

ORGANISATION OF EASTERN CARIBBEAN STATES

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COMMUNIQUE

41st MEETING OF THE OECS AUTHORITY

15-17 June 2005

**Fort Young Hotel
Roseau, Dominica**

INTRODUCTION

The 41st Meeting of the Authority of the Organisation of Eastern Caribbean States (OECS) was held, June 16-17, at the Fort Young Hotel, Roseau, Dominica, and was presided over by Chairman of the OECS Authority, Prime Minister Dr. the Hon. Ralph Gonsalves of St. Vincent and the Grenadines.

Heads of Government and other Heads of Delegation in attendance were:

Hon. Baldwin Spencer, Prime Minister of Antigua and Barbuda

Hon. Roosevelt Skerrit, Prime Minister of Dominica

Hon. John Osborne, Chief Minister of Montserrat

Dr. the Hon. Kenny Anthony, Prime Minister of St. Lucia

Dr. the Hon. Ralph Gonsalves, Prime Minister of St. Vincent and the Grenadines

Hon. Gregory Bowen, Minister of Agriculture, Lands, Fisheries and Energy Resources of Grenada

Hon. Timothy Harris, Minister of Foreign Affairs of St. Kitts and Nevis

Hon. Victor Banks, Minister of Finance and Planning of Anguilla

Mr. Otto O'Neal, Director of Planning and Statistics, British Virgin Islands

Also in attendance were representatives from:

The Eastern Caribbean Central Bank, ECCB

The CARICOM Secretariat

The Caribbean Development Bank, CDB, and
The Eastern Caribbean Civil Aviation Authority, ECCAA

THE OPENING CEREMONY

The Opening Ceremony was held on the evening of Wednesday, June 15th at the Arawak House of Culture in Roseau. Addresses were delivered by:

Dr. Len Ishmael, OECS Director General

Hon. Roosevelt Skerrit, host Prime Minister and most recently re-elected Head of Government in the sub-region

Dr. the Hon. Kenny Anthony, Prime Minister of St. Lucia and outgoing Chairman of the OECS Authority, and

Dr. the Hon. Ralph Gonsalves, Prime Minister of St. Vincent and the Grenadines and incoming Chairman.

In delivering opening remarks, Dr. Ishmael highlighted several challenges with which OECS Member States must contend as they prepare to implement the CARICOM Single Market and Economy. These include a higher level of trade openness than their other CARICOM neighbours; the dramatically decreasing level of intra-regional trade by the OECS; declining market share; comparatively higher energy and labour costs; and generally higher production costs. Dr. Ishmael noted the positive view which firms in Trinidad and Tobago and Barbados hold for the CSME compared with that of OECS firms recently surveyed which indicated that a substantial majority were not ready for CSME or viewed it negatively.

Prime Minister Skerrit, in his welcome address, stressed the need for mechanisms to ensure implementation of regional decisions. Reflecting on his May 5th re-election, the Prime Minister said the result was a reward from the Dominican electorate for his administration's honesty about the country's economic problems, and for placing confidence in their capacity to understand and appreciate the need for the painful economic austerity measures. He said there has been strong evidence of economic recovery over the past two years.

Prime Minister Anthony reviewed developments in the OECS during his tenure as Chairman. He identified, among others, the work on the preparation and drafting of a new OECS Treaty; major studies on deepening

cooperation among the sub-region's prison and police services; judicial and legal reform and drafting of common pieces of legislation; the opening of new offices in Geneva to provide more effective representation in WTO negotiations; and sectoral developments in agriculture, tourism, energy, health and the environment. Dr. Anthony also addressed OECS participation in the impending CSME. He said while there must be no turning back in the efforts to establish the CSME, there are issues such as current imbalances in the terms of intra-regional trade which require resolution. He emphasised the importance of the OECS to the well being of the Member States.

