

PROPOSAL: A COMPREHENSIVE ECONOMICS AND TRADE AGREEMENT (CETA) BETWEEN SAUDI ARABIA AND CARICOM

Trade Lab Legal Clinics

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EXECUTIVE SUMMARY:

CHAPTER 1 introduces the Caribbean Community (CARICOM) and Saudi Arabia, highlighting their respective roles and positions in the global economy. CARICOM, a regional organization of Caribbean nations, focuses on economic integration, cooperation, and policy coordination among its member states. Saudi Arabia, a leading global oil producer and member of the G20, plays a significant role in international energy markets and economic affairs. The chapter explores the mutual interests of CARICOM and Saudi Arabia, emphasizing potential areas for collaboration. These include trade, investment, energy, tourism, and cultural exchange. By leveraging their unique strengths and strategic positions, both parties aim to enhance economic growth, stability, and development within their regions and beyond. In summary, this chapter sets the stage for understanding the strategic partnership between CARICOM and Saudi Arabia, outlining their shared goals and the potential benefits of their cooperation in the global economic landscape.

CHAPTER 2 seeks to provide a comprehensive analysis of the trade objectives of CARICOM and Saudi Arabia, identifying potential areas for collaboration. It outlines CARICOM's broad and flexible trade objectives, which are aimed at bolstering economic resilience and sustainable development. Key strategies include enhancing the agricultural sector, promoting export through various measures, fostering a market-driven and internationally competitive production of goods, and providing adequate and safe transport services. The chapter also highlights the mutual benefits of cooperation between CARICOM and Saudi Arabia, as evidenced by their agreement on air transportation. The analysis underscores the importance of maintaining harmonious relationships among CARICOM members while strengthening ties with third states like Saudi Arabia.

CHAPTER 3 discloses the various economic agreements that are active between Saudi Arabia and CARICOM. The discussion begins with the SA-CARICOM summit held on November 17th, 2024, to highlight the economic opportunities that both parties can collaborate on. This ranges from sustainable energy and agriculture practices, but also infrastructure and security.

The ensuing subsections further reveal the various investment agreements between Saudi Arabia and CARICOM, which mainly consists of loans granted by Saudi Arabia to individual CARICOM member states for projects such as housing and water infrastructure. The loans granted by Saudi Arabia are mainly executed by the Saudi Fund for Development who are and have been involved in many of the loans granted to CARICOM member states.

CHAPTER 4 provides an evaluative comparison of trade agreements in place by both Saudi Arabia and CARICOM with other countries and international parties. In particular, it individually assesses Saudi Arabia's economic agreements with other leading countries, China, Japan, and South Korea. Conversely, CARICOM's trade agreements with geographically close South American countries and the EU-CARIFORUM partnership are also discussed. This is to identify overlapping and new areas of collaboration which could potentially be applied to Saudi Arabia and CARICOM economic agreements.

CHAPTER 5 highlights the impact of the Saudi Fund for Development (SFD) on CARICOM, emphasizing the importance of evaluating the success of SFD's past projects to predict future benefits. The SFD has been involved in over 800 projects globally, including significant commitments in Pakistan, Central Africa, and Gambia, showcasing its flexibility and long-term support. This track record suggests that CARICOM can expect sustained financial backing from the SFD for both new and ongoing projects, reinforcing the potential positive impact of their agreements. This paper furthermore assesses that CARICOM has leveraged several key trade agreements to enhance regional economic integration and cooperation. The 2008 CARIFORUM-EU Economic Partnership Agreement (EPA) has significantly boosted trade and investment, leading to increased exports and diversification for many CARIFORUM countries. The Trade and Investment Framework Agreement (TIFA) and evolving trade relations with China and South American countries, particularly within the Mercosur bloc, have further strengthened economic ties and opened new opportunities. In conclusion, these agreements highlight the necessity of strategic planning, policy coherence, and capacity building to maximize their benefits and address emerging challenges.

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ABBREVIATIONS

The following presents the complete list of words and the corresponding abbreviations.

AMLCFT	Anti-Money Laundering/Combatting the Financing of Terrorism
CARICOM	Caribbean Community and Common Market
CARIPP	CARIFORUM Intellectual Property and Innovation
CARICOM-EU EPA	CARICOM-European Union Economic Partnership Agreement
CSME	CARICOM Single Market and Economy
EIA	Economic Integration Agreement
ECI	Economic Complexity Index
GCC	Gulf Cooperation Countries
IMF	International Monetary Fund
MGI	Middle East Green Initiative
MSME	Micro, Small, and Medium Enterprises
SA	Saudi Arabia
SFD	Saudi Fund for Development
TIFA	Trade and Investment Framework Agreement
RTC	Revised Treaty of Chaguaramas
UN	United Nations
WTO	World Trade Organization

CHAPTER 1: CARICOM AND SAUDI ARABIA

This chapter aims to present the Parties, CARICOM and Saudi Arabia, explore their positions in the global economy, and underscore their mutual interests.

1.1 CARICOM

The Caribbean, a region rich in culture, history, geography, geology, and politics, can be more simply understood through the lens of its association with CARICOM, an organization aimed at regional integration. CARICOM was born out of the dissolution of the West Indian Federation in 1962 and the subsequent establishment of the Caribbean Community and Common Market in 1973, now known as CARICOM. This was formalized by the Treaty of Chaguaramas, signed by the Prime Ministers of Barbados, Guyana, Jamaica, and Trinidad & Tobago¹.

CARICOM's mission is to foster integration among its Member States, focusing on four main pillars: economic integration, foreign policy coordination, human and social development, and security. The 1973 Treaty of Chaguaramas was revised in 2002, now known as the Revised Treaty of Chaguaramas or "RTC", to facilitate the creation of a CARICOM single market and economy (CSME) to further the economic integration of the region. Currently, CARICOM comprises fifteen full-time Members, ranging from the Bahamas in the North to Guyana and Suriname in the South, along with five associate Member States and seven observer States. While many CARICOM States have bilateral economic relations, CARICOM as a regional body has made concerted efforts to engage at a multilateral level with other States or regions to enhance trading relations and/or trade performance. As a result, CARICOM has entered into agreements with several countries including Colombia, Costa Rica, Cuba, the Dominican Republic, Venezuela, and the EU.

At present, all CARICOM Members are classified as developing countries by the United Nations (UN), with Haiti being a least developed country. This classification reflects the basic economic conditions of these countries. Given the current economic climate of low economic growth and high debt levels among CARICOM members, it is advisable for CARICOM to seek economic arrangements with other States instead of continuing to rely on their traditional

¹ History of the Caribbean Community (Caricom, Caribbean Community): <https://caricom.org/history-of-the-caribbean-community/>.

Western trading partners – Europe, the USA, and to a lesser extent, Canada. Considering Saudi Arabia’s rising regional power status and its expanding global influence, an economic arrangement between these parties could potentially yield significant benefits for CARICOM.

1.2. Saudi Arabia

Saudi Arabia, a nation rich in history and culture, can be understood through its association with regional integration organizations and its economic relations with other countries.

Saudi Arabia is a key member of the **Gulf Cooperation Council (GCC)**¹, a regional, intergovernmental, political, and economic union comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The GCC’s main headquarters is located in Riyadh, the capital of Saudi Arabia. The latter plays a vital role in the region as the largest country in the GCC, helping shape the GCC integration process and supporting many other countries in the region.²

In addition to the GCC, Saudi Arabia has recently established a new regional office in Riyadh in partnership with the International Monetary Fund (IMF). This office aims to enhance the partnership with countries in the Middle East and beyond, promoting stability, growth, and regional integration. Saudi Arabia’s economy is undergoing a transformation as it implements reforms to reduce oil dependence, diversify income sources, and enhance competitiveness. This transformation is part of Saudi Arabia’s ambitious Vision 2030 journey³. Despite the current economic climate of low economic growth and high debt levels among its members, Saudi Arabia has been making significant strides in its economic development.

Saudi Arabia’s major trading partners for exports include the United Arab Emirates, China, India, and Egypt, while its major import partners are China, the United States, the United Arab Emirates, India, and Germany. Saudi Arabia has also entered into agreements with several countries including Colombia, Costa Rica, Cuba, the Dominican Republic, Venezuela, and the EU.

² Saudi Arabia: a Key Regional and Global Player (International Monetary Blog):
<https://www.imf.org/en/Blogs/Articles/20/02/08/saudi-arabia-a-key-regional-and-global-player>

³ Saudi Arabia’s Economy Grows as it Diversifies (International Monetary Fund):
<https://www.imf.org/en/News/Articles/2023/09/28/cf-saudi-arabias-economy-grows-as-it-diversifies>

In conclusion, Saudi Arabia's economic arrangements and partnerships, both regionally and globally, have the potential to yield significant benefits for the CARICOM region. These arrangements are part of Saudi Arabia's broader strategy to diversify its economy, enhance its competitiveness, and secure its future growth.

1.3 A Comparative Analysis of the Parties' Positions within the Global Economy

To gain a deeper insight into the Parties' standing in the global economy, this section seeks to establish a comparative economic analysis of the two parties essential to evaluate their individual market structures and economic trends. Nevertheless, such an evaluation reveals a significant contrast between the Parties. The influence of CARICOM, made up of many Island and Nation States is considerably different when compared to the powerful economic power of Saudi Arabia.

1.3.1 CARICOM's Location within the Global Economy

The nations of the Caribbean, collectively known as CARICOM, grapple with numerous obstacles in their quest for meaningful participation in the global economy. The diversity of the fifteen member states, each with its unique market structure and economy, adds to the complexity. The escalating global competition and constraints on foreign direct investment inflow for CARICOM member states further exacerbates the situation.

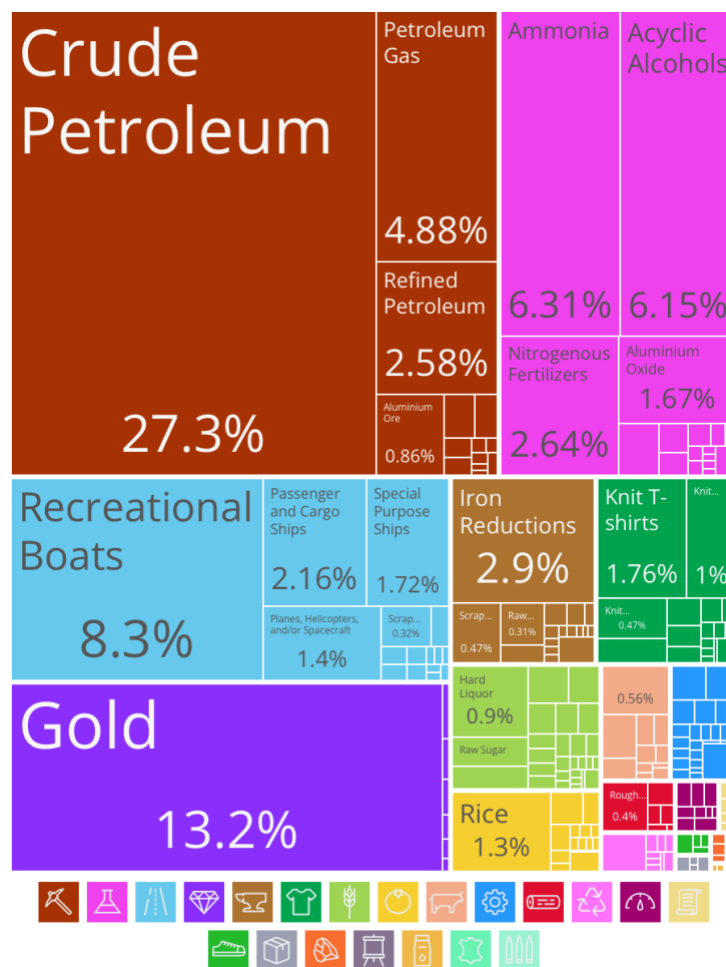
Domestically, these nations are beleaguered by chronic fiscal deficits, burgeoning debt, and sluggish growth. The austerity measures implemented to address these issues have yielded inconsistent results. However, the Revised Treaty of Chaguaramas (RTC) establishes the CARICOM Single Market and Economy (CSME) as a strategic approach to integration and development. This strategy aims to enhance trade barriers and eliminate professional barriers among member states and to counteract the underdevelopment of financial markets.

Goods originating from CARICOM are exempt from import duties, and tariffs along with most unauthorized quantitative restrictions have been abolished in the member states. Furthermore, regional standards have been established for goods production across the region. In the realm of service expansion, Article 46 of the RTC permits university graduates, artists, musicians, media workers, and sportspersons to seek employment in any member state, provided they are recognized by the competent authorities in the receiving member state.

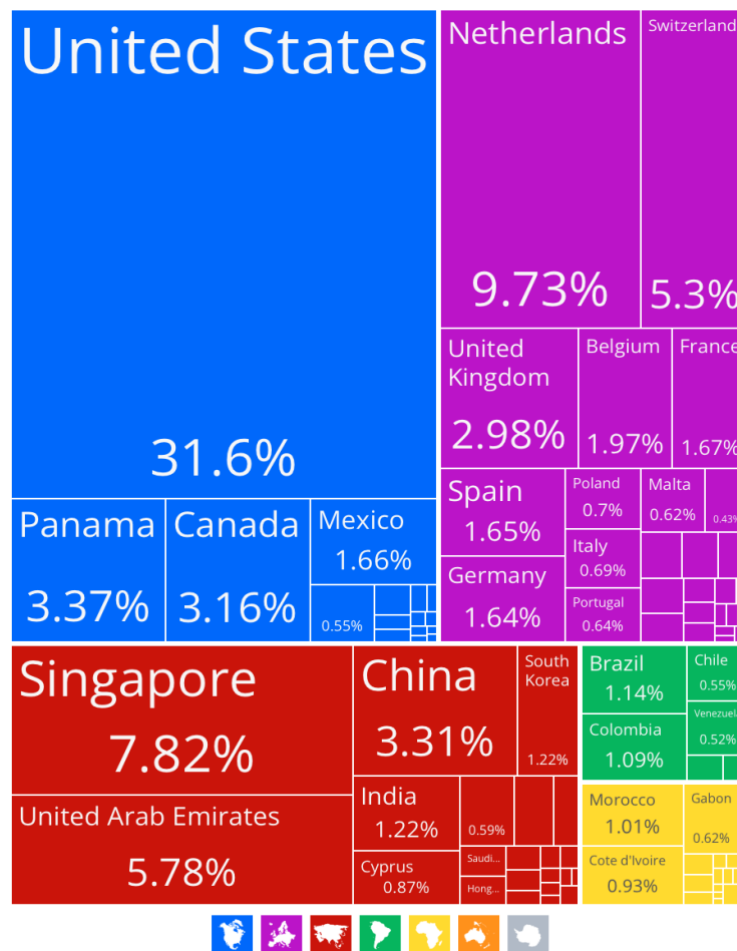
These provisions promote the right to establish businesses, provide regional services, facilitate the free movement of capital, and coordinate economic policies. The ultimate objective is to create a unified economic framework for CARICOM, which is crucial for forging alliances with CARICOM third party states that are outside of their grouping. While the remaining barriers to intra-regional trade hinder the formation of a fully functional customs union, the removal alone is unlikely to trigger a significant improvement in intra-regional trade.

