



OECS Trade Policy Framework for:

Agriculture

Manufacturing

Services

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OECS Secretariat

Throughout much of their history, the countries comprising the Organization of Eastern Caribbean States (OECS) have been the beneficiaries of unilateral trade preferences provided by Europe in the Lome` conventions, and the US in the various incarnations of the Caribbean Basin Initiative (now the Caribbean Basin Trade Partnership Agreement, CBTPA). However as the global trade policy environment has evolved, the future of unilateral preferences is very much in doubt. Under the Cotonou Agreement, all ACP countries must move away from preferential trading arrangements with the EU, towards more reciprocal trading arrangements that are consistent with the WTO principles. Simultaneously, the OECS, as part of CARICOM, is participating in negotiations to create a Free Trade Area of the Americas (FTAA), and in global trade negotiations as part of the Doha Round.

The specter of negotiating an Economic Partnership Agreement with the EU and an FTAA with hemispheric trading partners, that requires a simultaneous erosion of trade preferences for key exports and a reduction in the Common External Tariff (CET) presents significant challenges to the OECS countries. This is especially true as regards the agricultural sector. Unilateral trade preferences provided by the EU for sugar and bananas have long been viewed as critical to the survival of these industries. Additionally protection of certain domestic agricultural activities is considered critical to achieving some degree of agricultural diversification and retaining an acceptable level of food security.

While these trade negotiations offer significant challenges, and will inevitably result in a break with the historical trade arrangements between the OECS and its major trading partners, they also offer considerable opportunities for a new beginning for the OECS countries to attain many longstanding economic development and structural transformation goals. Capturing these opportunities will require critical examination of much current "conventional wisdom" as well as enlightened and novel negotiating strategies.

AGRICULTURE

Trade Policy Framework

OECS countries maintain both an offensive and a defensive interest in agriculture. Presently, the defensive interest of the sub-region dominates, and there is virtually no inclusion of the offensive interest in the trade policy agenda. OECS' defensive interest includes the maintenance of preference commodities, largely bananas, and a small and ever declining number of non-traditional agri-food products, which are mainly exported to the EU (primarily the UK), US and Canada. OECS countries also maintain defensive interest in a number of agri-food product clusters, which forms the basis of domestic food production, agri-processing and manufacturing systems. Maintaining development space for a number of other culturally important and sensitive agri-food products, on a tariff line basis, constitutes a third basis on which OECS Member States maintain a defensive interest.

OECS' offensive interest can be gleaned from an examination of the domestic production and agri-food processing capacity of Member States. Such offensive interest is driven by the imperative of providing access to food at affordable prices to all sectors, including the tourism and hospitality sector – food security considerations.

However, the sub-regions' offensive and defensive interest must be modified in a number of other important respects to evolve an informed trade policy response. The OECS countries maintain obligations, under the Revised Treaty of Chaguaramas. In this context, Article 79 and 80 of the Revised Treaty are particularly instructive. The special interest of the MDC's and of Belize, which along with the OECS Grouping constitutes the LDC's of CARICOM, must also be taken into account. The implicit assumption is that the explicit policy choice of non-OECS Member States conveys/reveals information which reflects their "institutional state."

The establishment of the Single Market and Single Economy (CSME) imposes a number of other considerations for incorporation into an appropriate trade policy framework for the OECS. The provisions relating to Chapters 4, 5 and 6, Chapter 7 - particularly Articles 164 and 151, and Chapter 9 and Article 239 of Chapter 10 are particularly significant.

In addition, the unfinished agenda that calls for the evolution of a single economy for agriculture, perhaps as soon as 2008 are also relevant. While many of these areas are cross-cutting, (such as the provisions which will obtain to "Free Circulation", "Rules of Origin" etc.), the treatment accorded to agriculture must also follow the rights and obligations enshrined in the WTO Agreement on Agriculture (WTO-AoA).

The trade policy framework advanced herein, takes cognizance of the commitments of OECS Members States, in the context of the Uruguay Round (UR) and the process of continuous reform, within the context of the Doha Development Agenda.

In terms of broad principles, OECS countries as Small Economies, must seek to engage in the negotiations as a bloc, with a trade policy agenda that maintains common elements to that of the broad CARICOM grouping, as well as an Economic Union, with its own “raft” of peculiarities that must be accommodated in the various negotiating processes.

As Members of the Developing countries grouping, OECS countries are required to negotiate reciprocal concessions at the multilateral level. Within the FTAA, which is WTO plus OECS, countries are also required to offer market access concessions that are equal to their non-OECS CARICOM counterparts. However, CARICOM Heads of Government have adopted “non-reciprocity” as the guiding principle for other regional and bilateral negotiations, implying that OECS countries should be exempted from having to offer market access concessions. Accordingly, OECS countries can be regarded as maintaining a special “carve-out” in bilateral agreements. These bilateral agreements with CARICOM may thus be considered as incorporating two bilateral processes, with the OECS component being non-reciprocal, and with reciprocity incorporated for the More Developed Countries (MDC’s).

Elements of a Defensive Strategy

With the significant erosion of preferences for ACP and OECS bananas, Member States appear to have little option, but to present a comprehensive proposal that emphasizes the notion of adjustment, “deconstruction and reconstruction” of the agri-food sector. Elements of a policy response to the banana challenge should emphasize the:

- (a) Establishment of a “Single CARICOM Regime for Bananas”, with the various pillars of ancillary support to the industry, to include: financing for the “transitioning, or de-commissioning process, utilizing well accepted programmes of acreage reduction and acreage idling, as well as exempt provision of the “Blue Box” of Developing countries. Within the context of Article 9.4 (d) and 9.4 (e) of the AoA, resources for marketing and promotion should be negotiated at the multilateral level, though implementation will need to take place within the context of a series of regional agreements, for instance, the CARIFORUM-EU EPA, and bilateral agreements to be negotiated with the US, Canada and other advanced Developing countries.

The Single CARICOM regime for bananas should be crafted within the framework of Article 164 of the Revised Treaty, and should not be eligible for market concessions, in the context of regional, pluri-lateral or multilateral negotiations.

Application of the WTO bound rate for bananas should be adopted throughout CARICOM, such that the bound and the applied rate are the same (100%).

Preference products should be exempt from tariff reduction, or should be subject to the slowest liberation possible, perhaps within the context of the “Special Products” category.

The Single Market regime for bananas must apply the flexibilities enshrined in the “green box,” relating to support based on conservation and environmental standards, rural sustainability etc.