Prime Minister Gonsalves, in accepting the Chairmanship of the Organisation, said the OECS sub-region must move to deepen the integration movement to effectively operate in an age of modernisation, trade liberalisation, and the revolution in information technology. He said the early signatories to the Treaty of Basseterre which created the OECS, had designed a Union for what the political market could bear twenty-four years ago. He stressed that the OECS must also begin to assert its many qualities and draw strength from the outstanding successes of its people. Dr. Gonsalves also cautioned that the people of the sub-region need to break out of the chauvinism and island nationalism induced by restrictive "islandness" to enlarge their potential and opportunities through a deepened integration process.

FINANCIAL MATTERS

The meeting received a report on the financial situation of the Organisation, which had deteriorated over the past year. The Authority accepted the offer by two Member States with significant arrears to the Organisation to have their Finance Ministry officials meet with the OECS Secretariat within the month, to work out modalities for clearing the arrears and to keep their payments current. The meeting also noted the expression of gratitude by Grenada to Member States, in particular St. Lucia, for taking up Grenada's contributions to the Organisation following the devastation of hurricane Ivan in September 2004. The meeting welcomed Grenada's plans to resume contributions following the next budget. The meeting further commended the Government of St. Lucia for its continued financial support to the Organisation, but recognised the situation must be redressed as a matter of urgency.

BUDGET

The Authority approved the Organisation's budget for the 2005/2006 financial year.

LEGAL MATTERS

The meeting noted a report from the April 2005 meeting of the OECS Legal Affairs Committee, comprising the sub-region's Attorneys General. The meeting requested that the Chairman and the Director General raise Member States' concerns about the slow pace of reform of the magistracy with the Acting Chief Justice of the Eastern Caribbean Supreme Court. The Heads also congratulated the Legal Unit on the ongoing initiatives, including preparation of several pieces of harmonised legislation.

ECONOMIC INTEGRATION ISSUES

The Authority approved a report on the preparatory work being undertaken by the Task Force on an OECS Economic Union Treaty, and:

- i) recommended that the Task Force proceeds with the preparation of a draft treaty, and
- ii) agreed that a meeting of Heads of Government should be convened in St. Lucia on July 23rd 2005 to review the draft Treaty.

EXTERNAL ECONOMIC NEGOTIATIONS

The OECS in the CSME

Heads welcomed a study commissioned by the Secretariat and executed by the sub-regional office in Trinidad and Tobago of the United Nations Commission for Latin America and the Caribbean (UNECLAC) which presented hard data to highlighting the real and potential benefits and challenges for OECS Member States' participation in the impending

CARICOM Single Market and Economy. The meeting noted the study's finding that intra-regional trade is characterised by a narrow base and a marked degree of concentration at the level of countries, products and firms. It further noted that 50 percent of intra regional trade originates from Trinidad and Tobago; 51 percent of all products are concentrated in the trading of two products – namely cement and petroleum derivatives and products, and trade is concentration in a handful of firms. The meeting noted the imbalances in intra-regional trade identified by the report, with Trinidad and Tobago alone supplying 65 percent of OECS intra-regional imports.

Heads also noted the declining OECS market share which sees the sub-region with just one product now commanding more than 25 percent of market share compared to at least five products in the 1980s. The meeting noted that the balance of trade between OECS and CARICOM has been increasingly unfavourable to OECS countries, widening from 214 million dollars to 481 million between 1980 and 2003 representing a 6.5 percent trade gap, relative to the combined OECS GDP in 2003. The meeting expressed concern about the lack of adequate intra-regional data on the services sector which is the area in which OECS Member States believe they have a comparative advantage which they need to protect and promote.

The Authority agreed that a high level policy forum should be convened, involving members of the OECS Economic Union Task Force, the OECS Legal Unit, senior officials of Ministries of Finance, and the Head of the CSME Unit, to identify and amend specific provisions of Chapter Seven of the revised Treaty of Chaguaramas in a manner which responds to the needs of OECS Member States. Heads also agreed that Ministers of Trade should meet in St. Lucia one day ahead of the upcoming CARICOM Heads of Government meeting to provide input to OECS Heads for presentation to the CARICOM Meeting, highlighting the concerns of OECS Member States and recommending a roadmap for addressing them, even as the OECS reaffirms its commitment to the CSME.