Trade is further constrained by factors such as inefficient regional transport facilities and the small size of the regional market. Consequently, CARICOM's integration objectives also emphasize enhancing international competitiveness by creating a harmonized economic area and boosting intra-regional trade

EXTERNAL EXPORTS (2021)



EXTERNAL DESTINATIONS (2021)



1.3.2 Saudi Arabia's Position within the Global Economy

Saudi Arabia is a significant player in the global economy, primarily due to its vast oil reserves. The country has been undergoing a transformation as it implements reforms to reduce oil dependence, diversify income sources, and enhance competitiveness. Saudi Arabia's Vision

2030 has been instrumental in this transformation, with non-oil growth accelerating since 2021, averaging 4.8% in 2022.

In terms of economic complexity, Saudi Arabia has an Economic Complexity Index (ECI) of 0.78, ranking it 34th globally. This indicates that Saudi Arabia has a diverse and interconnected economy, capable of producing a wide range of products.

Saudi Arabia's top exports are Crude Petroleum (\$236B), Refined Petroleum (\$45.3B), Ethylene Polymers (\$13.1B), Propylene Polymers (\$6.4B), and Acyclic Alcohols (\$6.19B)². These exports are primarily directed to China (\$68B), India (\$46.2B), Japan (\$36.5B), South Korea (\$36B), and the United States (\$23.9B)⁴.

As of 2022, Saudi Arabia had a positive trade balance of \$133.77 billion. This is a significant increase from previous years, indicating a strong export economy. In terms of imports, Saudi Arabia's top imports are Cars (\$13.2B), Broadcasting Equipment (\$5.43B), Gold (\$5.22B), Refined Petroleum (\$4.87B), and Packaged Medicaments (\$3.08B). The majority of these imports come from China (\$36.5B), United Arab Emirates (\$27.8B), United States (\$11B), India (\$10.1B), and Germany (\$7.1B).

Saudi Arabia's economic growth reached 7.5% in 2022, which would be the kingdom's fastest rate of growth since 2011. This growth is primarily driven by the non-oil sector, which is expected to continue its trajectory for growth, estimated at 4% in 2022.

Saudi Arabia's negotiations with developing countries and its foreign economic scheme are also noteworthy. The country has been forging strong partnerships with various countries and international organizations, as evidenced by its nearly five-decade-long partnership with the United Nations Development Program. Saudi Arabia's central geographic position, cultural influence, investment firepower, and abundant natural resources make it a key international player.

Despite challenges such as global economic shifts and the ongoing transition away from fossil fuels, Saudi Arabia has shown resilience and adaptability. Its transformation in recent years has been unparalleled, with private sector participation of nationals at an all-time high and its gross

⁴ OEC-SAUDI ARABIA: <https://oec.world/en/profile/country/sau>

domestic product exceeding \$1 trillion for the first time. As such, Saudi Arabia is likely to continue playing a significant role in the global economy.

EXPORTS (2022)

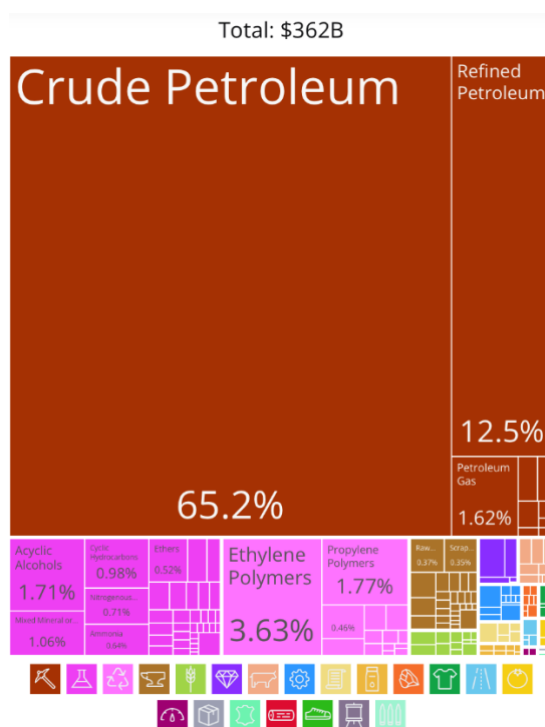


Figure 1 (<https://oec.world/en/profile/country/sau>)

DESTINATIONS (2022)

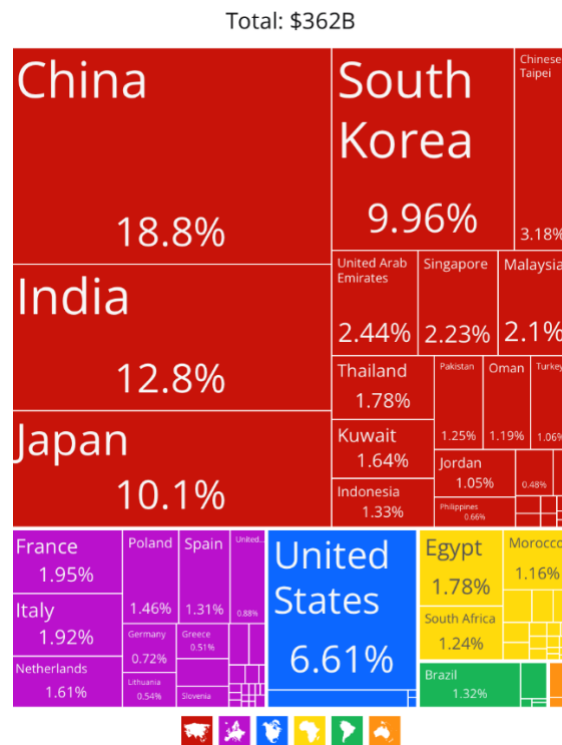


Figure 2 (<https://oec.world/en/profile/country/sau>)

1.4 CARICOM and SAUDI ARABIA Mutual Interests

The Saudi Arabia-CARICOM Summit November 2023, held in Riyadh, was a significant milestone in the relationship between the two regions. The leaders of both regions came together to promote peace, security, stability, and prosperity through mutual respect and cooperation. They explored potential areas of collaboration, including education, health, maritime cooperation, connectivity, logistics, food security, energy security, and tourism.

One of the summit's key outcomes was the agreement to strengthen ties at both multilateral and bilateral levels, and globally. This was aimed at pursuing opportunities for sustainable development, peace, security, stability, tourism infrastructure development, and creating business opportunities in the ICT/Global Digital Services sector. In particular, the leaders agreed to join efforts to promote the latter goal through mutual respect and cooperation between countries and regions. Their goal is to achieve sustainable development and progress while maintaining the rules-based international order, grounded in adherence to international law and the UN Charter.

A significant focus of the summit was the promotion of trade and investment relations between Saudi Arabia and CARICOM. The leaders agreed to enhance public-private partnerships and business-to-business relations between both regions. This is seen as a crucial step towards boosting trade and investment flows, which could lead to economic growth and development in both regions. The leaders recognized the importance of creating an enabling environment for businesses and investors and committed to working together to remove barriers to trade and investment. They also discussed the potential for Saudi Arabia to invest in key sectors in the Caribbean, such as renewable energy, tourism, and agriculture. In particular, the Saudi Arabian leadership affirmed its goal to investigate investment opportunities within the food and agriculture sectors, while also fostering the exchange of expertise, research, modern technologies, and best practices in alignment with Saudi Arabia's Vision 2030. Moreover, Saudi Arabia shares the CARICOM countries' concerns regarding climate change, environmental preservation, and the promotion of sustainable clean energy. The nation actively supports all related endeavors, including the Middle East Green Initiative and the Global Water Organization.

Continuing its pioneering role in providing global humanitarian and developmental aid, Saudi Arabia consistently ranks among the top 10 donors to low and middle-income countries. Over nearly four decades, the Saudi Fund for Development (SFD) has extended its developmental activities to CARICOM member countries. In 2023, it has allocated approximately \$670 million to fund development projects that include expansion project of the University of the West Indies at Five Islands in Antigua and Barbuda, the Family Island Airport Renaissance Project in The Bahamas, the Climate Smart Infrastructure Project in Grenada, the construction of the Tertiary Level Hospital Project in Belmopan (Belize), and the establishment of a solar power station in Belize. Saudi Arabia is also interested in the Caribbean as part of its objectives for attaining food and energy security⁵. Saudi Arabia possesses around 17 per cent of the world's proven petroleum reserves.

With the global energy transition, Saudi Arabia is looking for ways to sustain its rapid economic growth. The Caribbean, being a source of various minerals and having vast amounts of maritime resources, presents potential opportunities for Saudi Arabia. Furthermore, the

⁵ JOINT STATEMENT, SAUDI-ARABIA CARICOM SUMMIT: <https://caricom.org/joint-statement-saudi-arabia-caricom-summit-riyadh-kingdom-of-saudi-arabia16-november-2023/>

Caribbean provides an attractive market for Saudi Arabian products and investments. The Caribbean can be an entry point for Saudi Arabian products to the Canadian, EU and USA markets. CARICOM countries provide a “production platform” due to preferential arrangements provided by the Caribbean Basin Economic Recovery Act, Caribbean-Canada Trade Agreement and the CARIFORUM–EU EPA.

Finally, the leaders expressed their support for Saudi Arabia’s bid to host Expo 2030 in Riyadh, highlighting the importance of organizing regional and international exhibitions to reenergize economic and cultural exchanges. This underscores the shared vision and commitment of both regions to strengthen their partnership and cooperation.

CHAPTER 2: CARICOM and Saudi Arabia's Trade Objectives

This chapter delineates the trade policies of both CARICOM and Saudi Arabia, highlighting their principal values and focal points. A comparative analysis of these policies is conducted to uncover commonalities, which could potentially indicate areas for collaboration and help define the nature of the relationship that could be established between the two parties.

2.1 CARICOM's Trade Objectives

The content in this section draws from both the RTC 2001 and the Strategic Plan for the Community, endorsed in 2014. CARICOM's objectives are articulated in broad, aspirational terms, posing challenges in identifying precise economic and trade strategies. However, despite this challenge, the expansive nature of these objectives might prove advantageous, providing flexibility over time as the relationship between CARICOM and Saudi Arabia evolves.

2.1.1 The RTC

To highlight CARICOM's trade objectives, the following section critically analyses the most important provisions of the RTC. As stated in the first chapter, the RTC framework within the Caribbean Community serves as a pivotal strategy aimed at bolstering economic resilience and sustainable development throughout the region. Through collaborative efforts among member states, the RTC of CARICOM aims to enhance competitiveness, spur innovation, and stimulate growth in key sectors vital to the region's prosperity.

The Agricultural Policy of the Community, as articulated in Article 56, sets forth a vision for enhancing the agricultural sector, elevating the quality and yield of agricultural products, ensuring food security and poverty reduction, and promoting the sustainable use of natural resources. Within this framework, there have been several significant improvements in the agricultural sector CARICOM. For instance, CARICOM has been focusing on strengthening sustainable agriculture in the Caribbean. This includes the production and export of traditional bulk commodities like bananas, sugar, rice, coffee, and cocoa. Moreover, CARICOM has initiated the "Vision 25% by 2025" plan, which outlines actions and critical areas of intervention to tackle the region's mushrooming food import bill and improve intra-regional

trade.⁶ This initiative aims to create wealth and economic opportunity for the agriculture sector for every CARICOM Member State.

Article 78 delineates the trade objectives of CARICOM, emphasizing the importance of sustained growth in community and international trade, and the reciprocal exchange of goods and services among Member States and between the Community and third States. This policy underscores the significance of preserving community trade and economic development while forging connections with other trading partners. For instance, all the CARICOM countries have introduced a series of export promotion measures, including fiscal incentive regimes and export financing schemes. These measures are part of CARICOM's policy of trade liberalization, which has generally resulted in the reduction of tariffs.

The instruments for export promotion include the Common External Tariff, fiscal incentives, government capital expenditure, export financing schemes, and trade diplomacy. These policies reflect the growing recognition of the importance of export promotion policies and led to the adoption of a program for the Harmonization of Fiscal Incentives to Industry in 1993.⁷ In pursuit of the trade policy, Article 78(2) outlines objectives that include the complete integration of Member States' markets, expansion of the Community market area, active promotion and export of internationally competitive Community products, and securing favorable trade terms for Community products exported to third States and groups of States.

