



ORGANISATION OF EASTERN CARIBBEAN STATES

Morne Fortuné, P.O. Box 179, Castries, St. Lucia.

Telephone: (758) 452-2537 * Fax: (758) 453-1628 * E-mail: oesec@oecs.org

COMMUNIQUE

42ND MEETING OF THE OECS AUTHORITY

6-8 November 2005

**Malliouhana Hotel
Meads Bay, Anguilla**

INTRODUCTION

The 42nd Meeting of the Authority of the Organisation of Eastern Caribbean States (OECS) was held at the Malliouhana Resort, Anguilla, 6-8 November 2005. The Meeting was chaired by Prime Minister Dr. the Hon. Kenny Anthony of St. Lucia due to the unavoidable absence of the Chairman of the OECS Authority, Prime Minister Dr. Ralph Gonsalves of St. Vincent and the Grenadines.

Heads of Government and Representatives of Heads of Government in attendance were:

Hon. Baldwin Spencer, Prime Minister of Antigua and Barbuda.

Hon John Osborne, Chief Minister of Montserrat.

Hon. Dr. Denzil Douglas, Prime Minister of St. Kitts and Nevis.

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

Hon. Osborne Fleming, Chief Minister of Anguilla.

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

Hon. Charles Savarin, Minister of Foreign Affairs, Trade and the Civil Service of Dominica.

Ms. Patricia Martin, Permanent Secretary, Ministry of Foreign Affairs, St. Vincent and the Grenadines

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

Heads of delegations from regional institutions were:

Sir Dwight Venner, Governor of the Eastern Caribbean Central Bank, ECCB.

Mr. Alan Slusher, Director of Economics of the Caribbean Development Bank, CDB, and

Mr. Rosemond James, Acting Director General of the Eastern Caribbean Civil Aviation Authority, ECCAA.



THE OPENING CEREMONY

The Opening ceremony was held on the evening of Sunday, November 6th at the CuisinArt Resort. Addresses were delivered by:

Dr. Len Ishmael, OECS Director General.

Hon. Osborne Fleming, Chief Minister of Anguilla, and

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

Dr. Ishmael, in her address, spoke of the success story of “the OECS model of regionalism and integration” which she said is now being touted by some of the most influential multinational institutions, including the World Bank and IMF as well as the sub-region’s chief development partners, CIDA, USAID, the European Union and the UNDP, as an impressive model that could be exported to similar regions around the world.

She said this home grown model has provided the region with an impressive array of sub-regional institutional and policy making architecture, including the OECS Secretariat, the Eastern Caribbean Central Bank and Securities Exchange, the Eastern Caribbean Supreme Court, the Eastern Caribbean Civil Aviation Authority, Eastern Caribbean Telecommunications Authority, the joint overseas missions in Brussels, Ottawa and Geneva, joint procurement of pharmaceuticals with up to 60 percent savings to Member States, functional cooperation in education and health reform, environment management, sports development and the daily 15 minutes OECS News Link radio programme broadcast across the region. Dr. Ishmael however warned that the sub-region is setting the stage for grave disillusionment if the issue of security of financing for these institutions is not ensured. She called on the region’s people to take note of the accomplishments at the sub-regional level, speak to them and build on them.

Hon. Osborne Fleming highlighted ‘the Anguilla story’ as one that can inspire any nation to believe that its government and people can compete in the international market with limited resources. Mr. Fleming said Anguilla moved from an economy in decline five years ago to register a 16 percent growth in GDP for 2004, with GDP per capita at EC\$23,497, thirteen percent above the 2003 figure. He said the heavy demand by investors to do business in Anguilla, forced his government on November 1st to place a moratorium on major developments for the next 30 months. Mr. Fleming said he would engage other OECS leaders to see how the other countries in the sub-region can assist with the current development boom and be assisted by Anguilla. He wants to see each OECS country develop strategies to ensure their economies are agile enough to change with the times; stable enough to rebound from global downturns; and resilient enough to sustain the sub-region through times of uncertainty.