Export subsidies, as are eligible in the Agreement on Agriculture, must be allowed for a small number of tariff lines in instances where exports from small suppliers, such as those of the OECS, constitutes some pre-defined proportion of agricultural production, exports, rural employment and contribution to the economy of rural areas.

No reduction in the level of *de Minimis*, should be required from Small Economies, particularly for agri-food products which have benefited from long-standing preferences. Accordingly, the level of *de Minimis* should be maintained at 10%. In addition, during the period of adjustment/deconstruction, should the level *de Minimis* exceed 10%, the programmes of Small Economies should be non-actionable.

Technical and financial assistance should be committed to Small Economies, for preference products, within the context of multilateral, regional, pluri-lateral and bilateral negotiations.

- (b) Access to existing preferential markets could proceed on the basis that small suppliers in Small Economies, maintain historic market shares, within the context of the existing arrangements (status quo) or, a tariff only regime, which incorporates a subsidy-cum-tax component, again to be agreed multilaterally, but to be implemented on the basis of bilateral agreements.
- (c) While The Bahamas has opted not to join the CSME at this time, it is in the process of accession to the WTO. This notwithstanding, it is expected that at the opportune moment The Bahamas will opt to join the integration grouping. In this context, it may be prudent for the OECS/CARICOM countries to lobby the Government of The Bahamas, to negotiate a bound tariff rate of 100% for particular tariff lines, including those benefiting from preferences, during their accession process.

- (d) As the CARICOM integration process widens to incorporate new members, OECS Members should be vigilant to ensure that special concessions negotiated as part Chapter 7, of the Revised Treaty of Chaguaramas are not diminished. This is particularly pertinent within the framework of Article 164 products, and within the context of the on-going EPA negotiations. It should be evident that the several bilateral negotiations CARICOM countries have consummated with the Dominican Republic, Venezuela, Costa Rica and Cuba, could hold particular challenges for the market access concessions of the OECS.

The remaining pillars of an OECS defensive posture includes:

- (e) There must be a Special Products category for food security, and rural livelihood, on the basis of exemption from tariff liberalization (clearly this provision would include the preference products of Small Economies). There should be an inverse relationship between access to the Special Products category and use of trade distorting domestic support, export subsidy and export credit provisions. Accordingly, Developing Countries that maintain access to the Domestic Support and Export Subsidy provisions of the AoA would have more limited access than Developing Countries, which did not have such access. Secondly, Developing Countries would maintain greater access than Developed countries to make use of the Special Products category. There should be a relationship between the general tariff reduction formula and the number of tariff lines eligible for inclusion as Special Products, such that general tariff reduction formulas, which aim at more aggressive reductions of the bound rate, would be accompanied by greater access on the part of developing countries to the Special Products category.
- (f) The Sensitive Products category, for products which for reasons of revenue, inter-sectoral linkages, heritage and culture, are important to Developing Countries. Selection shall be on the basis of objective criteria, which shall be subject to review by the relevant body (Committee on Agriculture, or other).
- (g) 10% de minimis shall be maintained for Small Economies.

- (h) A number of Small Economies omitted to bind their level of Other Duties and Charges (ODC's), in their Uruguay Round Schedule of Commitments. These countries did not recognize that recording the level of ODC's, was an essential element of the accession process and the deposit of their Uruguay Round Instruments. Language which seeks to recognize that such border taxes did then (at the time of the accession to the WTO), and continues to exist, will achieve nothing short of extreme resistance from affected Small Economies to further liberalization, where such liberalization threatens the revenue base of their economies. Small Economy Members recognize that far more can be gained in circumstances where the Members that did not record the existing level of ODC's at the time of WTO accession, but where such taxes can be shown to have been in effect, are granted an "amnesty period" as part of the comprehensive outcome of the 6th Ministerial Conference at Hong Kong. It should be evident that the current proposal addresses instances in which the Schedule of Members were *effectively left "blank"* and does not relate to the *instances where an entry would have been made* by a Member, thus conveying knowledge that such an entry was required as part of the Uruguay Round process.
- (i) In addition to the circumstances outlined above, Members would have maintained border taxes (tariffs and other duties and charges), that would have been below the level of their Uruguay Round (UR), bound tariff level. These countries at all material times would have abided by their UR commitments. Regularization of the situation for these countries would provide them the necessary impetus to participate in the on-going WTO liberalization process without further prejudicing their fiscal vulnerability. Such Members, affirm that without this accommodation, it would be difficult for them to engage in the on-going process of continuous reform, to the same extent of other Members, who by dint of their accession process, rather than through imperatives reflective of objective revenue, food security and macro-economic circumstances, secured the right to bind their ODCs. Members so affected, declare this to be a critical component of Special and Differential Treatment to Developing economies and in particular to the Smaller Economies. Small Economies Members so affected, therefore regard this as an indistinguishable component of the outcomes of the 6th Ministerial Conference, at Hong Kong. Members also declare this to be without prejudice to the ongoing process of fiscal reform in their countries, including but not limited, to the introduction of indirect forms of taxation, which continue to dominate their domestic fiscal reform and macro-economic agenda.

- (e) Special Safeguard Mechanism shall be established for use by Developing countries for a pre-determined number of tariff lines. Use of the Safeguard Mechanism shall be limited to circumstances in which tariff liberalization has been offered, and should not exceed the level of the Uruguay Round binding.
- (f) OECS countries at their Meeting of the TNG in 2003, supported what was then termed a “Hybrid Formula”, for tariff liberalization which allowed Members to elect a number of tariff lines and subject them to liberalization within “bands”. The number of bands were not specified in the OECS proposal, and regrettably OECS countries, with the exception of Grenada, on the basis of information from the CRNM, that the Schedules of Members were subject to various tariff liberalization formulas, gave tacit support to the Uruguay Round formula.
- (g) The approach to tariff liberation that should be followed by OECS countries should preserve the policy space for CARICOM Members, based on the “institutional state,” revealed by all Member States. In general, low tariff bindings should be subject to lower; or zero rates of reduction. The formula, or formulae adopted should allow small economy Members a degree of selectivity, such that higher reductions on a low tariff will count as equal concessions to lower reduction on a high tariff. Small Economies which do not have recourse to trade distorting domestic support and export subsidies, should be allowed the additional flexibility of subjecting an additional limited number, possibly 5%, of their tariff lines to the slowest possible pace of tariff reduction.
- (h) In terms of the nature of the liberalization formula, three possibilities exist, (linear, non-linear, hybrid formula with both elements). The functional form will depend on the general flexibilities that are agreed within the negotiations. OECS countries can agree to a non-linear formula, to the extent that flexibilities in the manner discussed are incorporated. Without such flexibilities, OECS countries should be loathe to accept any “one size fits all” approach, either linear or non-linear formula. ***A hybrid approach that essentially maintains elements of both formulas within bands, with the flexibilities incorporated is the best approach for the OECS.*** Alternatively, a formula which allows OECS Members selectivity based on the several areas of flexibilities outlined, and thereafter subjects the remaining tariff lines to a “reasonable” level of reduction also appears feasible.