The Community Industrial Policy, outlined in Article 51, advocates for a market-driven, internationally competitive, and sustainable production of goods to foster the region's economic and social development. For instance, in response to the COVID-19 pandemic, CARICOM has been making concrete steps to formulate the community industrial policy.⁸ This includes strategies and measures aimed at building enabling industrial systems (infrastructure, financial systems) and productive capacity (including assets, technology, and skills), and supporting the development of internal and export harmonized markets. Furthermore, CARICOM has put in place harmonized sustainable and World Trade Organization (WTO)-compatible incentives for encouraging Micro, Small, and Medium Enterprises (MSME)

⁶ Vision 25% by 2025: <https://agricarib.org/wp-content/uploads/2024/04/overview-of-agriculture-caricom-policy-2023-final.pdf>

⁷ https://caricom.org/documents/10008-trade_brief_vol_7_trade_agreements_state_of_play_and_opportunities.pdf

⁸ <https://www.caricomstats.org/E-CISTAR/2023/02/24/industrial-policy-and-post-covid19-economic-transformation-in-caricom/>

exports and growth and for promoting domestic, regional, diaspora, and foreign investment for sustainable development. Also, many CARICOM countries have relied on Sir W. Arthur Lewis' industrialization by investment, which sought to promote industrialization by encouraging foreign direct investment through fiscal and other incentives.

Article 134 encapsulates the Community Transport Policy, which aims to provide adequate, safe, and internationally competitive transport services for the development and consolidation of the CSME.⁹ The objectives of this policy encompass the organization of efficient, safe, and affordable air and sea transport services throughout the Community, expansion of transportation capabilities, and the development of human resources for employment in all areas and at all levels of the transport sector. This policy was affirmed by Saudi Arabia during the CARICOM-Saudi Arabia 2023 Summit. For instance, in a bid to streamline the operational aspects of air transportation, the Ministry of Transport and Logistics in Saudi Arabia and the Ministry of Tourism and International Transport in Barbados inked a memorandum of understanding in November 2022. This agreement encompasses various operational facets concerning air transport and the flexibility of designating national carriers. Furthermore, it emphasizes cooperation between the two entities, grounded in mutual benefit and respect, in alignment with the prevailing regulations, laws, and directives in both countries.

These objectives, akin to those found in the Industrial and Trade Policies, underscore the necessity to maintain harmonious relationships among CARICOM Members while bolstering ties with third States.

2.2 CARICOM Secretariat Strategic New Plan for 2022-2030

The CARICOM Secretariat Strategic Plan for 2022-2030 represents a significant shift in the Community's approach to strategic planning. This plan is a testament to the Community's commitment to securing a viable, sustainable, and prosperous future for all its members. It underscores the importance of creative, collaborative, relevant, and effective strategies in achieving this goal.

The plan places a strong emphasis on strengthening the ability of Member States to recover from economic shocks. This is evident in the Community's Economic Advocacy Programme,

⁹ OAS-Foreign Trade Information System: http://www.sice.oas.org/trade/caricom/caricind_text.asp

which focuses on major threats to Member States' macroeconomic stability and financial resilience. Key issues such as de-risking, loss of correspondent banking, and blacklisting as non-cooperative jurisdictions in the area of tax governance and Anti-Money Laundering/Combating the Financing of Terrorism (AMLCFT) are given particular attention.

Furthermore, the plan recognizes the critical challenges facing the Region, such as post-COVID economic recovery, climate change and climate finance, digitization, and the primacy of information and communication technology. It also acknowledges the need to avoid blacklisting and other forms of unequal application of ever-changing rules.

The Strategic Plan commits the Secretariat to driving the Caribbean Community's efforts to deepen economic integration, enhance the effectiveness of decision-making and implementation, strengthen the coordination of policies with third states, and build robust platforms for effective functional co-operation amongst Member States.¹⁰ This is to be achieved through the strengthening of strategic relationships with International Development Partners (IDPs).

In conclusion, the CARICOM Secretariat Strategic Plan for 2022-2030 is a comprehensive and forward-thinking document that addresses the key challenges facing the Community. It sets out a clear path for the Community's development over the next decade, focusing on areas of strategic importance and outlining concrete steps to achieve its goals. The success of this plan will depend on the effective implementation of these strategies and the continued commitment of all Member States to the shared vision of a viable, sustainable, and prosperous Community.

2.2.1 The CARICOM Strategic Plan for 2022-30 v. CARICOM Strategic Plan for 2015-2019

The **CARICOM Secretariat Strategic Plan for 2022-2030** differs from the previous plan in several keyways. The new plan represents a shift in thinking, planning, and approach that ensures enhanced cross-directorate collaboration, accountability, transparency, and communication, both internally and with stakeholders across the Community. The new plan places a strong emphasis on strengthening the ability of Member States to recover from economic shocks. This is evident in the Community's Economic Advocacy Programme, which focuses on major threats to Member States' macroeconomic stability and financial resilience.

¹⁰ <https://caricom.org/caricom-secretariat-strengthening-focus-on-partnerships/>

The new plan recognizes the critical challenges facing the Region, such as post-COVID economic recovery, climate change and climate finance, digitization, and the primacy of information and communication technology. The new plan commits the Secretariat to driving the Caribbean Community's efforts to deepen economic integration, enhance the effectiveness of decision-making and implementation, strengthen the coordination of policies with third states, and build robust platforms for effective functional co-operation amongst Member States. This is to be achieved through the strengthening of strategic relationships with International Development Partners (IDPs).

In conclusion, while the previous plan laid the groundwork for strategic planning within CARICOM, the new plan builds upon this foundation by introducing new strategic priorities, addressing emerging challenges, and emphasizing the importance of collaboration, accountability, and transparency.

2.2.2 A New Approach

The first point refers to a significant shift in the approach of the CARICOM Secretariat Strategic Plan for 2022-2030. This shift is characterized by a change in thinking, planning, and approach that ensures enhanced cross-directorate collaboration.

Cross-directorate collaboration refers to the cooperation between different directorates or departments within the CARICOM Secretariat. This is crucial for ensuring that all parts of the organization are working towards the same goals and that resources are used efficiently.

The plan also emphasizes the importance of accountability, transparency, and communication. Accountability ensures that all actions and decisions taken by the Secretariat are answerable and justifiable. Transparency is about being open and honest about the actions and decisions that are made. Communication, both internally and with stakeholders across the Community, is vital for ensuring that everyone is informed and can contribute to the decision-making process.

Finally, the plan highlights the need for strengthened partnerships with all relevant regional and international institutions. These partnerships can provide additional resources and expertise and can also help to ensure that the actions of the CARICOM Secretariat are aligned with broader regional and international goals.

In conclusion, the shift in approach in the CARICOM Secretariat Strategic Plan for 2022-2030 is about ensuring that the organization works in a more integrated, accountable, transparent, and collaborative way, and that it forms strong partnerships to achieve its goals.

2.2.3 Emphasis on Economic Resilience

The CARICOM Secretariat Strategic Plan for 2022-2030 places a strong emphasis on economic resilience. This is particularly evident in the Community's Economic Advocacy Program, which focuses on major threats to Member States' macroeconomic stability and financial resilience. Key issues such as de-risking, loss of correspondent banking, and blacklisting as non-cooperative jurisdictions in the area of tax governance and Anti-Money Laundering/Combating the Financing of Terrorism (AMLCFT) are given particular attention. These issues pose significant challenges to the economic stability of the member states and addressing them is crucial for building economic resilience.

The **Economic Advocacy Program of the CARICOM** is a key component of its strategic plan. This program focuses on major threats to Member States' macroeconomic stability and financial resilience. It addresses key issues such as de-risking, loss of correspondent banking, and blacklisting as non-cooperative jurisdictions in tax governance and Anti-Money Laundering/Combating the Financing of Terrorism (AMLCFT).

In practice, the Economic Advocacy Program works by implementing strategies and policies that help to mitigate these threats and enhance the economic resilience of the member states. This includes tightening a loose common external tariff and intraregional trade policy, integrating more fully labor and capital markets, and deepening “functional cooperation” – pooling resources to improve efficiency in the delivery of public services.

Furthermore, the program also involves devising and implementing strategies for “inserting” the CARICOM economies into a dynamic and competitive global economy in the wake of expiring preferential trade arrangements with its two largest trade partners, the United States and the European Union (EU).

It's worth noting that the success of the Economic Advocacy Program, like any strategic initiative, depends on effective implementation and the continued commitment of all Member States.

2.2.4 Addressing New Challenges

The **CARICOM Secretariat Strategic Plan for 2022-2030** is a forward-thinking document that recognizes and addresses the critical challenges facing the region.

1. **Post-COVID Economic Recovery:** The pandemic has had a significant impact on the economies of the CARICOM member states. The plan outlines strategies for economic recovery, such as strengthening healthcare systems, boosting local industries, and improving social safety nets.
2. **Climate Change and Climate Finance:** The Caribbean region is particularly vulnerable to the effects of climate change. The plan includes strategies for mitigating these effects, such as investing in renewable energy, promoting sustainable agriculture, and securing climate finance for adaptation and mitigation projects. The **CARICOM Secretariat Strategic Plan for 2022-2030** does not provide specific details about individual renewable energy projects. However, it does emphasize the importance of expanding the energy mix and increasing the share of renewable energy in electricity generation capacity. The strategy includes reaching a **47% share of renewable energy** in electricity generation capacity by 2027. This is a significant increase and demonstrates the Community's commitment to transitioning towards more sustainable and resilient energy systems. The plan also focuses on promoting energy efficiency, which is another important aspect of sustainable energy management⁴. Energy efficiency measures can help to reduce energy consumption and costs, improve energy security, and reduce greenhouse gas emissions. While the plan sets out these broad strategic objectives, the implementation of specific renewable energy projects would likely be carried out at the national level by the individual member states. These projects could include a range of technologies such as solar, wind, hydro, and geothermal energy, depending on the resources available in each country.
3. **Digitization:** The plan recognizes the importance of digital technologies in driving economic growth and improving public services. It outlines strategies for promoting digitization, such as improving digital infrastructure, promoting digital literacy, and fostering innovation in the digital sector.

4. **Primacy of Information and Communication Technology (ICT):** ICT is seen as a key enabler of development. The plan includes strategies for leveraging ICT to improve governance, enhance service delivery, and promote innovation.
5. **Avoiding Blacklisting and Other Forms of Unequal Application of Ever-Changing Rules:** The plan acknowledges the need to comply with international standards to avoid blacklisting and other punitive measures. It outlines strategies for enhancing regulatory compliance and engaging in advocacy at the international level.

These strategies demonstrate the plan's commitment to addressing these challenges in a comprehensive and effective manner, thereby ensuring the long-term prosperity of the CARICOM Community.

2.2.5 Strengthening Strategic Partnership

This point emphasizes the importance of building and maintaining strong relationships with IDPs and other relevant regional and international institutions.

In practice, this involves working closely with these partners to align strategies, share knowledge, and leverage resources. These partnerships can provide additional resources and expertise and can also help to ensure that the actions of the CARICOM Secretariat are aligned with broader regional and international goals.

The plan commits the Secretariat to driving the Caribbean Community's efforts to deepen economic integration, enhance the effectiveness of decision-making and implementation, strengthen the coordination of policies with third states, and build robust platforms for effective functional co-operation amongst Member States. This is to be achieved through the strengthening of strategic relationships with IDPs.

These strategic relationships are crucial for achieving the Community's goals. They enable the Community to tap into a wider pool of resources, knowledge, and expertise, and they also provide a platform for the Community to advocate for its interests at the regional and international level.

In conclusion, strengthening strategic relationships is a key priority in the CARICOM Secretariat Strategic Plan for 2022-2030. It reflects the Community's recognition of the importance of collaboration and partnership in achieving its strategic objectives.

2.3 SAUDI ARABIA's Trade Objectives

Saudi Arabia, a key player in the global economy, has been actively redefining its trade objectives to align with its ambitious Vision 2030 and WTO Trade Policy Reviews. The nation's trade objectives are multifaceted, encompassing a broad spectrum of economic, social, and environmental goals.

At the heart of Saudi Arabia's trade objectives is the aspiration to diversify its economy beyond oil. This is reflected in the nation's commitment to becoming a global investment powerhouse. Saudi Arabia aims to harness its strong investment capabilities to stimulate its economy and diversify its revenues. This includes transforming Aramco from an oil producing company into a global industrial conglomerate and transforming the Public Investment Fund into the world's largest sovereign wealth fund.

Another key objective is to leverage Saudi Arabia's unique strategic location to become a global hub connecting three continents: Asia, Europe, and Africa. Given its geographic position between key global waterways, Saudi Arabia is poised to become an epicenter of trade and the gateway to the world.

Saudi Arabia is also committed to building world-class supply chains through high productivity, advanced manufacturing, and cost-competitive flow of goods and services. This includes improving the legislative and financing environment, raising the participation of industrial SMEs, and increasing the participation of the industrial sector in the local content.

Furthermore, Saudi Arabia has been implementing trade facilitating measures and opening several economic sectors, including through privatization and by shortening the negative list for investments. These measures are aimed at improving the business environment and attracting foreign investments.

In conclusion, Saudi Arabia's trade objectives are comprehensive and forward-thinking, reflecting the nation's commitment to economic diversification, global integration, and sustainable development. The success of these objectives will play a crucial role in shaping Saudi Arabia's economic future and its position in the global economy.

CHAPTER 3: Examination of Economic, Trade, and Investment Agreements

3.1 An Overview of Existing Agreements: Analyzing the SA-CARICOM Summit

Existing sources published to date do not extensively disclose the specified agreements between Saudi Arabia and CARICOM, leaving considerable room for ambiguity on the precise parameters of future arrangements while also presenting the possibility for opportunistic discussions regarding the matter. The inception source that structures this section and the majority of the proposal is the joint statement published by both nations on November 17th, 2023, marking the inaugural Saudi Arabia-CARICOM Summit in the Riyadh, Saudi Arabia.¹¹

Leaders from both regions came together not only to acknowledge their shared appreciation but to further discuss their partnership with respect to potential growth opportunities that can be cultivated from their active collaboration. The joint statement lists out 17 declarations with the primary focus on fostering each region's economic growth. The breakdown of the statement's bulletins allow for greater understanding on the combined vision for mutual agreements between both parties.

The first two bulletins can be categorized as a testament to establish arrangements which adhere to the international law and customs, as they affirm joint efforts in installing peace and stability with respect to the UN Charter. It further explains the areas of mutual interest being education, health, food, energy security and the Sustainable Development Goals – essentially, numerous areas to enhance citizen wellbeing and national prosperity.

