

## ABSTRACT

## An Economic Assessment of CARICOM's Intra-Industry Trade

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This dissertation comprises five (5) core Chapters. The first Chapter is a comprehensive survey of all the measures of static and dynamic IIT, following which an augmented measure of the Brulhart 'A' index is proposed. Chapter 2 is a review of the foundational theoretical literature on intra-industry trade. Subsequent to these surveys, three empirical Chapters are presented, which collectively represents a case study of the CARICOM countries as it relates to IIT. The first of these three Chapters is an examination of measured IIT. As it relates to merchandise trade, the most prominent measures of static and dynamic IIT are computed and analyzed while a static approach is adopted for an analysis of IIT in services. Bloc level, country level, sectoral and commodity level assessments are undertaken. The findings reveal IIT to be occurring within the agricultural and agro-processing sector as well as the light manufacturing sector, with the beverage and textile industries, respectively emerging as standouts for both intra-CARICOM IIT and IIT between CARICOM and non-CARICOM countries. Insights from industry level computations showed IIT in financial services outperforming IIT in many of the other industries. The second Chapter extends the IIT analysis by empirically examining some of the country-specific factors that may explain the occurrence of IIT between CARICOM countries and its top extra-regional trade partners. The Chapter employs a panel data model estimated using five econometric techniques, most notably, the Poisson Pseudo-Maximum Likelihood Estimator and the Fractional Probit estimator. The exercise is then refined by dissecting total IIT into IIT attributable to various sectors and including within the set of traditional country-specific factors, a sub-set of regional trade agreements to which the CARICOM countries are signatory. A commodity level assessment is then undertaken on the agricultural commodities exhibiting the highest IIT between the two country groups. Subsequently, estimations from an intra-CARICOM perspective are undertaken. Among the main findings is the significance of distance and colonial ties in explaining total IIT, the significance of various RTAs in explaining IIT of the agriculture sector and the similarity in size (in terms of income) of CARICOM countries. The third empirical Chapter examines the impact of agricultural IIT on CARICOM growth using a panel growth model. Econometric evidence indicates that agricultural IIT, agricultural IIT interacted with a time trend, and dynamic agricultural IIT measures are not significant determinants of CARICOM growth.

Key words: Ranita Seecharan; intra-industry trade; static; dynamic; zero trade flows; economic growth.