Regional Development Fund

Heads were updated by the Caribbean Development Bank on the preparatory work being undertaken to operationalise the Regional Development Fund, a mechanism proposed in the revised Treaty of Chaguaramas to assist disadvantaged countries, regions and sectors to compete effectively in the

CSME. The meeting noted that the Fund would require contributions from all CARICOM countries, and that development partners would be approached for matching funds. The meeting underscored the importance of the Fund as a vital part of the CSME structure.

WTO Negotiations

The meeting agreed that the sixth WTO Trade Ministerial conference to be held in Hong Kong, December 13-18, is an important step towards completion of the Doha round of negotiations and requires an effective OECS presence, including Ministerial representation, to help secure inclusion of the sub-region's concerns including adequate provision for preferences, special tariff reduction treatment, and more Special and Differential Treatment provisions. Heads decided that a meeting of OECS Ministers of Trade and technical officers should be convened in St. Lucia ahead of next month's CARICOM meeting to rationalise OECS positions on the issues

ECONOMIC DEVELOPMENT ISSUES

Tourism

The Authority noted the report from the second OECS Council of Tourism Ministers held April 21-22 in Anguilla. Heads further noted plans for the holding of the third meeting of the Council in October 2005 in Antigua.

Sugar

The Authority expressed encouragement and support to the Government of St. Kitts and Nevis for its courageous decision to get out of bulk sugar production at the end of the 2004/5 sugar crop. The meeting noted the government's plans for diversification both within the sugar cane industry and away from sugar. Heads acknowledged the support given by the OECS Secretariat and development partners in putting in place a plan to cushion the shock. Heads also noted the government's concern that the exit from sugar production would prove to be the greatest challenge in the country's recent history. The Authority also supported a request from the Sugar

Association of the Caribbean that the St. Kitts and Nevis export quota of 16,500 tonnes be reallocated within the Caribbean region.

Bananas

The Authority received an update on negotiations for a tariff-only regime for banana imports into the European Union. Heads noted that arbitration had commenced on whether the proposed tariff level of 230 euros per metric tonne would adversely affect market access of Most Favoured Nation status and endorsed the need for continued scientific and legal work to prepare rebuttals for this month's meetings, ahead of the Arbitration Committee award in August. The meeting agreed that Prime Minister Dr. Ralph Gonsalves, as Regional Spokesman on Bananas, would continue to maintain contact with the Latin American countries on the possibilities of a meeting between them and regional producers.

Agriculture Ministers Meeting

The Authority noted the report from the Meeting of OECS Ministers of Agriculture, held March 31st 2005 which reviewed project proposals being developed to reposition the agriculture sector, including development of a regional marketing plan, and establish actions for national, regional and international support agencies to deliver the projects.

Development Policy on Services

The Authority gave general support to the need for development of an OECS policy on Services. Heads also agreed to mandate their Trade Ministers to discuss options and report back to the Heads during the upcoming CARICOM meeting in St. Lucia.

The World Bank

Heads reviewed the report prepared by the World Bank entitled "Towards a New Agenda for Growth: The Organisation of Eastern Caribbean States. The report addressed the issue of the future directions of development strategies

for the region in the context of the major challenges facing countries, nationally and in the international environment.

Heads further reviewed proposals set out by the World Bank in its study on large scale energy projects in the Caribbean under the Energy Sector Management Assistance Programme (ESMAP). Special focus was placed on the cost structure and efficacy of the electricity sector in the sub-region and possible ways of reducing energy costs to facilitate growth and increased competitiveness.

The Authority noted the various options available for reforming the energy sector and the evaluation of these options and mandated the Secretariat to:

- a) facilitate and coordinate discussions with the Government of Trinidad and Tobago on the matter of rules of origin of petroleum products from that country
- b) undertake a study on the use of international best practices and international import price benchmarks to set retail prices for petroleum products, and
- c) undertake a study and provide recommendations for the establishment of a regional mechanism to provide oversight and regulation of the electricity sector.

FUNCTIONAL COOPERATION

Prison Services

By way of follow-up to the consultancy already executed in 2004 on the feasibility of establishing an OECS Regional Prison service, Heads reviewed a report by the consultant on the design of a regime for mentally challenged prisoners and drug offenders which focussed on non-custodial sentences.