The third and fourth points delve into areas to develop the trade and investment relations beyond the beforementioned (security, peace, infrastructure), and highlights opportunities in business-to-business relationships, especially in the digital services sector, new physical and online platforms, exhibitions, and conferences. In particular, these list out predominantly investment opportunities to propel economic growth and can already be understood in bulletin five with CARICOM's pledge of support for Saudi Arabia to host the 2030 Expo in Riyadh. To a certain extent this also represents an exchange of investment to gain economic power.

¹¹ *Joint statement, Saudi Arabia-caricom summit, Riyadh, Kingdom of Saudi Arabia (2023) CARICOM.* Available at: <https://caricom.org/joint-statement-saudi-arabia-caricom-summit-riyadh-kingdom-of-saudi-arabia16-november-2023/> (Accessed: 22 June 2024).

The joint statement also presents numerous bullets addressing investments towards the imposition of sustainable practices to diminish climate change. This is showcased in bullet six describing processes for sustainable food production, agriculture, water control, and the technologies associated with it. Similarly, the bullets 11 and 12, describe their mutual commitment towards reducing carbon emissions and the impact of climate change on the environment through promoting clean technologies. This is also an agreement working especially in CARICOM's favor as the agreement is to support the individual states to have access to funds geared towards protecting them from climate change. Conversely, this will also assist Saudi Arabia and their Middle East Green Initiative (MGI) by hosting a secretariat and dedicating 2.5 million USD to the initiative. In addition, bullet 14 further mentions Saudi Arabia's launch of an international water organization in anticipation to provoke more global engagement. This evince a mutual benefit from both regions in creating investment agreements regarding environmental sustainability, as it confers Saudi Arabia the ability to branch out sustainable practices, while CARICOM can receive funds to enforce climate change protection.

The last section of the statement focuses on the support for hosting future events in Saudi Arabia, as we have seen prior with CARICOM pledging support for Saudi Arabia to host the Expo 2023. Similarly, the summit had both parties endorse Saudi Arabia hosting the 2034 world cup and encouraging CARICOM to host the ICC T20 World Cup in 2024. In this case, it is evident that Saudi Arabia's strength from the summit agreement does not reside per se in trade and purely economic objectives, but also to gain political powers which will reinforce their international reputation and economic progress.

The conclusionary note of the summit's joint statement confirmed to hold the second summit in 2026, to further continue their collaboration, which might initially seem inconsiderable relative to the prior but does highlight the intention of both regions to commit towards establishing agreements building towards the long-term future.

3.2 SA-CARICOM's Investment Projects

3.2.1 Individual Agreements with Caribbean Countries

The prior section discussing the key points of the summit's joint statement reveals that the agreements between Saudi Arabia and CARICOM have a strong focus on monetary investment to reinforce global ties. In particular, Saudi Arabia plans to invest considerably in CARICOM

countries, while in the converse CARICOM pledges substantial support for Saudi Arabia's international presence.

In particular, the joint statement is coincided with the publication of multiple loan agreements of various CARICOM countries with Saudi Arabia.¹² The first primal investment agreement regards to the announcement of a 41 million USD loan from Saudi Arabia's Saudi Fund for Development (SFD) by the Dominica national parliament. The loan is primarily directed to establish the Rosseau Enhancement Project and the development of a new entertainment center with the loan's repayment terms lasting for 20 years.¹³

Another Saudi loan was granted to Barbados with a value of 100 million USD by the SFD to fund the development of new sustainable housing and water infrastructure. The improvement of water infrastructure will also be provided to St. Kitts and Nevis. Following the summit St. Kitts and Nevis also agreed in 2024 to a 40 million USD loan from the SFD for the development of clean energy power station which further adheres to the sustainability objectives.¹⁴ Similarly, Saint Vincent and the Grenadines took a 50 million USD loan from the SFD of which approximately 30 million USD will also be used for rehabilitation and infrastructure projects.¹⁵ These are noteworthy examples of investment projects that will improve the living conditions in CARICOM member states, while providing the means towards a lasting future.

Non-monetary investment agreements were also established. Jamaica strengthened relations with the SFD and has accepted a memorandum conferring Jamaica with loan facilities for future projects. Haiti also signed a framework memorandum with the SFD in order to grant funding and boost their economic growth in a sustainable manner. Other CARICOM member states such as Grenada have received permission for practitioners to visit Saudi Arabia for discussions regarding recommendations, policies, and future investments regarding certain public infrastructure projects. Even negotiations regarding the increase a flight traffic between

¹² 'Growing Saudi Influence after Inaugural Caricom Summit' (*The Caribbean Council*, 2 December 2023) <<https://www.caribbean-council.org/growing-saudi-influence-after-inaugural-caricom-summit/>> accessed 23 June 2024

¹³ Caribbean Times, 'Dominica-Parliament Gives Green Light to Saudi Arabia Loan.' (*Caribbean Times*, 10 November 2023) <<https://caribbeantimes.com/dominica-parliament-gives-green-light-to-saudi-arabia-loan/>> accessed 23 June 2024

¹⁴ 'Saudi Fund for Development, St. Kitts and Nevis Sign Energy Loan Agreement' (*Arab News*, 16 April 2024) <<https://www.arabnews.com/node/2494336/business-economy>> accessed 23 June 2024

¹⁵ 'Growing Saudi Influence after Inaugural Caricom Summit' (*The Caribbean Council*, 2 December 2023) <<https://www.caribbean-council.org/growing-saudi-influence-after-inaugural-caricom-summit/>> accessed 23 June 2024

the two regions has transpired, as both Caribbean Airlines and Saudi Airlines want to increase direct accessibility between the two regions.¹⁶

This reveals two defining features regarding the harmonizing ties between CARICOM and Saudi Arabia. The first emphasizes the widespread investment of Saudi Arabia across the Caribbean community, aiming to develop relationships amongst various countries and not solely a particular group. The second reinforces our prior deduction that the majority of agreements are investments (monetary and non-monetary) with primary focus on infrastructure projects to enhance CARICOM member states sustainable development and contribute to their national welfare.

The monetary agreements between SFD and CARICOM amounts to approximately at approximately 675 million USD exemplifying the sheer magnitude of the partnership occurring¹⁷, especially considering this amount equivalent the GDP of certain CARICOM member states. In the eyes of Saudi Arabia's minister of Investments, he characterizes the Caribbean as “a high priority economic and business opportunity for Saudi Arabia”.¹⁸ The Saudi minister of tourism further asserts that the primary goal is to attract investment and encourage tourism while addressing climate change. More importantly, he proclaimed that the support of CARICOM in Saudi Arabia hosting the Expo 2030 is also one of the cornerstones of the partnership.

The SFD's involvement in mainly providing loans to Caribbean countries is the predominant agreement format that will continue to take place from the summit discussions in November 2023. The past four decades also recalls Saudi's involvement in the Caribbean occurring by the granting of loans in different public sectors.¹⁹ The provision of loan funding to Caribbean countries can optimistically be seen as one of the most supportive methods for the development of CARICOM. And considering many of the projects are also geared towards increasing

¹⁶ ‘Growing Saudi Influence after Inaugural Caricom Summit’ (*The Caribbean Council*, 2 December 2023) <<https://www.caribbean-council.org/growing-saudi-influence-after-inaugural-caricom-summit/>> accessed 23 June 2024

¹⁷ ‘Saudi Arabia Explores Investment Opportunities in Caribbean Community | Arab News’ (*Arab News*, 16 November 2023) <<https://www.arabnews.com/node/2409861/business-economy>> accessed 23 June 2024

¹⁸ ‘Saudi Arabia Explores Investment Opportunities in Caribbean Community | Arab News’ (*Arab News*, 16 November 2023) <<https://www.arabnews.com/node/2409861/business-economy>> accessed 23 June 2024

¹⁹ ‘Saudi Arabia Explores Investment Opportunities in Caribbean Community | Arab News’ (*Arab News*, 16 November 2023) <<https://www.arabnews.com/node/2409861/business-economy>> accessed 23 June 2024

tourism appeal, it could prompt economic progress for CARICOM, in which Saudi Arabia could realize their loans paid back while having strengthened strategic ties for international support. In conclusion, the current agreements establishes suggest the potential of Saudi Arabia and CARICOM relations to progress through the continuous investment schemes enacted by loan provisions.

3.2.2 The Saudi Fund for Development

The common trend that has arisen in the former subsections is the overarching involvement of the SFD in setting up agreements with CARICOM member states on behalf of Saudi Arabia. From prior research, this likely the broadest avenue in which investment agreements will be formulated and thereby demands further insight on understanding the functioning of the SFD and the role in setting up future arrangements.

Established in September 1974 and initiating the work within a year from its inception, their fundamental mission is to render financial assistance programs to developing countries spanned across the world. Categorized as a national institution and thereby being backed with capital funding from Saudi Arabia's government, the SFD has received over a billion Saudi Riyals to invest in such projects.²⁰ While the tools of assistance they can range from financial, to technical, and human assistance, their main mechanism is the provision of loans which will financially back development programs.²¹ The SFD is also importantly part of a coordination group consisting of nine other institutions which coordinate with each other development projects to stimulate efficiency and align mutual initiatives.²²

Nonetheless, the more interesting component is understanding where the SFD operates and in which sectors, in order to pinpoint the scope of their operations. Publications by the SFD claim that their financial support is directly at countries which are less developed and face a shortage

²⁰ 'What Is SFD: SFD Portal' (*What is SFD | SFD Portal*) <<https://www.sfd.gov.sa/en/page/what-sfd>> accessed 23 June 2024

²¹ 'Who Are We?: SFD Portal' (*Who Are We ? | SFD Portal*) <https://www.sfd.gov.sa/en/who_are_we> accessed 23 June 2024

²² 'Coordination Group: SFD Portal' (*Coordination Group | SFD Portal*) <<https://www.sfd.gov.sa/en/page/coordination-group>> accessed 23 June 2024

of national resources. The SFD further mentions that their bulk of operation takes place in Asia and Africa.²³

The scope of their operations describing which developmental projects they direct their loan provisions encompasses transport and communication networks, health care, human resource development, energy infrastructure, food security, environmental sustainability, housing infrastructure, mining.²⁴ As shown already, several of these sector groups already mentioned in the projects of the prior section, which revealed a strong pattern amongst energy infrastructure, water management, and sustainability. Notably, these are most likely the areas of focus for CARICOM, yet this also reveals further potentialities in new projects which may be launched in the future concerning other sectors such as strengthening networks, human resources, and housing infrastructure once existing needs have been met. What is truly interesting to note, is that the SFD has the means to invest in projects which can contribute to CARICOM's welfare from a myriad of economic sectors in the long-term. So, while the partnership between the two regions is rather new, it has considerable potential to maintain longevity in the future according to the rather broad scope of the SFD and their general purpose.

²³ 'Where We Work: SFD Portal' (*Where We Work | SFD Portal*) <<https://www.sfd.gov.sa/en/page/law-saudi-fund-development>> accessed 23 June 2024

²⁴ 'Where We Work: SFD Portal' (*Where We Work | SFD Portal*) <<https://www.sfd.gov.sa/en/page/law-saudi-fund-development>> accessed 23 June 2024

CHAPTER 4: An Evaluative Comparison with Other Trade Agreements

4.1 Saudi Arabia's Trade Agreements

This section discusses Saudi Arabia's existing trade and economic agreements with some of their current key global partners to gather an understanding of their trade behavior evolution in relation to other countries. Hereby, it is discussed that Saudi Arabia's trade and economic agreements with established global partners being China, Japan, and South Korea.

4.1.1 Trade Agreements with China

Saudi Arabia and China boast over thirty years of strategic collaborations with each other in retrieving mutual benefits. Saudi Arabia is considered China's largest trade partner in the Middle East and North Africa. Saudi Arabia is considered China's largest supplier of crude oil. On the other hand, China is Saudi Arabia's biggest merchandise supplier. Both trade agreements export valuations surmounting billions of USD. While both countries mark considerable exports in physical goods and raw materials, trade agreements have also shifted towards Saudi Arabia seeking connections to reinforce national security and defense following the drawback of US' involvement in the Middle East.²⁵

This describes an economic relationship which is notably different from what has been mentioned prior with Saudi Arabia with CARICOM. As with China, the predominant focus resides on the physical export of goods which can be mutually valued in benefits received at the current point in time regarding regular economic transactions. China and Saudi Arabia's agreements further align considerably with their own national projects as Saudi Arabia's crown prince acknowledged that China's Belt Road Initiative integrates substantially with Vision 2030 to further enhance their strategic partnership.²⁶ In commonality with the CARICOM agreements, we recognize an intention for increased connectivity to further realize diplomatic relationships. Herewith, the common pattern we recognize in China-Saudi Arabia relations is a longstanding partnership which is not solely built on trade agreement but on the intention to create enhanced network and accessibility for future agreements and support.

²⁵ Ali L, 'Saudi Arabia Developing a Partnership with China' (*GRC*, 18 October 2022) <<https://www.grc.net/single-commentary/66>> accessed 23 June 2024

²⁶ '2030 Is An Ambitious Saudi Vision On The Path Of The Chinese Silk Road' (*Saudi Chinese Business Council*) <<https://scbcouncil.com/en/2030-is-an-ambitious-saudi-vision-on-the-path-of-the-chinese-silk-road/>> accessed 23 June 2024

4.1.2 Trade Agreements with Japan

Saudi Arabia's partnership with Japan started far more recently back in 2016 and has grown considerably since then. With similar trade agreements as China, Saudi Arabia is Japan's leading crude oil exporter taking in around 30% of volume from Saudi Arabia.²⁷ More importantly, Japan receives a lot more trade inflow in value from Saudi Arabia (36 billion USD) than Japan is exporting to Saudi Arabia (5 billion USD).²⁸ While the common pattern amongst these trade between these large economies is Saudi Arabia being the dominant exporter in crude oil, it is critical to understand their involvement in assisting each other to find other sustainable energy resources. Especially considering Saudi Arabia's Vision 2030 goal to move away from being solely a global oil exporter and not in other sources of energy or sectors.