- (i) *OECS Countries, should not endorse any particular formula approach to tariff liberalization, without the benefit of explicit, apriori analysis and practical construction of the schedule of Members, so as to glean an appreciation of precisely how these schedules will actually be affected.* This continues to be a most urgent, outstanding area of work within the context of the WTO negotiations.

In terms of the OECS Offensive Interest:

The following elements of a trade policy include:

- (j) Strict criteria for use in the determination of measures under Annex 2 of the AoA, Green Box, with flexibility for Developing Countries.
- (k) Substantial reduction in the level of trade, distorting domestic support for Developed and Developing countries.
- (l) Reduction in the level of *de minimis* for Developed countries
- (m) Save and except in specific areas related to the maintenance of long-standing preferences, as defined in paragraph 16 and other relevant provisions of TN/AG/W/1/Rev.1, the SSG should be eliminated.
- (n) Small developing countries should continue to receive exemption, under the Agreement of Subsidies and Countervailing Measures, beyond the implementation period.
- (o) Elimination of tariff peaks and tariff escalation in the schedules of Developed and Advanced Developing Countries.
- (p) Elimination of export subsidies and export credits on subsidies terms, by Developed countries, and Advanced Developing countries.
- (q) Elimination of export taxes and export prohibitions for Developed and Developing countries.
- (r) Conversion of non ad-valorem to ad-valorem tariffs which should be bound in the schedule of Members.
- (s) Accommodation for the “Special Products” for Developed countries, as a transitional measure aimed as facilitating adjustment to commitments arising from the Doha Development Agenda, including but not limited to, circumstances in which long-standing preferences have been offered to Developing countries.
- (t) Technical, financial and development assistance to Developing countries, aimed at creating the incentive structure, and institutions to assist with the necessary process of structural transformation.

Clearly, the Trade Policy Framework will need to be adjusted depending on the negotiating forum. For instance, the maintained position of the OECS countries in regional negotiations continues to be that, “the Less Developed Countries (LDC’s) of CARICOM,” would not be required to grant reciprocity.¹² Accordingly, discussions on tariff liberalization modalities would be irrelevant. However, it would be impractical to expect OECS countries not to grant reciprocity to other Developing countries, such as the Dominican Republic, Venezuela, Columbia, Cuba and Costa Rica, while offering reciprocity to Developed countries such as the EU, within the context of the EPA process.

It should also be evident that ongoing initiatives towards the finalization and entrenchment of the OECS Economic Union, within the framework of the Revised Treaty of Basseterre, would need to take account of the commitment already agreed to within the framework of the Revised Treaty of Chaguaramas. The Decision by the recently concluded Conference of Heads of Government in St. Lucia, (July, 2005), to revisit the Arrangements contained in Chapter 7 of the Treaty on Disadvantaged Countries, Regions and Sectors are of particular relevance.

Consolidation of the Single Market elements of the CSME should provide OECS countries the opportunity to revisit what appears to be an apparent inconsistency between Chapter 7 of the Revised Treaty and the principle upon which the negotiating pillars of the Region are founded. Specifically, the relevant conclusions underpinning the Region’s negotiating principles hold that:

“It was recognized that while the Draft Agreement has established the willingness of CARICOM to grant reciprocity, it does not preclude the

asymmetrical application of the reciprocity principle which may be reflected in the Exclusion Lists, which are to be negotiated. This approach will be influenced by the level of development with the country with which CARICOM is negotiating”.

*“It was accepted that this Draft Model was designed for negotiating agreements with countries which were at roughly the same stage of development to that of CARICOM’s More Developed States, e.g. Central American States, but that in negotiations with the larger Latin American States, e.g., Brazil and Mexico, CARICOM as a group, could be classified as less developed countries given the vast difference”.*³

¹ Report of the Seventh Inter-Sessional Meeting of the Conference of Heads of Government of the Caribbean Community, Georgetown, Guyana, 29 February 1 March, 1996.

² See also Summary Report of the Fifth Meeting of the Prime Ministerial Sub-Committee on External Negotiations, Georgetown Guyana, 1996.

³ Summary Report of the Fifth Meeting of the Prime Ministerial Sub-Committee on External Negotiations, Georgetown Guyana, 1996

The OECS should use the opportunity of revisiting Chapter 7 of the Revised Treaty, to harmonize its internal and external processes of negotiations based on the foundation principles outlined above, particularly in regards to the eminent process of entrenching meaningful provisions, within the Revised Treaty of Basseterre, establishing the OECS Economic Union.

In relation to the CSME, the OECS Trade Policy Framework should emphasize transitional support for sunset industries, investment, entrepreneurship, training and capacity building, including the development of infrastructure. Establishment of a Fund for Research and Development, and for social protection, should be non-negotiable components. However, there should be a number of cross-cutting elements, such as the treatment of subsidized products, whether from within or outside CARICOM, the SSM to treat with food security, poverty alleviation, and rural and regional development, prohibition of products which benefit from measures equivalent to export subsidies, such as elaborate trade distorting domestic supports which generate income and wealth effects, etc.

The Revised Treaty of Chaguaramas, would appear to be rather conflicted in the manner in which it treats with the issue of subsidies. Chapter 5, Part 4, Article 117 on Rights, would appear to be conflicting with Article 120 of the same Chapter on Regulation, as export subsidies negotiated at part of the Uruguay Round of GATT (1994), would appear to be considered as a “subsidy causing injury” within the context of the CSME.

The region’s negotiating position on export subsidies is also contradictory, since the “soft approach” to export subsidies at the multilateral and FTAA has been that they somehow benefit consumers. These same subsidies are illegal, if and when applied by CARICOM countries within the CSME.