In delivering the Chairman's address on behalf of current Chairman Prime Minister Dr. Ralph Gonsalves of St. Vincent and the Grenadines, Prime Minister Dr. Kenny Anthony stressed the need to further strengthen the OECS integration process as the sub-region prepares to launch activities to lead up to the June 18th 2006 twenty-fifth anniversary of the signing of the Treaty of Basseterre which established the OECS. He warned that the international trade and economic environment was much different twenty-five years ago when trade protection held sway especially for the sub-region's banana and sugar exports.

He reminded the audience that in June this year St. Kitts and Nevis took the decision to close down its centuries old sugar industry because it had simply ceased to be a viable activity in this new dispensation. Only last month, he said, the WTO arbitrators had ruled against the European Union's proposed tariff of 187 Euros per metric ton on ACP bananas, a group that includes the Windward Islands, leaving the door open to a further erosion of the tariff and quota protection provided to banana exports on the European market. The WTO and the multi-lateral trading system, he said, had let down the small and disadvantaged countries within the global economy. Dr. Anthony called for the meeting to seek to advance work on the OECS Economic Treaty as a tool for perfecting the Union. He said joint action is the best option for OECS Member States, whether the focus is on trade, other areas of economic activity, or the fight against crime.

During the Opening Ceremony, Dr. Anthony, on behalf of the OECS Chairman, formally launched the activities to mark the 25th anniversary of the Signing of the Treaty of Basseterre. The activities, which will run up to June 18th 2006, will include unveiling of a new OECS Flag and Logo; a 25th anniversary conference on "A New development Paradigm for the OECS States"; a Treaty of Basseterre Seminar/Lecture Series; Sport 25; an OECS Outlook magazine; art competitions; an inter-island Youth Debate "25 Years of the OECS"; a Youth Parliament; an OECS Fair and Trade Show; commemorative stamps and memorabilia and Awards of Excellence.

ECONOMIC INTEGRATION

The Authority received a report from the Task Force on OECS Economic Union, chaired by Governor of the Eastern Caribbean Central Bank Sir Dwight Venner and comprising representatives nominated by each Head of Government. The Meeting was presented with a draft new OECS Treaty, developed by Professor A.R Carnegie, Executive Director of the Caribbean Law Institute at UWI Cave Hill campus, in consultation with the Task Force and OECS Secretariat which will underpin the sub-region's move towards an OECS Economic Union. Heads noted the key proposals of the revised Treaty, including:

- Granting powers to the OECS Authority to legislate in well defined selected areas, with binding effect on Member States. National Parliaments will be required to delegate these aspects of their legislative authority to the OECS Authority.



- A governance structure to include:
 - the OECS Authority;
 - Council of Ministers;
 - an Economic Affairs Council; and
 - the Commission
- The Council of Ministers is to be charged with preparation of subsidiary legislation in Member States. The composition of the Council of Ministers will be determined by the subject matter under consideration.
- Upgrading the current OECS Secretariat into the “Eastern Caribbean Commission”, and provided with Commissioners with the responsibility to prepare legislation for the Authority to approve, as well as to strengthen the linkages between the proposed Commission and Member States.

The Authority mandated the Task Force to meet soon to refine the ideas and give expression to the most suitable way forward. The Authority further mandated that the Task Force then convenes a Special Meeting of technical people in the first quarter of next year, to receive and review comments after which the draft new Treaty will go forward to the next meeting of the Authority for decision making. The Authority accepted an offer from the Government of St. Kitts/Nevis to host that meeting in Basseterre and to have it scheduled to coincide with the 25th anniversary of the signing of the original Treaty of Basseterre, June 18th 2006.

EXTERNAL ECONOMIC NEGOTIATIONS

Meeting of OECS Ministers of Trade

The Authority accepted a report from a Special Meeting of OECS Ministers of Trade, held November 6-8, which, among other things, reviewed the OECS Trade Policy Framework in the approach to WTO and EPA negotiations; looked at elements of the trade policy in respect of the CARICOM Single Market and Economy, CSME; and discussed OECS preparations for the sixth WTO Ministerial conference in December 2005 in Hong Kong. The Meeting emphasized the need for a strong and focused OECS team to represent the sub-region’s interests at the Hong Kong Ministerial and further mandated that the issues and procedures involved in the negotiation process be crystalised and given greater focus ahead of the meeting. The Meeting agreed that Ministers will be identified to lead the sub-region’s interface with the wider CARICOM representation.