Therefore, Japan is assisting Saudi Arabia with their development in clean energy and a circular carbon system with the conferring them Solar Power generation and hydrogen technology. During Japan's Gulf Tour in 2023, a personal meeting between the two nations saw the agreement of 26 memorandums on energy sector cooperation.²⁹ Later in the year, both countries partook in the investment forum which saw another 14 agreements being officialized, spanning across multiple public sectors, from finance (loan support) and energy infrastructure towards healthcare. Even company agreements were made to collaborate on wastewater technologies and treatments.³⁰ Herewith, both countries aim to combine sustainable objectives with their growing economies.³¹

Two key points can be taken away from these trade agreements. The first one considers the overall sectoral overlap between Saudi Arabia and Japan collaboration across public welfare sectors such as energy and water management with CARICOM. More notably, the economic agreements between Saudi Arabia and Japan are slightly more reciprocal in Saudi Arabia also receiving novelties on energy transition, water management, healthcare infrastructure and such.

²⁷ 'Japan, Saudi Agree to Deepen Energy, Investment Ties' (*The Cradle*, 17 July 2023)
<<https://thecradle.co/articles-id/6400>> accessed 23 June 2024

²⁸ 'Saudi Arabia (Sau) and Japan (JPN) Trade' (*The Observatory of Economic Complexity*)
<<https://oec.world/en/profile/bilateral-country/sau/partner/jpn>> accessed 23 June 2024

²⁹ 'Japan, Saudi Agree to Deepen Energy, Investment Ties' (*The Cradle*, 17 July 2023)
<<https://thecradle.co/articles-id/6400>> accessed 23 June 2024

³⁰ 'Saudi Arabia, Japan Sign Multiple Mous to Boost Bilateral Relations' (*Arab News*, 17 December 2023)
<<https://www.arabnews.com/node/2432111/business-economy>> accessed 23 June 2024

³¹ 'Saudi-Japanese Investment Agreements to Expand Economic Relations' (*Asharq Al-Awsat*)
<<https://english.aawsat.com/business/4436986-saudi-japanese-investment-agreements-expand-economic-relations>> accessed 23 June 2024

This is immensely important as a long-term SA-CARICOM partnership ties CARICOM members states together with innovation developed by other leading countries in the world. In a sense, this can be understood as a pass-through effect, as Saudi Arabia increasing global involvement and economic arrangements which support itself can further be passed on towards more developing nations.

4.1.3 Trade Agreements with South Korea

Saudi Arabia's partnership with South Korea also does not boast an extensive history and came into considerable development in the past five years. The comparative value of their trade exports is similar to Saudi Arabia and Japan, as Saudi Arabia exports approximately 36 billion USD of valued goods to South Korea of which 32 billion USD is crude oil, while South Korea's exports to Saudi Arabia are valued at nearly 5 billion USD in 2022.³² This recognizes another trade relationship which factually seems largely dependent on Saudi Arabia's oil exports.

Nonetheless, this partnership has witnessed recent developments with the Korea-Saudi Industry and Trade Association being launched in 2024 to develop ties regarding the integration of South Korean businesses in the Saudi Arabian market, especially with regard to Saudi Arabia's NEOM project.³³ It is a partnership focused on improving technological development and economic growth. In 2023, South Korea and Saudi Arabia held an extended meeting drafting a memorandum strategic partnership council, with further collaborative effort points identified on development of hydrogen energy and visa exemption negotiations.³⁴ The last influential occurrence is the military and security deal, where South Korea is exporting air defense systems to Saudi Arabia as part of 3.2 billion USD deal. Both having signed a memorandum to reinforce national defense, South Korea's role resides mainly as a supply of arms which dates back to 2017.³⁵

³² 'South Korea (KOR) and Saudi Arabia (Sau) Trade' (*The Observatory of Economic Complexity*) <<https://oec.world/en/profile/bilateral-country/kor/partner/sau>> accessed 24 June 2024

³³ Yoon-seung K, 'S. Korea-Saudi Arabia Trade Association Sets Sail with Goal of Broadening Ties' (*Yonhap News Agency*, 5 March 2024) <<https://en.yna.co.kr/view/AEN20240305007700320>> accessed 24 June 2024

³⁴ ArgaamPlus, 'Saudi Arabia, South Korea Sign Bilateral Agreements' (*ArgaamPlus*, 22 October 2023) <<https://www.argaam.com/en/article/article/detail/id/1678515>> accessed 24 June 2024

³⁵ Arthur G, 'Saudi Arabia Signs \$3.2B Deal for South Korean Air Defense Systems' (*Defense News*, 7 February 2024) <<https://www.defensenews.com/land/2024/02/07/saudi-arabia-signs-32b-deal-for-south-korean-air-defense-systems/>> accessed 24 June 2024

Evidently, the nature of CARICOMs partnership with Saudi Arabia is exceptionally different and based more on the provision of financial resources to directly improve living standards while receivers gives back international support in return. When comparing this to South Korea, and ultimately strip away agreements motivated by national security and energy exports, commonalities with prior partnership can be recognized (tourism and sustainability). Herewith it is acknowledged that the CARICOM Saudi Arabia relationship also has high potentiality to attain a reciprocal status upon longstanding arrangements in the future.

4.2 CARICOM's Trade Agreements

It is of utmost importance to comprehend the economic arrangements CARICOM has established with its other global partners to assess potential avenues for expansion concerning agreements with Saudi Arabia.

CARICOM currently holds agreements with the following countries in South America: Columbia, Costa Rica, Cuba, Dominican Republic, and Venezuela.³⁶ These were also named in the prior sections as their close global trade partners. The common features encompassing all these agreements is that these are quite commercially driven to facilitate effective trade of goods with minimal restrictions and create an open market to effectuate economic growth (as in the Cuba Agreement³⁷ and Costa Rica Agreement³⁸) This is accompanied by a framework to encourage investment in the conglomerate markets to further stimulate competition and their development in global markets (as seen in the Venezuela Agreement).³⁹ Most of these agreements are formulated based on the close proximity of these nations on the world map to promote economic growth, which is less applicable to the far distance of Saudi Arabia to CARICOM with respect to these countries. An agreement in this format is unlikely to further

³⁶ 'Trade Agreements' (*Caribbean Trade Law and Development*) <<https://caribbeantradelaw.com/trade-agreements/>> accessed 24 June 2024

³⁷ 'TRADE AND ECONOMIC CO-OPERATION AGREEMENT BETWEEN THE CARIBBEAN COMMUNITY (CARICOM) AND THE GOVERNMENT OF THE REPUBLIC OF CUBA' (*CARICOM*) <https://caricom.org/documents/15338-caricom-cuba_trade_and_economic_cooperation_agreement.pdf> accessed 24 June 2024

³⁸ 'AGREEMENT BETWEEN THE CARIBBEAN COMMUNITY (CARICOM), ACTING ON BEHALF OF THE GOVERNMENTS OF ANTIGUA AND BARBUDA, BARBADOS, BELIZE, DOMINICA, GRENADA, GUYANA, JAMAICA, ST. KITTS AND NEVIS, SAINT LUCIA, ST. VINCENT AND THE GRENADINES, SURINAME AND TRINIDAD AND TOBAGO AND THE GOVERNMENT OF THE REPUBLIC OF COSTA RICA' (*SICE*) <http://www.sice.oas.org/Trade/crcrcom_e/textagreement.pdf> accessed 24 June 2024

³⁹ 'Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Venezuela' (*SICE*) <<http://www.sice.oas.org/Trade/CARIVEN1.ASP>> accessed 24 June 2024

transpire between Saudi Arabia in CARICOM due to their lack of proximity, which urges attention to focus upon other arrangement with more distant communities.

In particular, the EU-CARIFORUM partnership Economic Partnership Arrangement founded in 2008, is designed similar to prior arrangements by easing investing and trading relationships between both regions. This concerns both in the public and private sector, permitting duty free market access and further allowing business originating from CARICOM to establish EU presence. The EU mutually benefits from CARICOM presence by the offering of new products and services thereby improving market access and integrating CARICOM businesses in the global market.⁴⁰ This is notably a potential avenue for future arrangements between CARICOM and Saudi Arabia which could stimulate economic growth for both parties by creating a more competitive international market.

⁴⁰ ‘The EU-CARIFORUM Economic Partnership Agreement’ (*Access2Markets*)
<<https://trade.ec.europa.eu/access-to-markets/en/content/eu-cariforum-economic-partnership-agreement>>
accessed 24 June 2024

CHAPTER 5: The Impact of Respective Trade Agreements

In this chapter, this paper highlights the impact of the Saudi Fund for Development (SFD) on CARICOM, emphasizing the importance of evaluating the success of SFD's past projects to predict future benefits. The SFD has been involved in over 800 projects globally, including significant commitments in Pakistan, Central Africa, and Gambia, showcasing its flexibility and long-term support. This track record suggests that CARICOM can expect sustained financial backing from the SFD for both new and ongoing projects, reinforcing the potential positive impact of their agreements.

Furthermore, this paper assesses that CARICOM has leveraged several key trade agreements to enhance regional economic integration and cooperation. The 2008 CARIFORUM-EU Economic Partnership Agreement (EPA) has significantly boosted trade and investment, leading to increased exports and diversification for many CARIFORUM countries. The Trade and Investment Framework Agreement (TIFA) and evolving trade relations with China and South American countries, particularly within the Mercosur bloc, have further strengthened economic ties and opened new opportunities. In conclusion, these agreements highlight the necessity of strategic planning, policy coherence, and capacity building to maximize their benefits and address emerging challenges.

5.1 The Impact of the SFD's Initiatives

In the prior sections we identified the foundational areas for analysis; discussing CARICOM's trade agreement with the SFD and providing a short overview of their existing agreements with other nations to understand what could be further applied to future arrangements. The lacking component yet to be discussed is the efficacy of how prior agreements have benefited CARICOM to comprehend the potential impact of agreements with the SFD. This starts with an assessment of how SFD's projects have provided the means to positively influence other countries and partners. However, it is considerably difficult to evaluate the success of the

projects, especially as a considerable amount consist purely of funding provisions to support development projects.

Therefore, we can assess their commitment and success based on their track record with countries which they have assisted in the past and the completion of such projects. This is especially important, as we do not have considerable figures and factual evidence to characterize some of the CARICOM projects. As of 2023, the SFD boasts the remarkable involvement in over 800 projects globally spanning across over 100 nations.⁴¹ One considerable partner of the SFD is Pakistan. As the SFD has committed themselves to provide clean energy to approximately 1,200 schools in Pakistan. In particular, the SFD has granted over 21 loans to Pakistan serving 21 different projects, of which 9 were still to be completed when dating back to the article's publishing in 2021.⁴² In 2023, it was further acknowledged that the SFD has provided financing to over 40 projects residing in Pakistan summing to over a billion USD of funding for sustainable practices in energy and irrigation, as shown in the multipurpose dam project.⁴³ This highlights the long-lasting commitment of the SFD, spanning across various years and multiple projects with one country. Thereby, it further identifies the feasibility of the SFD to collaborate on multiple projects coinciding in a singular nation.

Another critical example is the SFD flexibility in providing additional loan provisions to uncompleted projects which testifies their commitment in a historical sense and also CARICOM's capability to further rely on the SFD for support. This is showcased with officialization of a 20 million USD loan agreement in 2023 to Republic of Central Africa with regards to the reconstruction program which witnessed an initial endowment of 77 million USD.⁴⁴ A strong partnership of the SFD has also been established with Gambia which managed to receive 10.5 million USD loan in 2021 to finalize Gambia's international airport project which saw a 31 million USD loan. This strategic partnership is characterized with the SFD providing a total of 19 installments (5 grants, 14 loans) of funding worth over 200 million USD in a myriad of sectors related to energy, infrastructure, and education.⁴⁵ Ultimately, what is

⁴¹ [https://saudigazette.com.sa/article/637551/SAUDI-ARABIA/SFD-supports-vital-African-projects-with-over-\\$580-million-in-development-loans](https://saudigazette.com.sa/article/637551/SAUDI-ARABIA/SFD-supports-vital-African-projects-with-over-$580-million-in-development-loans)

⁴² <https://www.spa.gov.sa/2258634>

⁴³ <https://smartwatermagazine.com/news/saudi-fund-development-sfd/saudi-fund-development-contributes-240-million-support-pakistans>

⁴⁴ <https://www.sfd.gov.sa/en/n616>

⁴⁵ <https://www.businesswire.com/news/home/20211118005743/en/Saudi-Fund-for-Development-Marks-the-Completion-of-the-31-million-Banjul-International-Airport-Project-in-The-Gambia>

critical to understand is that the SFD has shown commitment in the past to provide a significant amount of continuous funding to projects that fall in the scope of the SFD, and assures that CARICOM member states could, in the long-term, potentially expect continuous loan support from the SFD not only for new projects but to finish existing ones.

5.2 A Brief History of the Impact of CARICOM's Trade Agreements

The Caribbean Community (CARICOM) has a rich history of trade agreements that have significantly impacted the economic landscape of the region. The CARIFORUM-EU Economic Partnership Agreement (EPA), signed in October 2008, is a landmark agreement that has facilitated trade and investment between the two regions. It is not just a trade in goods agreement; it includes commitments on trade in services, investment, trade-related issues such as competition policy, government procurement, intellectual property rights, as well as sustainable development aspects. This agreement has been instrumental in promoting regional integration, economic cooperation, and good governance. For instance, most CARIFORUM countries have seen similar or increased export levels compared to pre-crisis times, with some countries like Belize, Dominica, Dominican Republic, and Guyana experiencing encouraging growth. The agreement has also helped diversify CARIFORUM exports. Additionally, the CARIFORUM Intellectual Property and Innovation (CARIPI) Project has been successful in promoting EU-funded programs in the Caribbean.

The Trade and Investment Framework Agreement (TIFA) is another significant trade agreement, although the details about TIFA are not readily available in the search results. However, it is worth noting that TIFA agreements typically provide strategic frameworks and principles for dialogue on trade and investment issues between the parties involved.

Trade relations between CARICOM and China have also been evolving over the past two decades. The potential for a comprehensive economic and trade agreement between CARICOM countries and China is being explored, which could further expand bilateral trade and bring about new opportunities and challenges. The bilateral trade between CARICOM countries and China has multiplied 15 times over the past two decades, with the larger CARICOM countries still dominating the relationship.