OECS countries should insist on a re-opening Chapter 5, Part 4, and Article 117 through 120, to ensure that their WTO rights and obligations co-exist with those within the CSME. In re-opening the Articles, OECS countries should propose that the present language of the Revised Treaty of domestic payments or programmes having *production or income effects*, be changed to domestic payments or programmes, having *wealth and income effects*.

Manufacturing/Non-Agricultural Market Access (NAMA)

From the standpoint of trade policy, the six independent economies of the OECS are confronting increasing economic pressures, arising from the pressures to discontinue their preferential treatment with Europe, the United States and Canada, for their traditional exports, as well as the removal of the remaining protective mechanisms from their domestic markets. These pressures are being driven in part by the World Trade Organisation (WTO), and are exacerbated by a range of other existing and emerging agreements such as, the CARICOM Single Market and Economy (CSME), Free Trade Area of the America (FTAA), and bi-laterals, (CARICOM-Costa Rica, CARICOM-Dominican Republic, among others). Consequently, the OECS will need to adopt a multi-dimensional orientation towards the various agreements; underpinned by the need to create the best conditions for the promotion of the economic modernization, economic adjustment, and competitiveness development process. The trade policy framework will be also geared towards minimizing social dislocation, and creating conditions for long-term sustainable growth and development of the Member States.

The Trade policy framework must be oriented towards creating the conditions for the release of the potential entrepreneurial capacity of the private sector. This includes concerted action on the part of OECS Governments in areas such as: public sector modernization, economic diversification programs, human resource development, legal reform, dismantling the monopoly status of critical service-providers, and development of the capital and financial markets.

Multilateral Level

At the multilateral level the Trade Policy Framework for the OECS Economic Union must focus on:

- (1) The negotiation of adequate time-frames, for the reduction of tariffs by small developing countries, to enable the smooth transition towards a regime of VAT and other indirect forms of taxation, consistent with the ambitions of the OECS Development Charter (in the case of OECS countries).
- (2) Negotiations/technical rectification aimed at legitimizing the application of Other Duties and Charges (ODC's), which were omitted from the Schedule of OECS Members, with the exception of St. Kitts and Nevis.
- (3) Tariff reduction mitigation for 15% of the tariff lines, such that they are subjected to no more than a 10% percent reduction in the bound tariff rate.
- (4) Combination of a non-linear, and linear formula for tariff liberalization by developing countries, such that high reductions on some tariff lines can be offset by lower cuts on other tariff lines, provided that an overall reduction in tariff liberalization is achieved.

- (5) Modification of Anti-dumping Rules, aimed at reducing the costs and administrative burden for Small States, including greater transparency, and anti-circumvention measures.
- (6) Support for Customs related aspects of Trade Facilitation as a major deliverable of the negotiations, and technical and financial assistance, to assist small developing countries comply with the commitments emanating from the Doha Development Agenda.

Pluri-lateral/Bi-lateral Level

- (1) Rationalization of OECS position vis-à-vis bilateral trading partners, namely: the United States, Dominican Republic, Costa Rica, Cuba, Columbia and Venezuela, against the framework of concessions to be negotiated within the EPA.
- (2) Exclusion/mitigation of sensitive sectors from negotiations based on: revenue, sensitivity of domestic production, culture etc.
- (3) Stronger collaboration between OECS firms and external research universities and the development of transfer innovation networks in critical industry clusters such as, tourism and certain niche products.

CSME:

- (1) Implementation of Chapter 4, Part 1, Articles 51, 52, and 53 of the Revised Treaty of Chaguaramas.
- (2) Implementation of Chapter 4, Part 3, Articles 63, 64, 66, 67, 68, 69 and 70 through 77 of the Revised Treaty of Chaguaramas.
- (3) Implementation of Chapter 5, Part 1, 2 and 3, of the Revised Treaty of Chaguaramas.
- (4) Implementation of Chapter 6, Article 134 through 141 of the Revised Treaty of Chaguaramas.
- (5) Renegotiation of Chapter 7, and in particular, Article 154 and 164, of the Revised Treaty of Chaguaramas, aimed at re-balancing the rights and obligations of LDCs, with the rights and obligations of MDCs.
- (6) Implementation of Chapter 8, Chapter 9 and Chapter 10 of the Revised Treaty of Chaguaramas.
- (7) Support aimed at integrating the use of ICT, by manufacturers; as a means of enhancing communication with customers, and to forward integrate-improving productivity and logistics, reducing the impact of remoteness and distance from markets and support services, and improving competitive positioning.
- (8) Establishment of technology innovation centres, to provide financing assistance to SMEs, adapting to changing technological needs and managing the business incubator, towards financing sustainability.

OECS Economic Union

Formulating an OECS Trade Policy Framework, within the context of OECS Economic Union will be critical to strengthening the competitiveness of the sub-region, and strengthening its trade and financial integration globally.

- (a) Pursue negotiation/rapid implementation of the free movement of labour within the context of the OECS Economic Union, CSME, and EPA negotiations.
- (b) Reform and harmonize the existing system of development incentives for the manufacturing sector, such that they advance the adaptation of appropriate ICT, human Capital development, technological adaptation, innovation and learning.
- (c) Support, to integrate the use of ICT with manufacturers as a means of enhancing communication with customers, and to forward integrate-improving productivity and logistics, reducing the impact of remoteness and distance from markets and support services, and understanding and improving competitive positioning.
- (d) Establish and/or strengthen national and regional Standards Bureaus, to guide our manufacturers towards the attainment of ISO product and service standards.
- (e) Adopt international standards and certification for critical manufacturing clusters, and pursue the applications of appellations, or origin; or geographic indications, where advantageous to the Economic Union and/ CSME, as a means of strengthening competitiveness.
- (f) Decouple the relationship of fiscal incentives from being contingent on value-added and export performance criteria.
- (g) Encourage manufacturers through an incentive programme, to continuously upgrade the skill levels of their employees, and to invest in modern and appropriate technologies.
- (h) Support the establishment of "one-stop-shops" among OECS countries, so as to facilitate investment, and to improve communication between investors, manufacturers, and Government agencies, and institute rules-based, transparent- administratively simple procedures for company registration, and the administration of permits and licenses.
- (i) Establish and strengthen as appropriate, effective financing and business development mechanisms, to stimulate the growth of micro and small enterprises.
- (j) Enhance business facilitation by increasing the efficiency of all public sector agencies, and improve the regulatory and legal framework, for business activity.
- (k) Encourage joint production and marketing arrangements, including strategic alliances, to facilitate access to technical expertise and finance; in order to

penetrate new markets, and/or expand our share of trade, in traditional markets.

