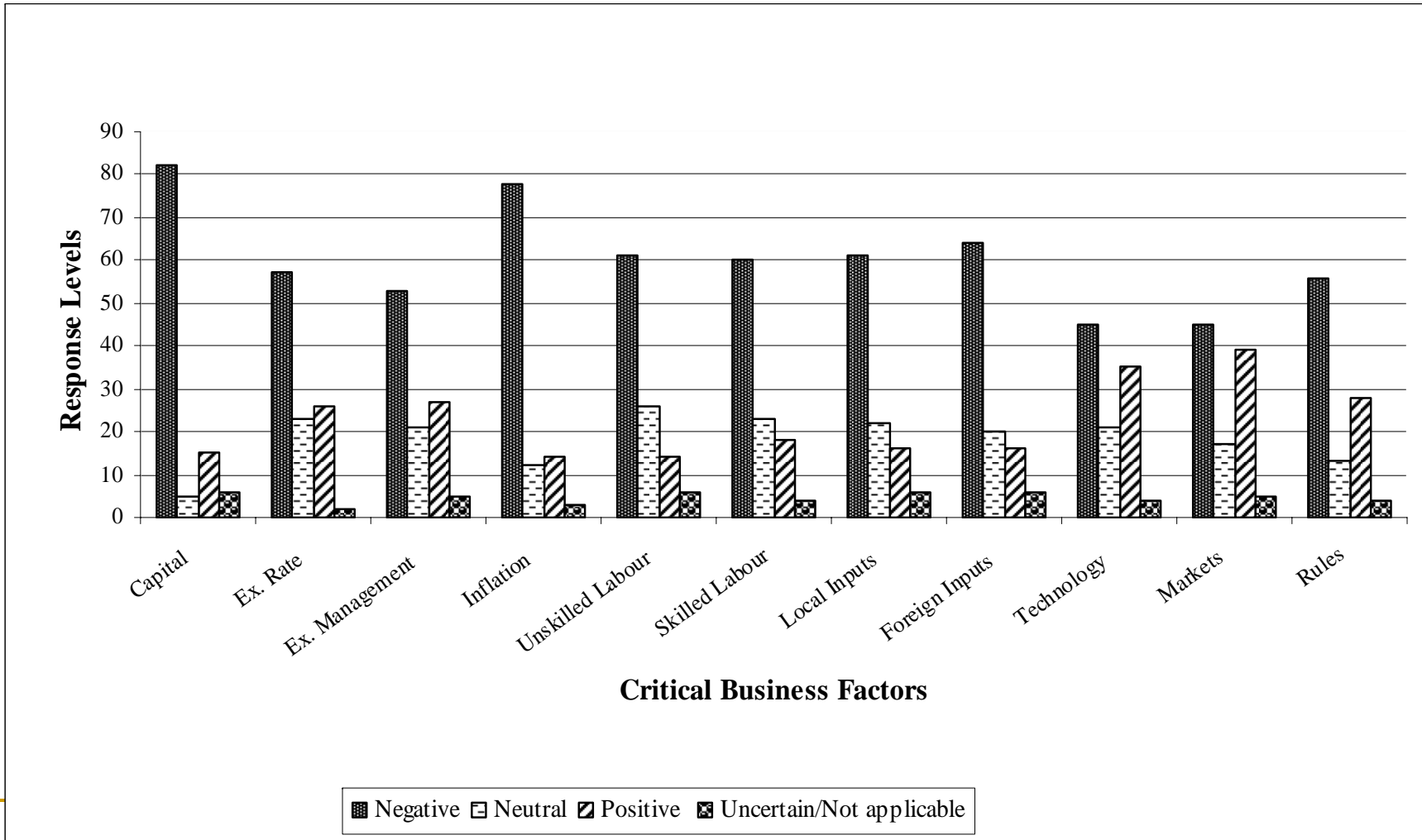
Current Business Operations

All Firms: Baseline Perception of Critical Business Factors



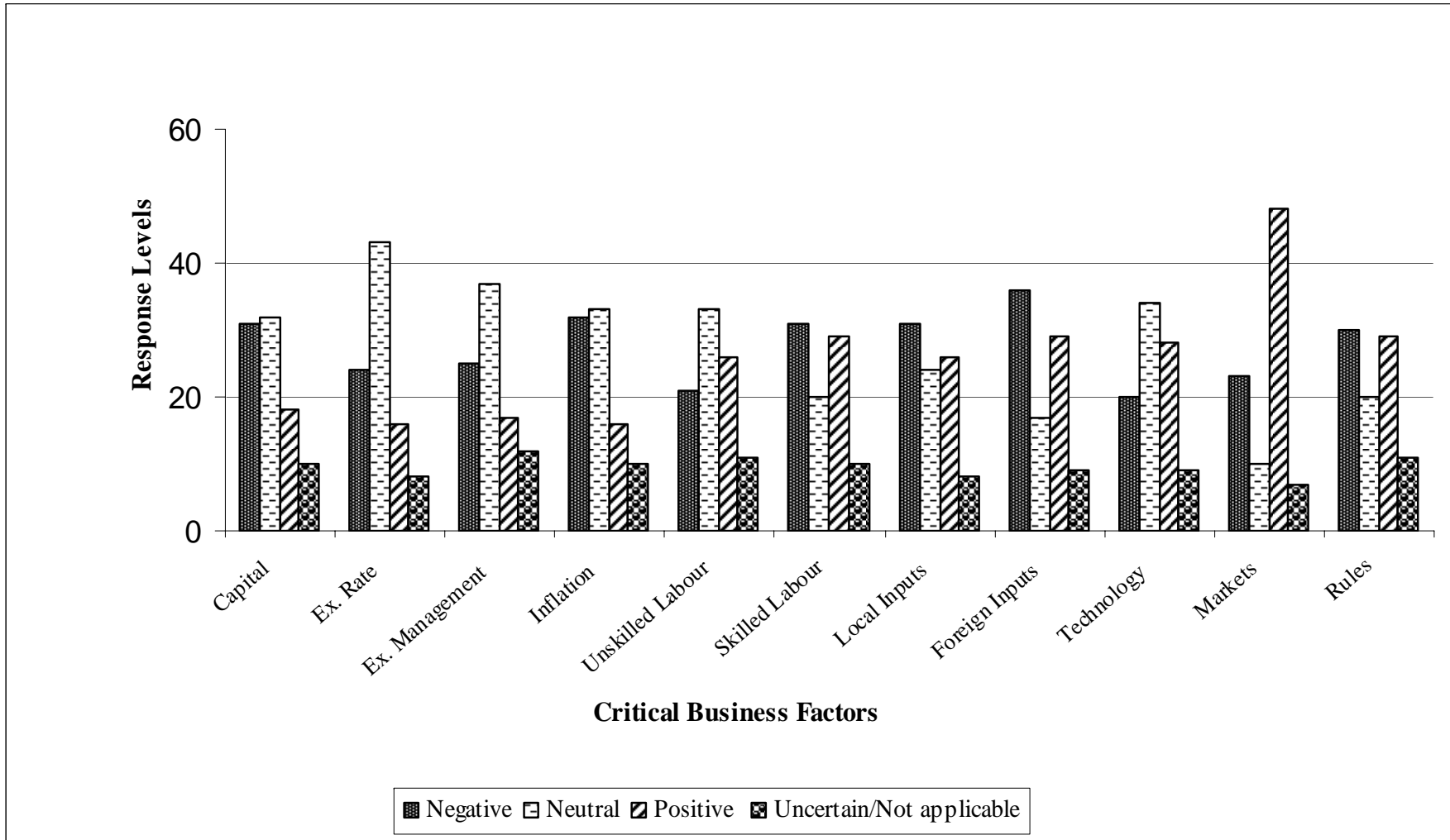
Current Business Operations

All Firms: National Policy Impact on Critical Business Factors



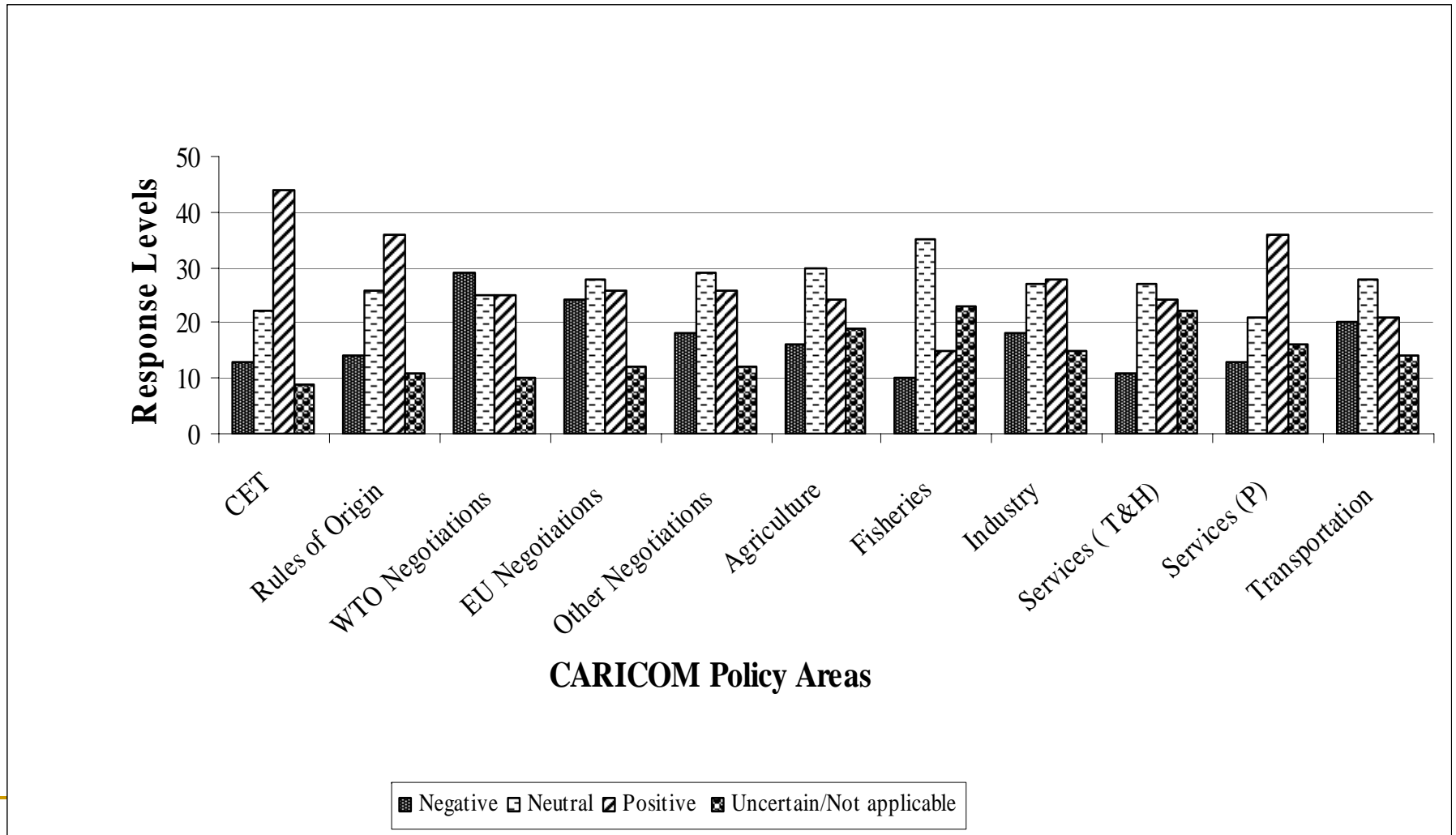
Current Business Operations

All Firms: CARICOM Policy Impact on Critical Business Factors



Current Business Operations

Impact of CARICOM Policy Areas on Business Environment: All Firms



Country Responses: 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/Tobago	0	0	0	0/-	+	+	0	0	0	+	0

Legend: + = positive impact, 0 = neutral, - = negative impact, 0/- = equal response levels, as indicated. Source: (Gordon, 2007)

Firm Responses by Size: 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, 0/- = equal response levels, as indicated. Source: (Gordon, 2007)

Firm Responses by Sub-sector: 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/	-/+	-	+	-	+	-
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, 0/- = equal response levels, as indicated. Source: (Gordon, 2007)

Implications

- Diverse, multifaceted business environment: micro & manufacturing firms dominant
- Differences pertaining to firm size, area of operations & geographical scope of operations
- Significant differences in firms' perception of CARICOM policy impact on critical business factors
- Differences in perception underscored when responses disaggregated by firm size, country or areas of operation
- Food demand profile also varies markedly across countries
- A more targeted policy formulation process is suggested
- Policy strategy should more actively and deliberately embrace the economic and related characteristics exhibited by the business environment

Conclusions

- Considerable heterogeneity within the CARICOM business environment, particularly with firm size & sub-sector of operation
- Diverse economic and operational characteristics also evident among firms
- Perceived differences in impact of critical business factors should be factored into the policy formulation process
- Increased attention also required to the diverse country economic circumstances
- Innovative policy design seems necessary to create appropriate economic incentives

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