Lastly, CARICOM's trade agreements with South American countries, particularly those within the Mercosur trade bloc, have been pivotal in fostering economic ties and promoting

regional integration. These agreements have opened up new business opportunities for regional producers of goods and services. For instance, the Resilient Caribbean Initiative has been successful in facilitating access to climate and environmental finance, pointing to the recent approval of the USD 8.1 million regional GEF project Soilcare, which will promote land degradation neutrality in 8 countries.

In conclusion, the impact of CARICOM's trade agreements is far-reaching, shaping the economic dynamics of the region and beyond. These agreements have not only facilitated trade and investment but have also played a crucial role in promoting regional integration, economic cooperation, and sustainable development. However, these agreements' full potential can only be realized with effective implementation and continuous efforts to address the challenges that arise. This underscores the importance of strategic planning, policy coherence, and capacity building in achieving the objectives of these trade agreements. These success stories highlight the significant impact of these trade agreements on the economic landscape of the CARICOM region. They underscore the importance of strategic planning, policy coherence, and capacity building in achieving these trade agreements' objectives. However, it is important to note that the full potential of these agreements can only be realized with effective implementation and continuous efforts to address emerging challenges. This underscores the importance of strategic planning, policy coherence, and capacity building in achieving the objectives of these trade agreements.

CHAPTER 6: Elaboration on Trade Agreements, Insights & Data

1. Introduction

Upon invitation of King Salman bin Abdulaziz Al Saud, the King of the Kingdom of Saudi Arabia, the leadership of Saudi Arabia and the Caribbean Community (CARICOM) assembled in Riyadh on 16 November 2023 for the inaugural Saudi Arabia-CARICOM Summit. During this summit, several commitments were made, the most relevant ones for this paper include *Point 2* of the official document released, which highlights the importance of engaging in consultations and fostering cooperation in various key areas of mutual interest, such as education (including scholarships), healthcare, maritime cooperation, connectivity, logistics, food security, energy security, tourism, and other relevant fields, aligning with the Sustainable Development Goals (SDGs); *Point 4* of the official document, advancing trade and investment

relations between Saudi Arabia and CARICOM by strengthening public-private partnerships, enhancing business-to-business interactions through both traditional and digital platforms, organising trade missions, exhibitions, seminars, conferences, and fostering dialogue. *Point 10*: Enhancing collaboration in the tourism sector, encompassing heritage, cruise, sustainable and ecotourism, medical and wellness tourism, through activities such as benchmarking exercises, joint investments in tourism infrastructure, and capacity-building initiatives; *Point 11* of the agreement, which emphasised the critical need for collective action in addressing climate change, adapting to its impacts, preserving the environment, and promoting the

development and adoption of low carbon and clean energy technologies. Specifically, during his address, Minister of Tourism Ahmed al-Khateeb highlighted four crucial aspects, including climate change, resilience, sustainability, agriculture, and the imperative of attracting private sector investments to foster collaboration in the tourism and energy sectors. Throughout his tour, the Minister acknowledged the demand for funding in various infrastructural projects such as airports, schools, roads, and hospitals.

The Riyadh meeting aimed at bolstering cooperation to sustain tourism and aviation sectors while attracting investments, with a keen focus on exploring opportunities for Middle East-Caribbean connectivity. Notably, Saudi-CARICOM agreements have exceeded \$370 million, with additional negotiations underway for deals worth \$200 million. Furthermore, the Kingdom has earmarked over \$160 billion for initiatives aimed at waste- to-energy conversion, afforestation efforts, and supporting international institutions in water provision, urban planning, transportation, pollution reduction, carbon economy adoption, recycling, and storage endeavors. With these premises, coupled with the current impetus and commitment of a possible Saudi Arabia-CARICOM agreement has been receiving from all the parties involved, it is important to highlight the challenges that may arise from such an agreement, as well as its positive by-products.

6.2 Causality & Correlation between Trade Agreements & Trade Growth

The first question this section tries to answer is whether trade agreements virtually increase trade, and how said agreement can be shaped in a way that factually strengthens trade opportunities that go beyond the mere exchange of goods between the partner entities. Afterward, this section of the paper will focus on the consequences of regional trade agreements (RTAs) to developing countries. A special focus will be given to the energy

industry considering the challenges that both CARICOM and Saudi Arabia are facing to curb the effects of climate change, droughts, and rising sea levels, which inevitably will - and in some instances already have — hugely affected the latter’s standard of living and possible hindrance to economic performance, which will be specifically tackled in the “*Intersectionality of Industries and Market Adaptability*” section.

These principles are also going to be intertwined with Arthur Lewis’ assessment of industrial development in the Caribbean and new neoclassical notions of macroeconomics which will provide a thorough insight as to what are the strengths and weaknesses of trading dynamics in the Region. Finally, this chapter will also focus on the viability of the agreement in accordance with international trade principles and legal commitments, focusing specifically on WTO’s legal framework, commitments and practices. Answering the question as to whether trade agreements increase trade, Kohl argues that EIAs are not a cause of intensified cross-border activity but a product of it (Kohl, 2014). Factors contributing to the variation in performance include agreement-specific properties, namely, the number of participants, WTO status, year of enforcement, and measures of institutional quality and the design of the agreements (Kohl, 2014). A country’s productivity derived from trade is provided by a basic log- linear gravity equation, whose premise is that the extent to which total exports grow faster than GDP is a single country-fixed effect as opposed to a country-pair fixed effect; meaning, GDP growth is better explained by considering fixed effects at the level of individual countries rather than pairs of countries. This is also in line with Matyas (2017) who pointed out that the most accurate representation of the econometric gravity model is in the form of a triple index model: time-fixed effect; importer fixed-effect and exporter-fixed effect (MacPhee, Sattayanuwat, 2014). According to the standard log-linear form of the basic gravity equation of international trade, 106 EIAs (63.9%) have had an insignificant effect on trade flows. On the other hand, only 44 agreements (26.5%) have had a trade-promoting effect, while the net effect of 16 agreements (9.6%) is surprisingly negative (Kohl, 2014). Trade agreements where the overall effect is zero include the Andean Community, CARICOM, EEA, ECOWAS, and MERCOSUR. On the other hand, the agreements that had a positive effect include ACS, ANZCERTA, EC, EFTA, NAFTA and SADC (Kohl, 2014).

The analysis seems to point out that trade-enhancing effects and the success rate of a trade agreement are due to its design, namely, the specific policy areas covered by said agreement,

combined with WTO membership status and the actual commitment of the signatories to not just loosely mention cooperation, but an actual “pledge” that is legally enforceable in a court of law (Kohl, 2014). Inherently, data suggests that the negative intra- bloc effects of agreements such as SAPTA, WAEMU, and PAFTA may have resulted from the failure to successfully eliminate both tariff, and non-tariff barriers from imports (MacPhee, Sattayanuwat, 2014). Thus, according to the analysis, there are seventeen policy areas that have been observed to be positively correlated with trade-enhancing effects. These are (1) Agriculture (2) Anti-dumping and countervailing measures (3) Capital mobility (4) Competition (5) Customs administration (6) Environmental issues (7) Public Procurement (8) Export restrictions (9) Import restrictions (10) Intellectual property rights (11) Labor issues (12) State Aid (13) Investment (14) Services (15) State trading enterprises (16) Technical barriers to trade and (17) Sanitary and phytosanitary measures (Kohl, 2014).

These points are not inherently tackling specific industry trade agreements should focus on, as a trade agreement based on the comparative advantage principle would, but rather focus on laying the basis for credible and tangible commitments that would allow a goods-based-trade partnership to thrive. Interestingly, we also find that a phase-in period further increases the likelihood of a trade agreement to *de facto* increase trade, as opposed to just supposedly: in fact, according to the relevant body of literature, “*These numbers suggest that trade agreements foster a 30-50 % increase in cross-border trade [...]*” (Kohl, 2014), which also correlates to the most successful regional trade agreements i.e. EC, NAFTA and EFTA, amongst others, which have followed a model that is highly

focused on long-term regional integration schemes. A pertinent disclaimer should be made at this point, namely, while this information does not include policy insights from, and for the CARICOM community specifically, it should still be noted how crucial is it to extrapolate the strengths of successful RTAs so that similar principles can be adapted to a different framework, which in this case would be applied to the case study pursuant trade partnership between CARICOM and Saudi Arabia.

With this premise, we can delve into the effects of RTAs on developing countries. The legal framework where regional trade agreements operate is the one governed by the rules introduced by the World Trade Organization (Nguyen, 2019). While some of the WTO’s principles include the *Most-Favored Nation* (MFN) principle and the *National Treatment* (NT) principle outlined

in Art. I (MFN for goods) and III (NT for goods) GATT 1994 Agreement; Art. II (MFN for services) and XVII (NT for services) GATS Agreement, and finally Art. 3 (MFN for IP protection) and 4 (NT for IP protection) TRIPS Agreement, RTAs are considered to be an exception to these rules, and particularly, to the MFN obligations of the Member States. These exemptions are outlined in Art. XXIV GATT 1994 Agreement and paragraph 2(c) of the Enabling Clause (GATT 1979).

The body of literature dealing with the promotion of trade in the international economic area has exponentially increased in the last decade, highlighting both the advantages and the dangers of multilateral agreements ratified outside of the standard, conventional framework provided by international institutions such as, and most importantly, the World Trade Organization. In the scheme of things, something that the international community should be wary of is avoiding the so-called “*spaghetti bowl effect*”, whereby bilateral and regional agreements replace the multilateral systems that govern global trade dynamics, risking the creation of “trade blocs” (MacPhee, Sattayanuwat, 2014) whilst discouraging multilateralism.

Another risk that could occur in the framework of a possible trade agreement between CARICOM and Saudi Arabia, is the so-called trade creation *vis a-vis* trade diversion. The former happens when the formation of a preferential trade agreement leads to an increase in trade (both imports and exports) among its member countries, thanks to the elimination of internal trade barriers within the agreement making it easier and cheaper for member countries to trade with each other. Conversely, trade diversion happens when the formation of a preferential trade agreement leads to a decrease in trade with non- member countries in favour of increased trade among the member countries. This phenomenon occurs because the RTA may create incentives for member countries to trade with each other even if it is not economically efficient to do so. For example, if a non- member country produces a good more efficiently and at a lower cost than a member country, but the member country still chooses to trade with another member due to the preferential agreement, it results in trade *diversion*.

Considering the relevant data in the body of literature inherent to the effect of RTAs, such as that of SAPTA, GCC, WAEMU, and PAFTA, these have had negative intra-bloc effects, and research points at the fact that not only this may result from the failure to effectively and efficiently eliminate all tariff and non-tariff barriers, but also that 7 out of the RTAs considered exhibit signs of trade diversion rather than creation (MacPhee, Sattayanuwat, 2014), overall

pointing at a rather weak global regional network. However, it is also crucial to understand why regional trade agreements have the tendency to present such characteristics, thus, based on the aforementioned premises, analytical tools used, and macroeconomic analysis, non-contractual policy recommendations should include some of the following points:

1. Eliminating intra-RTA tariff and non-tariff barriers for all products, with a particular focus on imports (MacPhee, Sattayanut, 2014)
2. Actively prevent the occurrence of trade diversion by keeping in mind that goods that are more cost-efficient should be prioritised over those coming from RTA Member parties (MacPhee, Sattayanut, 2014) (Kohl, 2014)
3. Allow a phase-in period to gradually introduce the measures that aim at easing the trade partnership such as zeroing trade barriers (Kohl, 2014)
 4. Harmonising and simplifying rules of origin
 5. Establishing a designated RTA Dispute settlement system (Kohl, 2014)

6.3 Current Trade Trends, Statistics & Long Term Strategic Approaches

The overall trade trends developed throughout 2023 are indicative of what “micro-economies” should expect from the changes taking place in the international commercial arena, especially but not exclusively, looking at the *Generalised System of Preferences* (GSP) mechanism that favours smaller economies such as that of the Caribbean. In fact, countries employ various trade policy instruments to protect sensitive sectors, with the most significant being tariffs and quotas: these trade-restrictive measures often adversely affect the exports of low-income countries, as they are frequently applied to sectors such as agriculture and apparel, where these nations have considerable export potential (United Nations Conference on Trade and Development [UNCTAD], 2024). In response, developed countries and emerging economies have acknowledged the importance of supporting imports from lower-income nations by offering preferential access, typically in the form of quota-free, duty-free entry. This preferential access not only boosts exports from low-income countries but also encourages investment, stimulates the growth of local industries, and enhances the integration of these nations into the global

economy (United Nations Conference on Trade and Development [UNCTAD], 2024). On the other hand, Generalised System of Preferences (GSP) programs are widely implemented by developed nations and some emerging economies to increase export competitiveness from poorer countries by providing reduced or zero tariffs. These programs are periodically reviewed and modified based on factors such as trade agreements, domestic policies, and assessments of their effectiveness. Alterations in preferential trade programs, including changes to tariff preferences or eligibility criteria, can have substantial effects on the beneficiary countries (United Nations Conference on Trade and Development [UNCTAD], 2024). Preferential access is often a critical factor for importers in sourcing products from specific countries, and obstacles to obtaining such access can lead to trade diversion away from low-income nations. The expiration of the U.S. GSP program has led to uncertainties and potential cost increases for exporters from CARICOM, as they may now face higher tariffs on their goods. There is an increasing number of preferential trade agreements (PTAs) globally, which address not only goods but also services and behind-the-border issues. For CARICOM, this trend implies a need to actively engage in and possibly expand PTAs with the United States to secure more favourable trade terms and access to the U.S. market. The document notes that technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures are prevalent in global trade. These non-tariff measures can add compliance costs and regulatory burdens for CARICOM exporters. Enhanced cooperation and alignment of standards with the U.S. can help mitigate these barriers. The use of trade defence measures such as antidumping and countervailing duties is noted in the document.