Fiscal Implications of Trade Taxes

The Authority noted with concern the heavy dependence in Member States on a variety of ‘other duties and charges’, also known as ODCs, comprising, among other things, consumption taxes and customs service charge, and that the existence and utilisation of these ODCs had not been properly notified to the WTO in 1994, leaving the sub-region’s fiscal systems exposed and vulnerable to ongoing trade negotiations and arrangements. Heads noted that should a WTO Member State take issue with these ODCs, they will most certainly be judged to be illegal and would have to be eliminated, depriving the governments of Member States of an important source of revenue. Against this grave situation, and given the lack of real alternatives, the Authority agreed that Member States should move with urgency to undertake tax reform measures, including the possible introduction of the Value Added Tax, VAT.

Visits by Barbados Prime Minister on CSME

The Meeting received updates from the Antigua and Barbuda and St. Vincent and the Grenadines delegations on the recent visit to the two countries, by Barbados Prime Minister Hon. Owen Arthur, lead CARICOM spokesperson on the CARICOM Single Market and Economy, in relation to OECS concerns about the CSME. Prime Minister Hon. Baldwin Spencer said issues raised in the Antigua and Barbuda visit included whether the proposed Regional Development Agency to manage the Development Fund was actually necessary and how it will be funded; the need for special and differential treatment for the OECS; concerns about free movement of people; and the OECS entering the CSME as one bloc. The delegation of St. Vincent and the Grenadines said that the concerns included the maintenance of alien land holding licences to protect the scarce land resources, and the freedom of movement of people.

Developments on Banana Trade

The Authority noted that time is running out for a negotiated settlement on banana exports to the European Union, given that the EU is required under the Doha Ministerial decision of November 2001, to implement a new tariff-only regime by January 1st 2006. Heads noted with serious concern that since the last meeting of the Authority in June 2005, two arbitration decisions in the WTO on bananas had gone against the EU, placing the preferential system in danger of collapse. The Authority endorsed a recommendation for further interaction with key interested parties to utilize a window of opportunity which may arise from the current divergence of views among Latin American countries on the tariff level. The Meeting also mandated the Secretariat to work closely with Member States to develop a regional marketing and distribution plan and to address quality concerns. The Authority agreed to a request from the Government of Dominica for the holding of a Special Banana Conference pending agreement on a suitable date.



FINANCIAL MATTERS

The Meeting discussed the financial situation of the Secretariat. It noted that the arrears of some members continued to be a matter of great concern and that the situation was becoming unsustainable. The Meeting urged that those members with substantial arrears should take all measures necessary to address the situation. This was agreed. The Meeting reaffirmed the value of the Secretariat to Member States and welcomed the measures being taken by most members to assure the financial integrity of the Organization.

SOCIAL AND ENVIRONMENTAL DEVELOPMENT ISSUES

Regional Coordinating Mechanism for HIV/AIDS Project

The Authority discussed a report on the implementation status of a Grant Agreement between the OECS and the Global Fund to provide treatment and support to persons living with HIV/AIDS. The Meeting noted that the OECS Secretariat, as Principal Recipient to the Grant has set up an OECS HIV/AIDS Project Unit, (HAPU) to oversee the financial management of the Grant Agreement worth US\$10.2 million over a five year period. The Authority however expressed concern over the unclear structure, roles and responsibilities, function, governance and mandate of the Regional Coordinating Mechanism (RCM), an oversight body made up of public, private sector and NGO representatives from Member States. In this regard, the Authority mandated the Prime Minister of St. Kitts/Nevis, as the sub-region's lead spokesperson on Health, to convene an urgent meeting with the RCM and the OECS HAPU to review the following:

- Reconstitution of the RCM so that the representation is broadened.
- Plans to include the three Overseas territories, Montserrat, Anguilla and the BVI.
- A recommendation that the OECS Secretariat, through HAPU, function as the Secretariat to the RCM.
- A recommendation that the RCM reports to the OECS Authority through the OECS Ministers of Health Committee.
- Establishment of technical support capability within the RCM.
- The roles and responsibilities, structure, functioning, mandate and governance of the RCM with a view to their formalization.