- (l) Programmes to support Good Manufacturing Practice, HAACP Certification and Food Safety Standards.
- (m) Business Support Services (Business Plan Development), in particular, strengthening accounting standards and practices.
- (n) Develop a system of support, and tax, and other incentives, which reward investment, in human resource development.
- (o) Institute trade facilitation, as a means of improving the efficiency of custom operations, including reform of customs legislation and critical training of customs official.
- (p) Refocus the public sector orientation away from the administration of investment incentives, towards investment promotion and image building.
- (q) Eliminate the remaining NTBs within the OECS Economic Union and the CSME.
- (r) Support the adoption of World Class Manufacturing Programmes, (including packaging programmes).
- (s) Implement the Sub-regional Negotiating Capacity to represent the OECS Economic Unions' interest, including where prudent, the negotiation of specific disciplines on behalf of the Sub-region, incl. advocating the interest of the OECS, to the Caribbean Regional Negotiating Machinery.

Services

Multilateral Level

In addition to being Members of the World Trade Organization (WTO), the Member Countries are engaged in a series of bilateral and pluri-lateral trade negotiations (as part of CARICOM) that include a services trade component. To maximise the gains from these various negotiations, it would be helpful to develop a coordinated strategy that includes common core elements across all services trade treaties while varying the degree of market access liberalisation by type of trading partner. *In general, it is useful to first deepen liberalisation commitments within a small group of economies, making the necessary internal structural adjustments, and then broaden those commitments across a range of trading partners.* In the instance of OECS, the most liberal commitments would be within OECS while the most conservative commitments would be in the GATS.

a) Common services treaty structure

Because of limited human resources to negotiate and implement a range of services trade treaties, it is important that the structure of the treaties be similar. This makes it easy to compare proposed principles and commitments across treaties. Also, the same implementation structure can then be used for all services trade treaties. Because OECS Member Countries are already signatories to the GATS, it makes sense to take the GATS as the basic model with its positive list approach. The following list of the structural components that would ideally be the same across all services trade treaties to which OECS Member Countries are signatories:

- a.1.) As in the case of CSME-Services, the structure and coverage of the agreement should parallel that of the GATS to which the Member Countries are already signatories. This would include having both horizontal and sectoral commitments, coverage of all four modes of supply, scheduling of both market access and national treatment commitments, and a positive list approach (i.e., a listing of the specific commitments being made, by sector and mode of supply).
- a.2) The agreement should apply to all measures adopted by Parties that affect trade in services, in all sectors and in all modes of supply (i.e., not restricted to cross-border supply). The only exception should be “activities involving the exercise of governmental authority,” to be defined as it is in CSME-Services.
- a.3) The measures should include those adopted at the national, regional, or local levels of government, as well as by bodies in the exercise of powers delegated by the national, regional, or local government. (The coverage of sub-national levels of government

is particularly important for the Member Countries because, in their largest trading partners, services are regulated primarily at the sub-national level.)

- a.4) In fulfilling its obligations and commitments, each Party should take the necessary measures to ensure observance by regional and local governments and authorities and by non-governmental bodies within its territory. (This is an important provision if (c) is to have any meaning for the Member Countries.)
- a.5) The sectoral categories should be the same as those used in the GATS and CSME-Services so as to make the process of scheduling commitments comparable across agreements. Use of the CPC classification system should be the same version as is used for GATS schedules (i.e., the provisional classification system), cross-referenced to the 12 sector groupings used by the GATS. The approach should enable the Member Countries to start with the schedules already submitted under the GATS and then make modifications as appropriate, rather than having to engage in a completely different scheduling approach for each agreement.
- a.6) No commercially-supplied services should be a priori excluded.
- a.7) The modes of supply should be defined as they are in the GATS, Article 1(2), and in CSME-Services. With regard to Mode 3 (commercial presence), it should be retained as part of a Services chapter in order to provide comparable scheduling as under the GATS or CSME-Services, though the commitments could be cross-referenced to a Chapter on Investment if desired.
- a.8) The commitments made should apply to both services and service suppliers. “Service suppliers” refers to natural and juridical persons that supply services. “Service suppliers” should include self-employed persons (as in the “non-wage-earning activities” referred to in CSME-Services), but not nationals of another Party seeking access to the OECS employment market.
- a.9) The agreement should make special provisions for less developed economies (such as the Member Countries), not just for “smaller economies” (which would include economies like Barbados that are at a different level of development than the Member Countries).
- a.10) The agreement should contain no administrative requirements that are not already imposed by the GATS or CSME-Services.

b) Common services treaty principles

In order to maximise economic development benefits from liberalised access to services markets, there are a set of core principles already present in the GATS that need to be replicated (with suitable modifications) in any other services trade treaty.

A indication of these core principles and a brief explanation follows:

Small service suppliers:

- “Small service suppliers” are defined as enterprises with fewer than 20 employees and either assets of less than US\$250,000 or annual sales of less than US\$250,000. For purposes of service subsidies, developing economies may further differentiate the subcategories of “micro” (less than five employees) and “very small” (between five and nine employees).
- Developed countries are requested to exempt OECS small service suppliers from economic needs tests where they have been scheduled in commitments.
- Due to the impracticality of small service suppliers establishing a commercial presence in export markets, Parties are requested to exempt OECS small service suppliers from requirements for local presence in order to supply services via Mode1 or Mode 4.
- Due to the importance of Mode 4 for small service suppliers, Parties are requested to revise their horizontal commitments in Mode 4 to broaden the categories of persons who may enter as “business visitors” or “contractual service suppliers” (i.e., persons employed in the home market but supplying services through physical presence in the export market) to include middle and lower level professionals in the definition of “other persons” and “specialists.”
- In order to ensure that OECS small service suppliers are able to benefit from transparency provisions, especially those with regard to access to Enquiry/Contact points, developed countries are requested to provide contact points for services trade issues both in their missions in OECS economies and online through searchable databases.

- Under the provisions for technical assistance, developed countries are requested to provide support for domestic OECS service export capacity development through donor funding of appropriate programmes of the International Trade Centre UNCTAD/WTO where such programmes are already well developed.