CARICOM countries must be aware of these measures, as they can affect the competitiveness of their exports to the U.S. market. Proactive trade diplomacy and compliance with international trade norms can help reduce the risk of such measures being applied. The report discusses the concept of tariff, or the difference between bound and applied tariffs, which indicates the policy space countries have to adjust their tariffs. For CARICOM, understanding these dynamics is crucial to negotiating better market access and ensuring that any preferential access granted by the U.S. is fully utilised. The expiration of the U.S. GSP program has had a mixed impact on different countries. For some CARICOM countries, this might mean increased costs and reduced competitiveness in the U.S. market unless alternative trade agreements or renewals of preferences are secured. Likewise, the outlook of current and near-future trade trends seem to be influenced to a certain extent, and most importantly for

developing economies, by the possibility of the US curling interest rates later this year, meaning a weaker dollar could provide global trade with an additional boost as it will not be as costly to import and export, thanks to a depreciation in the US dollar “... *potentially stimulating international trade by increasing both prices and volumes, given the continued dominance of the United States dollar in global trade.*” (United Nations Conference on Trade and Development [UNCTAD], 2024). In spite of the possibility, the overall outlook for 2024 and 2025 could still present some risks: these include geopolitical tensions, increased shipping costs and emerging industrial policies. Overall, the most relevant elements for considerations when approaching commercial policies are (1) increased demand for AI and green energy products, whereby the development of the electric vehicles, solar panels, batteries and high end semiconductors is expected to increase exponentially, though government policies could significantly hinder the process (2) an increase in subsidises and trade restrictive measures, whereby states worldwide prioritise domestic concerns as well as the urgency of accomplishing sustainability needs might drive industrial trade policies, and inward- looking policies might inevitably retaliate on the overall health and wealth of international commerce (3) heavy container shipping demand, but subsidising for raw materials — while container shipping strong increase being indicated in the Shanghai Containerised Freight Rate Index, the Baltic Dry Index has straddled, indicating constant global demand for raw materials (4) prospects of interest rate cuts in the US, despite the persistence of inflationary pressures (United Nations Conference on Trade and Development [UNCTAD], 2024).

Another trade pattern to account for since the end of 2022, is the increased political proximity of trade, meaning, bilateral trade trends have favoured trade between countries with analogue geopolitical stances, also known as friend- shoring — which, however, soften towards the end of 2023. At the same time, global trade increasingly concentrated around major trade relationships, although this trend began to moderate. On a quarterly basis, most sectors saw a rebound in Q1 2024, with transport and communication equipment being notable exceptions where trade declined: conversely, chemicals, pharmaceuticals, textiles, metals, and minerals experienced more significant quarterly increases (United Nations Conference on Trade and Development [UNCTAD], 2024). Annually, global trade remains negative for many sectors, except for machinery, precision instruments, pharmaceuticals, transportation equipment, and road vehicles. The latter saw a substantial increase in electric car trade, which continued to rise by about 25% in Q1 2024. Over the past four quarters, trade value for the energy and apparel

sectors remained significantly lower. Notably, trade in the communication and office equipment sectors continued to decline during Q1 2024 (United Nations Conference on Trade and Development [UNCTAD], 2024).

Several major economies are now actively supporting industries related to advanced technologies, such as high-end semiconductors, and renewable energies, including electric batteries, electric vehicles, and solar panels. Despite the overall trade decline, global demand in many sectors targeted by industrial policies has increased in 2023: for example, detailed product-level data from three major economies indicates a notable 50% rise in trade for electric vehicles, and over the past few years, the Herfindahl-Hirschman Index shows that global supply concentration has increased across most sectors targeted by industrial policies, albeit to varying extents (United Nations Conference on Trade and Development [UNCTAD], 2024). Between 2022 and 2023, supply concentration saw a significant rise for batteries and their precursors, while other sectors experienced a more modest increase.

Additionally, the extent of trade reallocation has varied, as reflected by changes in global market shares indicating shifts in the percentage of global supply across countries. Higher rates of trade reallocation typically indicate a more competitive market where suppliers are competing for market share. For instance, product-level data for three major economies shows that around 12 percent of the global supply of solar panels shifted between 2022 and 2023. While global competition for solar panels and electric vehicles remained strong, the battery value chain did not exhibit the same trend. In this sector, increased supply concentration coincided with low trade reallocation, suggesting that global supply is becoming dominated by a few major exporters (United Nations Conference on Trade and Development [UNCTAD], 2024).

As for the implications for global trade, an increased supply concentration is likely to result from industrial policies that concentrate the global supply of strategic products in fewer economies. Developed countries and major emerging economies are expected to boost their global competitiveness in these sectors by providing substantial subsidies to their own industries. This will affect not only their domestic markets but also global trade, potentially excluding smaller economies from these lucrative markets, which could have significant implications for developing countries.

Another likely scenario is a pattern of global trade fragmentation amongst major blocs: a subsidy race could lead to trade fragmentation among major suppliers striving for trade dominance within their key trade relationships. This will further influence the configuration of global value chains and market segments, including both upstream and downstream sectors. Such outcome could also heighten tensions within the multilateral trading system, as many rules in multilateral, bilateral, or regional preferential trade agreements restrict countries' ability to implement discriminatory trade policies or subsidy schemes with significant trade impacts (United Nations Conference on Trade and Development [UNCTAD], 2024). On the basis of these premises, through the

adoption of the following policy recommendations the CARICOM community can enhance trade resilience as well as capitalising on emerging opportunities in green energy and advanced technologies, and it is therefore advised to:

1. Promote sectoral diversification by
 - 1.1** Encouraging diversification into high-growth sectors such as green energy (electric vehicles, solar panels, batteries) and advanced technologies (AI-related equipment, high-end semiconductors).
 - 1.2** Providing incentives and support for local businesses to enter these sectors, including subsidies, tax breaks, and investment in research and development.
2. Strengthen regional integration by
 - 2.1** Enhancing intra-regional trade within CARICOM and with other developing countries to reduce dependency on developed economies.
 - 2.2** Simplifying trade regulations and reduce tariffs within the region to facilitate smoother and more cost-effective trade flows.
3. Develop trade facilitation infrastructure by
 - 3.1** Investing in improving port facilities, customs processes, and transportation infrastructure to reduce shipping costs and enhance trade efficiency.
 - 3.2** Adopting digital trade facilitation measures, such as electronic documentation and single-window systems, to streamline trade operations.

4. Strengthen economic diplomacy by engaging in international forums to advocate for fair trade practises.
5. Encourage businesses to diversify their supply chains to reduce vulnerability to single-source disruptions.
6. Invest in green energy and sustainability by providing funding and pooling resources for those businesses investing in green energy technologies and infrastructures, as well as establishing hubs and “tech parks” to foster R&D in AI and other advanced technologies. It would be equally crucial to encourage collaboration between industries, governments and academia to drive tech advancements.
7. Create data hubs and think tanks that closely monitor current and future commercial routes and commodity exchange, to align and better respond to ever- changing global trade trends. Possibly, coupled with a responsive policy framework that allows for quick adaptation to challenges.

Circumstantially, this paper’s purpose is — amongst others — to briefly revise the viability of a CARICOM- Saudi Arabia agreement in light of the crucial economic partnership that ties CARICOM to the US. The United States and Saudi Arabia maintain a robust economic relationship, historically anchored by oil: the U.S. is Saudi Arabia’s second-largest trading partner, while Saudi Arabia ranks among the top trading partners of the U.S. in the Middle East (U.S. Department of State, 2023). Saudi Arabia is the third-largest supplier of imported oil to the United States, delivering approximately half a million barrels of oil per day. While the oil imports

from Saudi Arabia into the US have decreased, Saudi Arabia’s ability to influence global oil prices through OPEC-Plus decisions continues to impact U.S. economic and energy policies. In April 2016, Saudi Arabia initiated its Vision 2030 program, aiming to diversify its economy by enhancing trade and investment with the United States and other countries (U.S. Department of State, 2023). Based on this analysis, there is no evidence that points at a possible deterioration of relations between the US and CARICOM following the strengthening of commercial ties between CARICOM and Saudi Arabia. At the same time, however, while the US has been and still is to this day a key commercial trading partner for CARICOM, it is important for CARICOM to diversify its trade investment portfolio in a way that is not entirely

and solely reliant on the US economic welfare. Strengthening multilateral relations with Saudi Arabia is undoubtedly a key step forward that could result in an extremely profitable and mutually beneficial partnership.

CHAPTER 7: The Case for the Caribbean

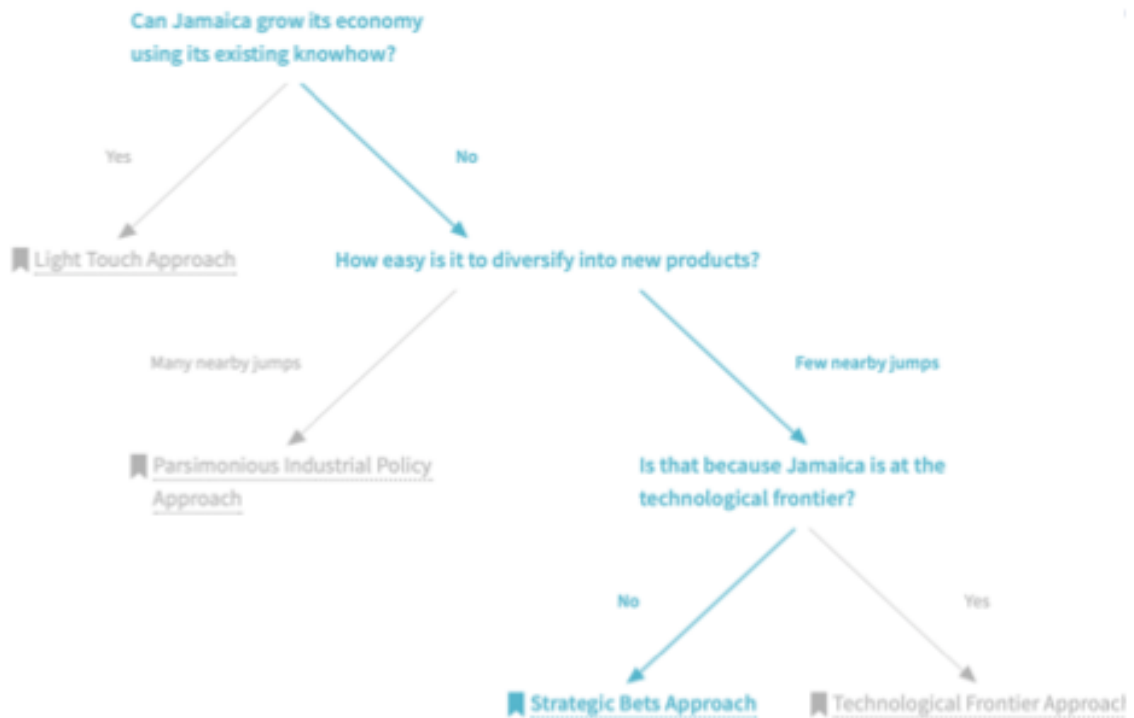
Arthur Lewis' assessment of Caribbean development is one of the historically more relevant bodies of international literature on the subject. While some Adam Smith-inspired, remotely mercantilist macroeconomic notions, such as doubling down on large-scale industrial programs, are relatively obsolete in the framework of the current global trade arena, he also makes a case highlighting the strength of product differentiation, especially applicable to smaller states and communities (Downes, 2004). Product differentiation consists of producing goods or services perceived as distinct by consumers, leading to variations in pricing, marketing strategies, and consumer preferences.

The notion of product differentiation reflects the essence of “niche marketing” as well, which is a common tool for modern manufacturers to break into foreign international markets: thus, with this premise, product differentiation is crucial to the success of small states at exporting a range of products (Downes, 2004). With these premises, we can dive deeper into tangible commercial policy recommendations based on the elaboration of the following graphs and databases, considering Jamaica and Trinidad and Tobago for these are the states data is provided for. The graphs below report an X-axis — indicating distance, measuring how “far” a product is from a country's current capabilities. Lower distance indicates products that are closer to the country's existing know-how — an a Y- axis — indicating complexity of the product. More complex products tend to support higher wages and better economic growth — . The opportunity gain is shown by the size of the circles; larger circles indicate higher potential for economic diversification and future growth. It is worth noting, for data interpretative purposes, that *long jumps* indicate products that are more complex and farther from current capabilities but offer high rewards.

Jamaica currently ranks “low” in the complexity spectrum (-0.31 ECI in 2021) [see Annexes end of Chapter 8], with gaps in limited high- complexity exports and static export growth, whereby its industry is concentrated in moderate complexity products. Jamaica has not yet initiated the traditional process of structural transformation, which is crucial for reallocating economic activity from low to high productivity sectors, typically moving from agriculture to textiles, and then to electronics and machinery manufacturing (akin to a “ISI” import-substitution- industrialisation, model). Over the past decade, Jamaica's global market share in textile exports has stagnated, and the electronics and machinery sectors have not developed,

limiting income growth. Jamaica's Product Space suggests that countries are more successful in diversifying when they move into production that requires similar know-how and builds on existing capabilities, balancing precisely said proximity to

existing capabilities, product complexity, and potential for future diversification. Various approaches can be considered for economic diversification, including a light touch approach leveraging existing successes, a parsimonious industrial policy approach addressing bottlenecks to help jump short distances into related products, a technological frontier approach developing new products, and a strategic bets approach involving coordinated long jumps into areas with future diversification potential. Given Jamaica's existing know-how and limited nearby opportunities, a strategic bets approach is recommended to diversify the economy by making coordinated long jumps into strategic areas with potential for future diversification. From the growth opportunity charts, we can confidently assert that the key sectors for diversification include mainly *Industrial Machinery and Plastics*, i.e. a focus on products like diagnostic or laboratory reagents, equipment for temperature change of materials, and transmission shafts. These sectors have high complexity and opportunity gains, indicating strong potential for economic growth. More specifically, top products for diversification include (i) Diagnostic or laboratory reagents (high complexity and opportunity gain) (ii) Equipment for temperature change of materials (important for industrial diversification) (iii) Transmission shafts (useful for expanding into automotive and machinery sectors) (iv) Tube or pipe fittings of iron or steel and (v) Machinery parts (critical for building a robust manufacturing sector). As for more tangible, long- term strategic recommendations, Jamaica should develop an industrial focus, i.e. invest in industrial machinery and equipment to leverage existing capabilities and transition into higher complexity products; and on government support, whereby it should implement policies to attract foreign direct investment (FDI) in these sectors, and provide incentives for local businesses to upgrade their technology through, by way of example, tax incentives and infrastructure support. Policy recommendations oriented at the long- term sustainability of these investments include (i) investing in education and skills training to move into higher complexity products (ii) infrastructure development oriented towards improving facilities for industrial machinery and plastics and (iv) incentives for R&D, whereby innovation and development in high- complexity sectors is achieved.