LEGAL MATTERS

The Authority received an update on the initiatives being pursued by the OECS Legal Unit. These include the OECS Family Law and Domestic Violence Reform Initiative which involves the drafting of modern harmonized family laws to address deficiencies in family law in Member States; Law Reform and Harmonisation which will be increasingly crucial as Member States move towards an OECS Economic Union and as they become involved in the CARICOM Single Market and Economy, CSME; Intellectual Property Initiative to empower authors in the sub-region to protect their rights; the OECS/OPCW Audit of Laboratory Facilities Initiative which involves working with the Organisation on the Prohibition of Chemical Weapons (OPCW) to upgrade the laboratory facilities in the Member States; and facilitating adherence to the CARICOM Mutual legal Assistance Treaty by Member States that have not done so.

LETTER FROM GRENADA

The Authority received and expressed gratitude for a letter from the Prime Minister of Grenada who was unavoidably absent from the meeting in which he expressed solidarity with his colleagues and his strong support for the ongoing work of the Organisation. The Prime Minister thanked other Member States led by St. Lucia for taking up Grenada's contributions to the financing of the Organisation following the devastation by hurricane Ivan, and indicated that Grenada will be able to resume its contributions later this month.

ECONOMIC DEVELOPMENT ISSUES

OECS Participation in the Grand Pavois Boat Show

The Meeting received a report on the recent OECS Participation in the Grand Pavois Boat Show in La Rochelle France and gave its strong endorsement to future participation by the sub-region in this event. The OECS participation in what is regarded as one of the world's three biggest boat shows brought new business opportunities for the sub-region's yachting sector. These include a commitment by major yacht charter companies to purchase their provisions in Member States, creating opportunities for manufacturers of goods and services; bookings for berthing space at marinas across the sub-region, and the provision of clearance fees as a lump sum, one year in advance. The Secretariat is to meet with yacht operators soon to sign a Memorandum of Understanding on these issues.

Update on Transition Process from Sugar in St. Kitts and Nevis

The Authority recognized and applauded the courage of the Government in St. Kitts and Nevis for taking



the far reaching decision to close the centuries old sugar industry, and indicated that the Authority regards the decision as the right one. The Meeting received an update on the transition process from the Prime Minister of St. Kitts and Nevis who indicated that arrangements have been made for repositioning the 1,500 displaced sugar workers. The Prime Minister thanked the OECS Secretariat and the many regional and international organizations which have provided their support to this initiative.

Land Cadastral and Property Taxation Project

The Authority endorsed a Land Cadastral and Property Taxation project which has had its pilot phase in Antigua and Barbuda and recommended it to other Member States. This fully computerized land registry project will allow for on-line land transfers and better planning and control.

THE EXPORT DEVELOPMENT UNIT

The Meeting noted the status of the Programme and the remarkable work being done by EDU, as well as the performance of the Unit in mobilizing Donor funds. In this regard, action is being taken for a continuation of EU support to the EDU programme which was endorsed and the required financial guarantees to be provided through the Government of St. Lucia for the execution of mobilization of funds.

BIRD ROCK

The Authority considered the long standing issue of Venezuela's claim to **the geographical formation known as Bird Rock** and expressed deep concern about that country's continued promotion of the claim.

Two major issues are at stake here; the ownership of Bird Rock, and the 'ability' of Bird Rock to generate an EEZ in accordance with the 1982 UN Convention on the Law of the Sea, to which Venezuela is not a party.

The Authority is particularly concerned about the recent increase in activity on Bird Rock by Venezuelan authorities which included among other things, the conduct of weddings and baptisms, activities which are designed to promote the notion of Venezuelan ownership.

The Authority considered this upsurge in activity to be an unnecessary distraction from the positive climate created by the Petrocaribe Initiative, as well as an unfortunate detraction from its potential benefits.

The Authority called for a cessation of the recent activities, and indicated its own intention to seek early negotiations aimed at a speedy resolution of this long-standing issue.



REPORT FROM ACTING CHIEF JUSTICE

Heads approved initiatives by the Eastern Caribbean Supreme Court with respect to reviewing proposals for reform in the Magistrate's Courts, and a review of the roles and responsibilities of the Directors of Public Prosecution and other elements of the Judiciary. Heads also approved the appointment of two judges, one in St. Vincent and the Grenadines, and the other to provide management support to the magistracy.