Most-favoured-nation (MFN)

- MFN should be accorded to both services and service suppliers.
- The extension of MFN treatment should be limited to the measures covered by the agreement.
- MFN should be accorded immediately and unconditionally, except as noted in MFN exemptions already recorded under the GATS or in an Annex on MFN Exemptions.
- MFN treatment should mean treatment no less favourable than what is accorded to services and services suppliers of any other Party or of a non-Party.
- Any Party may confer or accord advantages to adjacent countries in order to facilitate exchanges of services limited to contiguous frontier zones without being in contravention of this provision.
- This provision shall not prevent Parties from entering into economic integration agreements at the sub-hemispheric level provided that conditions similar to GATS, Article V, are met.

Transparency

- Each Party should notify all others of the relevant laws, regulations, and administrative directives that affect trade in services, including those enacted by national, regional, and local governments and by non-governmental regulatory agencies.
- Each Party should notify at least annually any changes in the measures affecting trade in services.

- Each Party should maintain a national enquiry point where other Parties can make queries regarding measures affecting trade in services, and should respond promptly to all requests for specific information from other Parties.
- Parties should provide a reasonable opportunity for other Parties to make observations on proposed measures.
- Transparency should apply to all measures affecting trade in services, whether or not they are in sectors that have been scheduled.
- Any Party may notify a central body of any measure adopted by another Party which, in its judgement, affects the operation of the agreement.
- The obligation of transparency does not extend to the disclosure of confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of public or private enterprises

Domestic Regulation

- Parties have the sovereign right to regulate services provided that regulations are administered in a reasonable, objective, and impartial manner.
- The key requirements for a domestic regulatory regime that is not trade distorting include transparency; legitimacy, necessity, and proportionality in terms of the potential for being trade restrictive; and consistency with GATS requirements on market access and national treatment.
- Where authorization is required for the supply of a service in which a specific commitment has been made and an application has been submitted that is considered to be complete under domestic laws and regulations, the competent authorities of the Party involved shall provide without undue delay (i) information regarding the status of the application, and (ii) information regarding the decision regarding the application.

- Each Party shall maintain or institute as soon as possible a tribunal through which administrative decisions can be appealed.
- Measures related to qualification requirements and procedures, technical standards, and licensing requirements and procedures shall not constitute unnecessary barriers to trade.

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- Measures related to qualification requirements and procedures, technical standards, and licensing requirements and procedures shall not constitute unnecessary barriers to trade.

Mutual Recognition Agreements (MRAs)

- Requirements and procedures for recognizing certifications, licenses, or permits issued by other Parties should:
 - Be based on objective and transparent criteria (such as the capacity, ability, and competence to supply the service).

- Be no more burdensome than necessary to ensure the quality of the service.
 - Not constitute a disguised restriction on the supply of a service.
- Procedures shall be established whereby Parties can demonstrate that education, experience, licenses, or certifications issued in their territory are comparable to those issued in the territories of other Parties.
 - Parties shall eliminate all citizenship or permanent residency requirements for obtaining licenses or certifications.
 - Guidelines for the acceptance of diplomas, certificates, and qualifications should not run counter to the provisions in CSME-Services.

Temporary Business Entry (Mode 4)

- Commitments under Mode 4 should be subdivided into four categories: intra-corporate transferees, business visitors (who do not directly supply services but rather enter to attend conferences, meet with potential clients, finalise service contracts, or set up a commercial presence), contract service suppliers (employees of entities in the home market that supply services through physical presence in the export market), and independent professionals (who supply services as self-employed persons).
- Intra-corporate transferees would include managers, executives, specialists, and trainees.
- For all four categories, coverage would be extended to include middle and lower level professionals, including research staff, marketing staff, executive support staff, and staff in training for professional or technical positions.
- Guidelines would be established for the use of economic needs tests (ENTs) and the conditions under which they would apply in order to increase transparency and decrease arbitrary application.
- ENTs would not apply to business visitors as they do not actually supply services.

- Guidelines would be established for service standards with regard to the issuance of visas and work permits under Mode 4.

Government Procurement

Since governments may be responsible for as much as 15 percent of GDP, access to government contracting can be very important to service exporters. In some instances, increasing the efficiency of the government procurement process can help governments provide better public services to their citizens at a lower cost.

While government procurement has not had a high priority at the negotiating table, it is in fact potentially an important issue for service exporters from the Member Countries. Government contracting can be an important source of export activity.

OECS governments may wish to reserve the right to use government contracting to serve economic development purposes. Awarding government contracts is often used for job creation, development of rural areas, support to small business, or stimulating economic growth. In OECS, however, there are instances where foreign suppliers are actually given preferential treatment over domestic service suppliers, especially if bid evaluation criteria weigh global business volume more heavily than past performance. The following are principles to consider:

- Any government procurement disciplines need to include all levels of government (national, regional, local) as well as any other body governed by public law.
- The most critical requirement is transparency, which could include publication of tenders or requests for proposal in appropriate media (including the Internet), sufficient time to prepare a bid, all contact information regarding the official in charge, and the ability to learn why a bidder was not successful.
- Government procurement disciplines should distinguish between the outsourcing of a public service (which may well be provided by a monopoly service supplier) and the purchase by government of service inputs (where competitive bidding is appropriate).
- It should be possible to establish monetary thresholds below which bidding may be restricted to OECS nationals only or to particular groups of nationals (e.g., small businesses, disadvantages groups).
- Criteria for both the ability to bid (i.e., being short-listed) and bid award should be publicly available.

- There should be procedures in place to protest the outcome of a bidding process.

Service Subsidies

A challenge in addressing the potentially trade distorting effects of subsidies is that the Member Countries need the flexibility to use subsidies in order to develop their domestic capacity (as per GATS Article IV) and encourage trade participation. Common types of cross-industry subsidies include direct funding through grants (e.g., research and development, export development), tax credits that lower the cost of doing business (e.g., research and development credits, export credits, staff training credits), and other forms of rebates that underwrite the cost of doing business (e.g., for providing services in remote areas or to particular groups). Regarding industry-specific subsidies, the WTO Trade Policy Review reports indicate that the service sectors most likely to be subsidised through financial support are audiovisual services, air transport services, maritime transport services, tourism, and banking.