Moving forward, the structural transformation of Trinidad and Tobago [see Annexes end of Chapter 8] has been somewhat limited, with chemicals being a significant driver of export growth, and stagnation in textiles and electronics sectors limiting income growth. The product space map shows the relatedness of exports and potential diversification paths: coloured nodes represent products that Trinidad and Tobago exports, while grey nodes are products not yet exported. As briefly explained above, the scatter plot shows the complexity (y-axis) versus the distance to existing capabilities (x-axis) of products: products with higher complexity and closer distance to existing capabilities are prime candidates for diversification. The selection criteria include low-hanging fruit, balanced portfolio, and long jumps, focusing on the balance between opportunity gain and distance.

Products with high potential for new diversification based on their nearby distance, opportunity gain, and complexity includes, similarly to Jamaica, *Industrial Machinery, Complex Chemicals and Plastics*, offering significant growth opportunities. It is recommended to (i) invest in capabilities to expand into related machinery and equipment sectors (ii) Strengthen Connectivity and Capabilities by developing policies that enhance linkages between different product sectors as well as facilitating knowledge transfer and technical training to support diversification into new, related products. Considering Saudi Arabia’s strong export position

in terms of chemicals and plastics, as well as the R&D resources allocated to these industries, there is a stark trading partnership potential in these fields. Over the past decade, the global market share in textile exports for Trinidad and Tobago has stagnated, and the electronics and machinery sectors have not yet developed, thereby limiting income growth. The country's export growth in the past five years has been driven by chemicals, not merely due to the sector's global expansion, but through an increase in its global market share. Since 2006, the country has introduced five new products, which contributed \$66 in income per capita in 2021. However, this diversification has been insufficient in volume to significantly enhance income growth, with new products including ferrous waste and scrap, parts for use with hoists and excavation machinery, other inorganic acids, and chlorides, bromides, and iodides. Trinidad and Tobago's existing know-how offers limited opportunities for diversification into related products.

To diversify its economy effectively, the country might consider a strategic bets approach, involving coordinated long jumps into areas with future diversification potential. Countries achieve growth by diversifying into increasingly complex products, balancing proximity to existing capabilities, product complexity, and potential for future diversification. For Trinidad and Tobago, sectors with high potential for new diversification include industrial machinery and plastics, specifically instruments for physical or chemical

analysis, screws and similar articles of iron or steel, and equipment for temperature change of materials, machine parts, and furnace burners.

CHAPTER 8: Intersectionality of Industries & Convergence – Aviation, Tourism & Climate

Of course, the ideal outcome of this paper is to focus on the possible areas of convergence of the Member States involved, which would contribute to creating a mutually beneficial commercial relationship between all parties. Areas of convergence entail all those areas of a commercial relationship where there is a mutual need for the other party's resources and reciprocating that exchange with goods where the latter's comparative production advantage is weaker, thereby establishing a symbiosis. For the purposes of this paper, we have thus far outlined the economies of two of the most financially wealthy Member States — Trinidad & Tobago and Jamaica — to then outline a strategic commercial plan to increase their standing in the international commercial arena. However, the purpose, or at least the *intended* purpose, for this paper is not only to outline the framework for a trade agreement between the CARICOM and Saudi Arabia, but also to focus on the region's strengths and weaknesses and to rebrand the image projected internationally to make CARICOM a desired destination for a variety of reasons that go beyond the mere appeal it has *today*.

For these reasons, it is also just as important to differentiate the chapters and subchapters outlined to consolidate a mutually beneficial commercial relationship with Saudi Arabia commodity-wise; and the other relevant chapters and sub-chapters aiming at redefining how CARICOM — in the very sense of the word — shall “rebrand” itself to achieve a higher degree of visibility and desirability worldwide as a vibrant community of Member States with a multitude of opportunities for a variety of stakeholders. This is especially the case with aviation, tourism and climate, all industries that are extremely relevant for the ultimate prospects of wealth and health of the region.

Thus, the most crucial question in relation to the aforementioned areas of convergence relevant to this trade agreement comes down to two issues. First, how can these mutually be beneficial. Second, how can they be long-term and sustainable through time, for example, given the 2030 SDG goals? In fact, the premise of the subsequent analysis is the mobility of people: by 2025 two thirds of the world population will live in cities. And it is with this perspective that the World Bank has presented the Sustainable Mobility for All (SuM4All), where innovations aviation-wise will come into play, dealing with subjects such as AI, alternative fuels and bioelectric aircraft is going to be extremely relevant (International Civil Aviation Organization,

N/D). And it is with this premise, that we highlight the importance of the future and innovation of the aviation industry: “*Aviation provides the only rapid worldwide transportation network, generating economic growth, creating jobs, and facilitating international trade and tourism. Aviation has become the enabler of global business and is now also being recognised by the international community as an essential enabler to achieving the UN Sustainable Development Goals. The aviation sector is growing fast and will continue to grow.*” (International Civil Aviation Organization, N/D).

Recent estimates predict that demand for air travel will grow by an average of 4.3% annually over the next 20 years. If this trend continues, by 2036, the air transport industry could directly provide 15.5 million jobs and contribute \$1.5 trillion (about \$4,600 per person in the US) to the global GDP. Including the effects of global tourism, these figures could soar to 97.8 million jobs and \$5.7 trillion (about \$18,000 per person in the US) (about \$18,000 per person in the US) in GDP (International Civil Aviation Organization, N/D). The key challenge is figuring out how to achieve this growth in a responsible and sustainable manner. Electric aviation has been championed by leading firms in the industry such as *Heart Aerospace*, which has been developing a new electric regional airliner, the ES-30 aiming at becoming progressively more carbon neutral: in fact, ES-30s are not powered by jet fuel but batteries, and uses electric motors to accommodate about 30 passengers as a standard design, and can travel up to 250 miles as a hybrid and 125 miles fully electric carrying 30 passengers, but up to 500 miles with only 25 passengers (Pullen, 2023).

Eviation, another leading firm in the field has been developing “Alice”, a zero- emissions aircraft as well, and disclosed that MONTE, a regional aircraft leasing company with a focus on sustainable aviation, had signed a Letter of Intent for the acquisition of up to 30 aircraft. MONTE intends to offer financing and leasing solutions for the Alice aircraft to its global clientele, ensuring they have access to both the aircraft and the requisite infrastructure, such as charging stations, for seamless operations (Pullen, 2023).

By way of another example, Dovetail Electric Aviation is currently developing its own electric propulsion mechanism, and is attracting stakeholders worldwide such as Regional Express (REX) which acquired a 20% stake in the company (Pullen, 2023). Overall, numerous firms all over the world have redefined their vision for the future of the aviation industry, by designing, building and launching several revolutionising technologies in the industry, and it

is a great opportunity for CARICOM to allow its aviation industry to grow. Improvements to the aviation industry need to be implemented to sustain this exponential growth envisioned by the relevant forecasts, in terms of airport-ing facilities as well as air traffic management, which is a great call for innovation (International Civil Aviation Organization, N/D).

Ultimately, the reason why aviation and tourism are paired together is because of the inextricable relation they have with one another. Of course, because it is challenging to reach the islands that make up the CARICOM Community, ideally the local tourism industry would predominantly focus on aviation, where CARICOM could champion the value of achieving Sustainable Development Goals 8; 9; and 12, making the aviation industry the most relevant sector related to economic growth (Chiaroni, 2022). It is however impossible to envision a reality where aviation and tourism go hand in hand without mentioning climate responsibility as well, an ambition mirrored in SDG number 13, especially in light of the *decarbonisation* of the industry. Important technological advances have been achieved relevant to the removal of CO₂ through natural processes such as that of photosynthesis, whereby “*land conversion*” (i.e. reforestation) and “*land management*” (i.e. management for carbon sequestration) shall be further strengthened (Chiaroni, 2022).

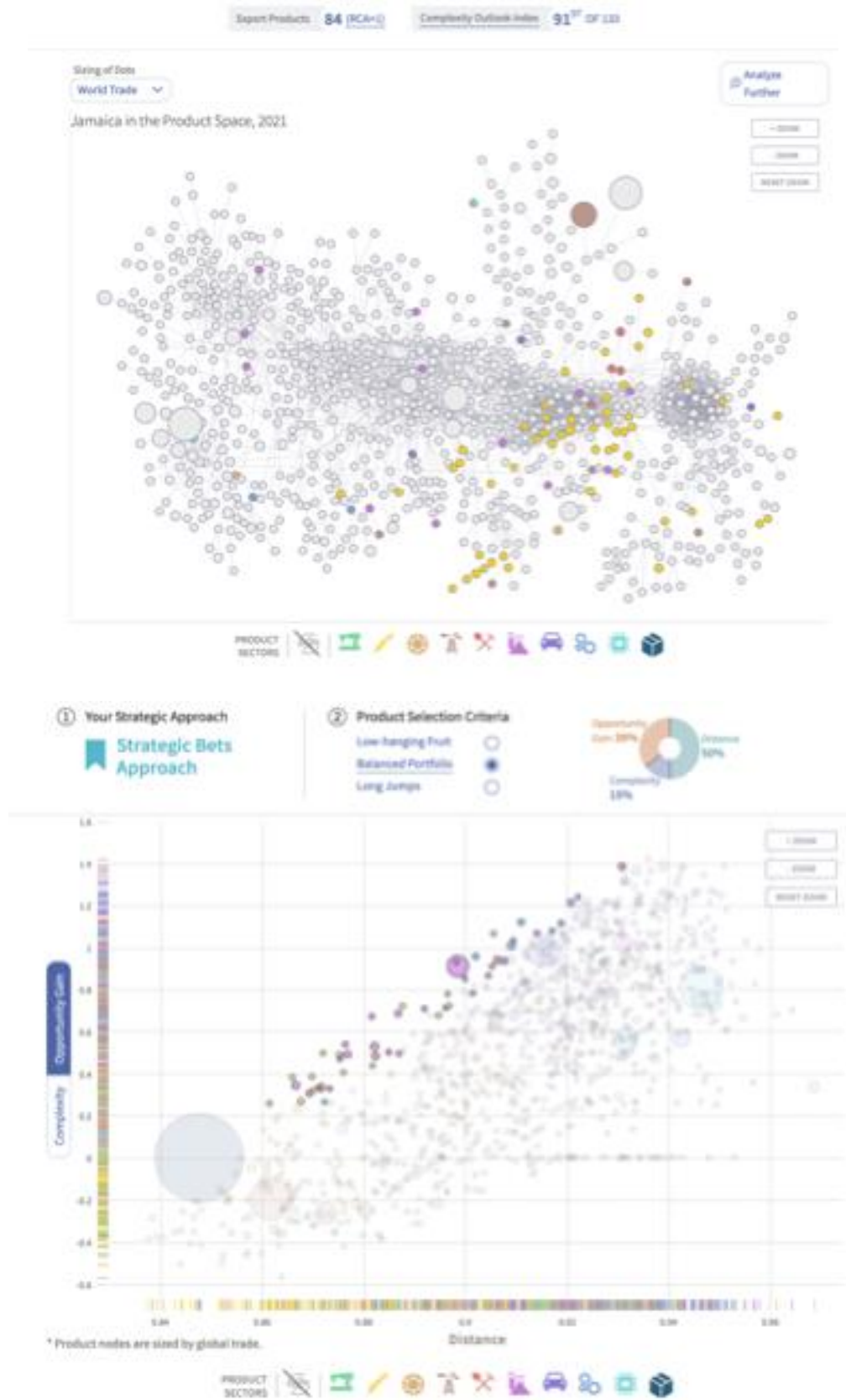
Current solutions employed involve the use of chemical solvents to capture CO₂ from the air, transport, and store it in long- term geological formations, such as the Direct Air Carbon Capture and Storage (DACCS). A variety of hybrid solutions also include a combination of natural photosynthesis to achieve CO₂ storage, such as the Bioenergy with Carbon Capture and Storage - BECCS, whereby biomass is utilised to generate energy, and the carbon dioxide produced from this process is collected and securely stored in geological formations for long-term storage (Chiaroni, 2022).

It is also worth noting that to address climate change and unpredictable weather events, the government of Barbados introduced the Roofs to Reefs Strategy. A crucial aspect of this plan is the use of digital technology and data to identify risks and set goals. Providing tablets is part of this tech-centric, data-driven effort to strengthen infrastructure, encourage renewable energy, and create green jobs (Buckholtz, 2023). This strategy could be further incorporated into the other CARICOM Member States and merged with the tourism industry in the form of a credit score mechanism, whereby tourists (or citizens alike) can collect up to a certain amount

of points that can be then used for purchase or discounts at local attractions and sites of interests.

Tourism and aviation are not simply inextricably linked at a utilitarian level — where tourism is simply eased by air transportation — but because of how these can actively mutually benefit one another, a relationship that goes beyond “facilitation”. Looking at the most recent tourism trends, there is a growing demand for personalised travel experiences, meaning, customised services that respond to the tourists’ specific needs and preferences (AME CET, 2023). This is also why Asia, the Middle East, Turkey and Argentina specifically, have become some of the most tourism- dense destinations globally in the latest past years: data seems to point at the fact that “unique” and authentic experiences is becoming an increasingly important criteria for tourists to choose where to vacation. Other important elements are budget, local attractions (such as historical and natural sites), perceived safety, culinary variety and entertainment.

Annexes: Jamaica [Harvard's Atlas of Economic Complexity, n/d]



Annexes: Trinidad & Tobago [Harvard's Atlas of Economic Complexity, n/d]