PETROCARIBE

The Authority decided to seek an urgent meeting with the Government of Venezuela, to fine tune the Petrocaribe Agreement. Heads also agreed to mandate the ECCB and the OECS Secretariat to prepare a Policy Paper on the issue of OECS Energy demand and supply.

DECENTRALISATION OF HEALTH CARE SERVICES

The Authority agreed to undertake a comprehensive review of the need for tertiary health care services within the sub-region, having accepted the offer by St. Vincent and the Grenadines to explore the feasibility of establishing a specialized Pediatric Hospital in that country, and that of St. Lucia to provide radiotherapy services for the treatment of cancer in the sub-region.

The Meeting also endorsed a recommendation from the Chief Minister of Anguilla that Member States put facilities in place, including dialysis machines, to deal with the growing incidence of renal failure in the sub-region. The Meeting further advanced the recommendation from the Prime Minister of St. Kitts and Nevis that attention should also be directed to non-communicable diseases, particularly diabetes and hypertension which creates complications that lead to renal failure.

INSTITUTIONAL AND FUNCTIONAL COOPERATION ISSUES

OECS Regional Prison Service

The Authority received an update on the ongoing consultancy on a Regional Prison Service with specific focus on the creation of a "Through Care" system for offenders in the OECS and the merging of the corrections and probation services in the sub-region. The Meeting recommended that the paper is circulated to Member governments for review and comment and form part of the agenda for the next meeting of the OECS Authority.



OECS CIVIL AVIATION MATTERS

The Authority welcomed news that the Eastern Caribbean Civil Aviation Authority (ECCAA) has overcome remaining major hurdles on the route towards the attainment of Category 1 status. The Authority further applauded the efforts leading to the recent issuing of a new Air Worthiness Certificate to regional airline LIAT, making it the first OECS Operator to have received this certificate. The Authority was informed that the US Federal Aviation Authority has a technical assistance team assisting with the efforts to achieve Category One status and has proposed a date to for the required audit which is expected to be before mid-December. The Authority encouraged Member States which have not yet done so, to take the necessary actions to expedite enactment of the new Civil Aviation Regulations; agreed to a revised schedule for the initiation and conclusion of an Open Skies Agreement with the United States; and agreed that the OECS needs to put mechanisms in place to strengthen airline security.

UPDATE ON GENEVA OFFICE

The Authority received a report on the establishment and on financial arrangements to support the Geneva Office and endorsed proposals for new long term financing arrangements for the Office.

THE BUSINESS FORUM

The Authority applauded the setting up of the OECS Business Forum which was launched in St. Lucia last week. The OECS Business Forum is important for three major reasons:

- It provides an interface between the sub-region's private sector and the OECS Secretariat to inform the Secretariat's work programme on trade negotiations and other vital matters.
- It also provides an interface between the private sector and the OECS Authority.
- In light of the coming on stream of the CARICOM Single Market and Economy (CSME), and ongoing negotiations with the European Union for the Economic Partnership Agreements (EPAs), the OECS Business Forum provides space for dialogue on issues of strategic importance to the private sector in Member States.

MEMORANDUM OF UNDERSTANDING: OECS AND TRINIDAD AND TOBAGO



The Authority agreed to press ahead with plans to seek a meeting between the Government of Trinidad and Tobago and the OECS Member States to discuss issues of strategic interest within the framework of an MOU. OECS Heads also indicated their plans to seek bilateral discussions with the Governments of Jamaica and Barbados to discuss issues of mutual interest.

ANNIVERSARY CONFERENCE

The Authority welcomed plans by the Government of St. Kitts and Nevis to host a conference in early 2006 for OECS Speakers and Presidents of Parliament as part of activities to mark the 25th anniversary of the OECS on the theme “The role of Speakers and Presidents in Promoting Good Governance in the OECS”.

DATE AND VENUE FOR NEXT MEETING

The next meeting, which will coincide with the 25th anniversary of the OECS on June 18th 2006, will be hosted by St. Kitts/Nevis.