In developing disciplines on services, the following are principles to consider:

- A service subsidy may be defined as a government measure that can alter the conditions of competition through direct or indirect financial support to a group of service suppliers.
- Services subsidies are not in themselves trade distorting as long as they are extended on an MFN basis to services and service suppliers operating within the Member's territory.
- Parties have the right to use subsidies in order to achieve national development policy objectives, especially in the instance of developing countries.
- As a condition of transparency, Parties shall notify existing and new subsidies in all sectors and modes, whether scheduled or unscheduled.
- For scheduled sectors and services, Parties shall note in their Schedule of Commitments any instances in which national treatment does not include eligibility for such subsidies.
- Parties shall respond to requests for review in instances where not all modes of supply under national treatment for a particular service are fully committed and subsidisation in a non-committed mode may affect the national treatment commitments made in the scheduled modes of supply.
- In order to meet national development policy objectives and strengthen domestic capacity, it is recognised that the Member Countries may maintain subsidies restricted to domestic services and service suppliers and introduce new ones for a period of up to ten years.

Denial of benefits

- To enjoy the benefits of the agreement, the service must be supplied by natural persons who are citizens or permanent

residents of a Party or by juridical persons established legally and carrying out substantial operations in the territory of that Party.

- To enjoy the benefits of the agreement, service suppliers must supply the service from or within the territory of a Party to the agreement and must be owned or controlled by nationals of a Party to the agreement.
- In cases where a Party has doubts regarding the origin of a service or a service supplier, consultations may be sought with the Parties involved.
- The wording of “effectively carry out substantial operations in the territory of that Party” should be interpreted as follows:
 - Juridical persons authorised or domiciled, in accordance with the national legislation, in a respective Party and that are substantially owned and effectively controlled by nationals of that Party” (with “substantially owned” being more than 50% equity interest, and “effectively controlled” being having the power to name a majority of its directors and otherwise legally direct its actions).

c) Specific commitments to trading partners

It is in the area of specific commitments, both horizontal and sectoral, that OECS can most appropriately manage how aggressive it wishes to be about its defensive interests. OECS’ existing commitments in the GATS form a benchmark against which further liberalisation commitments will be measured by trading partners outside of CARICOM. To the extent that commitments have been made in the FTAA negotiations, those form another constraint on the choices open to OECS. The table in Annex I.5 provides a listing of the types of offers that OECS might wish to make to trading partners.

In drafting negotiating offers, the Member Countries will need to take into account several factors. In general, the Member Countries have limited capacity to oversee regulatory reform and to monitor regulatory compliance. Harmonisation within the CSME is a first priority and needs to be the initial focus of any regulatory initiatives before changes involved other trading partners are considered. Regarding Mode 4, because of labour force development issues, economic needs tests, work permits, residency requirements and other restrictions on open access are quite appropriate at this time. In some instances, the Member Countries are already more liberal in their admission policies than some of their trading

partners. In any case, creation of an integrated labour market within the CSME would take priority over opening to other trading partners.

With the above comments in mind, the following guidelines for staged liberalisation in drafting offers are suggested:

- a) Amend the original GATS Schedule of Commitments as appropriate to reflect actual legal, regulatory, and administrative restrictions currently in place.
- b) Expand the number of sectors scheduled to include, at a minimum, those listed in Annex I.5 (note that the scheduling can be “unbound”).
- c) Avoid scheduling any liberalisation commitments that would require changes in laws, regulations, or administrative practises until after the changes needed to implement the CSME have been completed.
- d) Avoid scheduling any liberalisation commitments that would involve increased regulatory oversight until all necessary regulatory reforms and implementation training have been concluded.
- e) Ensure that the degree of liberalisation offered under the GATS is less than that offered under the bilateral or pluri-lateral trade agreements being negotiated.

Keep in mind that liberalisation offers can include any of the following:

- Removing a scheduled restriction
- Removing an unscheduled restriction
- Scheduling existing liberal practices
- Scheduling a new liberalisation (immediate, or phased in)
- Implementing a scheduled liberalisation (“none”)

d) Minimum requests of trading partners

It is critical to bear in mind that OECS also has offensive interests in services trade liberalisation and the right and responsibility to make requests of trading partners. The modes of supply of primary interest to OECS service exporters are, in order of importance: Mode 2 (the supply of services to foreigners or foreign-controlled companies in the national market), Mode 4 (temporary business entry, which is critical for business development as well as for service delivery in foreign markets), and Mode 1 (cross-border supply, which is the least expensive). In order to assist OECS service exporters in maximizing foreign exchange earnings, the following are the most common requests to be made of trading partners:

- a) Remove any barriers or disincentives to foreign nationals travelling to OECS to purchase services (Mode 2).
- b) Take full commitments (i.e., schedule “none”) in Modes 1 and 2 for all sectors and sub-sectors listed in Annex I.6, except where technically unfeasible, thus removing any local presence or nationality requirements.
- c) Remove any barriers to temporary business entry for up to 30 days by OECS service suppliers (Mode 4).
- d) Recognize OECS professional credentials (Mutual Recognition Agreements) in as many professions as possible, but at least for the following professions: accountants & bookkeepers, architects, engineers, lawyers, midwives, and nurses.
- e) Establish a single national-level registration process within economies with sub-federal jurisdictions for professionals from OECS, particularly those listed in Annex I.6.
- f) Remove all economic needs tests (ENTs), citizenship, or residency requirements, discriminatory capital requirements, land purchase restrictions, and restrictions on legal form (where still in place) affecting Modes 3 and 4.
- g) Under Mode 4, remove citizenship and residency requirements, as well as ENTs and prior years of experience, where they still exist.

The table in Annex I.6 provides a listing of specific sectors in which OECS Member Countries may wish to make requests of trading partners.

e) Evaluating offers from trading partners

In the request-offer process used in services trade negotiations under progressive liberalisation, OECS will need to be able to evaluate successive offers from trading partners. Annex I.7 provides a template of questions that could be used in that regard.

f) Special and differential treatment for OECS

There are several grounds on which OECS Member Countries can argue for special and differential treatment within services trade treaties. Each domestic economy is small, making its service suppliers more vulnerable to crowding out by larger foreign service suppliers. The service suppliers themselves are very small and so their impact on the economies of trading partners is negligible. But perhaps even more important is the limitation of human resources available to execute and monitor policy implementation. Section C11 provides wording for an article on special and differential treatment to be included in services trade treaties.

Initiation of Bilateral Agreements:

While participating with the CRNM in the current negotiating fora, OECS also has the possible option to pursue its services trade liberalisation interests bilaterally with trading partners. Legal advice would need to be sought regarding any limitations on this ability to initiate that are imposed by existing agreements under CSME and notified already to the WTO under Article V of the GATS; however, it is possible that creative use could be made of Chapter 7 of the Treaty regarding differences within the CSME.