Police Services

The meeting also reviewed the first draft of a report by the team of consultants who had been engaged to execute a feasibility study on the establishment of an OECS Regional Police Service.

Air Transportation Policy

Heads reviewed the report of the consultant who had prepared a framework document for the development of an OECS air transportation policy.

Civil Aviation

A situation report was presented by the Eastern Caribbean Civil Aviation Authority (ECCAA) on OECS Member States' efforts aimed at achieving US FAA Category 1 Status, noting that the target date set for completion of the US FAA assessment was the third quarter of 2005. The Authority approved the mandate for the OECS to assemble a negotiation team and commence initial consultation with the US on an Open Skies between the OECS Member States and the United States. The Authority also agreed in principle to the participation of the ECCAA in the establishment of the Association of Civil Aviation Authorities of the Caribbean (ACAAC) as an institution of CARICOM.

Disaster Mitigation

Heads reviewed and approved a proposed programme on Disaster response and Risk Reduction, and mandated the Secretariat to mobilise resources from the donor community for implementation.

OECS - University of the West Indies Relations

The meeting endorsed plans by the University of the West Indies to undertake a study into its relationship with so-called non-campus territories, or 'UWI Twelve' which include the OECS Member States. The Authority welcomed the offer by the UWI's Cave Hill campus of forty annual scholarships to students in OECS Member States. The Authority thanked the current UWI Vice Chancellor Professor Nigel Harris for his very strong interest in the OECS sub-region. The meeting welcomed plans for the establishment of several new Centres of Excellence across the Caribbean and the promise to consider allocating at least one such Centre, covering Information and Communication Technology, in an OECS Member State. Heads also endorsed plans by the University to launch a country by country assessment of human resource needs in the Caribbean, beginning with the

OECS countries. The Heads further welcomed plans to convene a meeting of OECS community colleges, governments and the UWI to assess the development needs of the colleges and the assistance which UWI can provide.

SOCIAL AND ENVIRONMENTAL DEVELOPMENT ISSUES

Updates were provided on the following projects:

- a) The HIV/AIDS Programme which, with the assistance of grant funds, has ten strategies for providing care, treatment and support for persons living with the HIV/AIDS virus, for reducing the spread of the disease and for public education on prevention.
- b) The Protected Areas and Associated Livelihoods (OPAAL) projects valued at US\$7.5 million, spread over five years and is donor funded.
- c) The Mecovi Project which aims at enhancing capacity of statistical offices in St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Dominica and Grenada, to execute survey work focussed on poverty measurement and social policy analysis.

Heads agreed on the execution of a study for establishment of centres of specialisation in Member States for the provision of tertiary health services.

SUPREME COURT

The meeting discussed the issue of the staffing of the Eastern Caribbean Supreme Court to ensure effectiveness and sustained efficiency. The meeting also addressed the options available for a more effective OECS Magistracy.

AGRICULTURE MINISTERS INVITATION TO CUBA

Heads agreed that OECS Ministers of Agriculture should accept the invitation extended by the Government of Cuba to visit that country to hold talks on the development of the agriculture sector in OECS Member States.

RELATIONS WITH TRINIDAD AND TOBAGO

Heads discussed and agreed on a draft Memorandum of Understanding between the OECS and the Government of Trinidad and Tobago to guide discussions with that government on a number of areas of cooperation including the energy sector.

Heads further agreed on the need for the establishment of clear guidelines for accessing funding under the Oil Facility established by the Government of Trinidad and Tobago to provide assistance to OECS Member States.

OECS 25th ANNIVERSARY

The authority approved plans for a major celebration of the 25th anniversary of the Organisation of Eastern Caribbean States, including recommendations for a new OECS Logo and an OECS flag.

Heads further accepted the offer from the Government of St. Kitts and Nevis to host the Meeting of the Authority for the anniversary in the capital city Basseterre where the Treaty establishing the OECS was signed.

DATE AND VENUE OF NEXT MEETING

The authority agreed that the next meeting of the Authority will be held in Anguilla, from the 7th and 8th of November 2005.