

## **STIMULATING INTRA-REGIONAL FOREIGN INVESTMENT FLOWS THE GREATER CARIBBEAN**



When one speaks of Foreign Direct Investment (FDI) it refers to the category of cross-border investment made by “a resident of one economy (direct investor) for the purpose of establishing a lasting interest in a company (the direct investment company) in an economy other than that of the direct investor”. (Organisation for Economic Cooperation and Development - OECD) Countries view FDI as a source of economic development and modernisation; an avenue for increased income and employment, which should result in the receiving countries liberalising their FDI regime and continuing, as well as implementing other investment attraction policies, and fiscal incentives. Most countries have presented and improved the development of their own policies so as to maximise the benefits of the foreign presence in their domestic economy.

At the regional level, the FDI flows received by Latin America and the Caribbean have remained steady for the last three years. In 2013, it was recorded at 188.1 billion dollars, 6% more than 2012, in nominal values. FDI plays a more crucial role in small economies. In the Greater Caribbean Region, the countries attracting more investment mainly include Mexico, Colombia, Venezuela, and within the island zone, Trinidad and Tobago and Dominican Republic, due to the sizeable contribution made by FDI to their mining industry.

Additionally, a 2006 Economic Commission for Latin America and the Caribbean (ECLAC) Report notes that Latin American and Caribbean companies have intensified their internationalisation processes, especially since the 1990's. This process has been driven by factors such as economic reform, saturated local markets, opportunities in neighbouring countries and the need to diversify risks. Thus, a new approach to promoting regional investment flows is to encourage Trans-Latins (Emerging Latin American transnational companies that have made direct investments outside their countries of origin.) to consider Caribbean States as attractive options for investment, and convince Governments to formulate active public policies so that local companies could form part of the chain

of suppliers, promote the transfer of technology and establish the required regulatory framework.

What type of companies can consider investing in this Region? In view of the features of regional economies and their commercial activities, the Trans-Latin companies that could be viewed as potential investors in the region would possibly hail from sectors such as, steel industrialists, telecommunication companies providing investment in broadband infrastructure, energy industries, goods and services. TransLatinos represent a driving force behind FDI outflows, in so far as these companies continue their rapid expansion into new markets.

In order to succeed in attracting FDI in the Caribbean Region, it is imperative that Governments coordinate political and commercial macroeconomic policy. Although most of the countries that constitute the region could be considered as open economies, it is important that policies be focused on the national and regional objective. The establishment of trade and investment liberalisation agreements between the Latin America and the Caribbean and other countries has also complemented FDI policy in the determination of inward FDI.

The Association of Caribbean States (ACS), as an intermediary body in supporting the growth and development of the Region, seeks to play a pivotal role in promoting the attraction plan and re-launching the promotion of regional FDI by its Member States.

The vision to strengthen the regional integration process within the Greater Caribbean entails the ACS, alongside other Regional International Organisations cooperating with their Members and offering the technical capacity, knowledge and guidance required. The joint efforts geared toward formulating functional and integrationist policies to promote FDI in the region should consider analysing trade and investment flow trends, organising investment forums and issuing economic information to inform and assist the responsible country officials in their decision making. The promotion of new systems for trade and investment agreements is a task yet to be undertaken by many of the countries belonging to the Region.

Recent studies also indicate that there is the ongoing challenge of attracting the type of FDI that would contribute to the development of new sectors, and innovation or which would have the capacity to enhance the productivity and performance of the sectors already existing in the Region. Transnational/Trans-Latin companies possess the technological and production capabilities that countries could capitalise upon in order to develop new sectors or expand existing ones.

In light of the foregoing, the zone comprising the countries of the Greater Caribbean has the opportunity to improve its investment attraction policies; to consider Trans-Latin companies as significant investors in their Member Countries, with a view to generating regional value chains, thereby producing a positive impact in order to strengthen regional production integration, and overall growth and development in the Region.

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