Chapter 3, Articles 48 on the Waiver of Obligations to Grant rights and Article 49, Special Provisions for Less Developed Countries, provide an opportunity for OECS countries to retain a number on restrictions on the services sectors, by petitioning the Council. Unfortunately, at the time no OECS Country availed itself of this facility, and having no done so, the programme for the establishment of the services regime is now completed. This notwithstanding, if OECS Countries wish to remove certain service clusters from the now established programme, there still appears to be an opportunity to petition the Conference under the aforementioned Articles for the authority so to do.

OECS and the GATS

Under the progressive liberalisation provisions of the GATS, the OECS is already committed to participation in the current new round of services trade negotiations. It would be extremely beneficial if OECS could participate directly and actively rather than leaving representation of its interests to the CRNM. At this point in time, the CSME is not yet a reality. The missions in Geneva (e.g., Barbados, Jamaica) do not necessarily represent the priority interests of the OECS Member Countries as their economies are less service export intensive. The OECS already has experience of a lack of timeliness in its negotiating interests being pursued when left to other parties.

OECS and the CSME

OECS has already made commitments to economic integration as part of the CSME. In order to implement those commitments, there are regulatory changes needed in order to harmony policies within the CSME and create an integrated labour market. Such changes go beyond the liberalisation commitments already made within the GATS and should be finalised before committing to any further market access liberalisation. While internal integration within CSME is underway, OECS does have the opportunity and obligation to continue to pursue services trade liberalisation interests in other arenas.

OECS and negotiations in process through the CRNM

There are several bilateral and pluri-lateral fora in which the CRNM is engaged in representing OECS services trade liberalisation interests, most particularly the FTAA. Again, OECS may wish to consider more direct and active involvement in making sure

that the standard services trade treaty principles in Part C of this report are incorporated into the agreements.

OECS Economic Union

In order to move forward aggressively in pursuing OECS services trade liberalisation interests, any aggregation of negotiating interests across OECS Member Countries would be helpful. Not only would an integrated economic block be of more commercial interest to key trading partners, but OECS Member Countries could benefit from pooling administrative resources for further economies of scale in terms of policy development, regulatory reform, participation in and monitoring of services trade negotiations, and the negotiation of bilateral protocols for the recognition of the credentials of OECS professionals. Any such economic union would need to be notified to the WTO Council for Trade in Services under Article V of the GATS.

Proposal for Special & Differential Treatment Based on Size of Economies & Levels of Development

The following wording is proposed for inclusion in all services trade treaties in order to ensure that the Member Countries may meet development objectives:

Introduction

1. OECS Member Countries expect a progressive liberalization process, with due respect for their national policy objectives and level of development as stipulated in Article XIX.2 of the GATS.
2. “Progressive liberalization” in services trade is understood to mean a commitment to gradually extend the number of service sectors in which there is a predictable regulatory regime in which unnecessary differentiation between foreign and national service providers has been removed.
3. “Small economy” shall be defined, in keeping with the Commonwealth definition, as economies with populations of under 1.5 million persons, as such economies have only a limited domestic market base.
4. As small economies, OECS Member Countries will not be expected to make the regulatory changes necessary to liberalize their service sectors at the same pace as larger economies and may commit to a predictable regulatory regime at a pace in keeping with their development interests and capacity to implement and monitor regulatory change.

Development Concerns

5. The pace and scope of liberalization of market access in services by OECS Member Countries shall be contingent on CARICOM first achieving its own

internal integration in services trade in the context of its Single Market and Economy (CSME).

6. When opening their services markets to suppliers from other countries, OECS Member Countries shall have the right to attach conditions aimed at achieving the objectives referred to in GATS Article IV.

Temporary Entry (Mode 4)

7. Mode 4 is the primary mode through which small service firms in OECS Member Countries make business contacts, develop potential new business, and deliver a range of services. Larger economies shall ensure facilitation of temporary business travel through predictable terms and conditions for “visa free” entry for periods of under 30 days to service suppliers employed in their home country and travelling abroad for the afore-mentioned purposes.
8. Under Mode 4, temporary business entry provisions shall be apply to managers, supervisors, professionals, specialists (including those without formal qualifications but with recognized skills as indicated by their governments), and support staff designated to travel with or for their employers.
9. Under Mode 4, countries shall remove citizenship and residency requirements, as well as economic needs tests (ENTs) and prior years of experience, where they still exist for all service suppliers from small economies such as OECS Member Countries.

Market Access

10. The market access granted by larger countries to OECS service exports and service suppliers shall be as, or more, liberal than that granted by OECS Member Countries to them.
11. Given the small size of OECS services firms, larger governments shall ensure that OECS service suppliers have access to sub-national markets in larger countries.
12. In large developed countries, OECS services firms shall have access to bid on government contracts usually restricted to small national firms.

Special and Differential Treatment

13. The development of any standards or norms regarding particular service sectors or service activities shall be sensitive to the need not to increase the regulatory burden on individual OECS Member Countries or on the regional grouping.
14. Under Mode 3 (commercial presence), OECS Member Countries shall retain the right to restrict the purchase of land and to impose performance requirements on service suppliers from larger economies, particularly with regard to local job creation, management positions, the generation of export revenues, and compliance with environmental standards. Under Mode 4 (movement of natural persons), OECS Member Countries shall retain the right to require work permits and set the terms thereof.

15. In order to meet national development objectives, OECS Member Countries shall retain the right to require local content and/or local expertise, the right to reserve certain service activities to national micro-enterprises, and the right to provide service subsidies in order to meet national development objectives.
16. If Safeguards are allowed in the case of services, they shall not be imposed against service suppliers from smaller economies due to the negligible impact (if any) of their activities.
17. In any crafting of rules on Subsidies, provision shall be made to ensure that Members do not initiate subsidy countervail action against small service suppliers from small economies such as OECS. Their portion of trade in services is so small that it has negligible market impact in target markets but tremendous development potential in their home territories.
18. OECS Member Countries shall be granted derogations from the MFN principle to confer advantage in the context of trade agreements to neighbouring island economies in order to facilitate the exchange of services that are both locally produced and consumed.
19. OECS Member Countries may maintain exceptions to the National Treatment principle that would give due respect to their level of development and their national policy objectives.

Technical Assistance

20. OECS Member Countries shall be granted technical assistance in order to address human resource, technological, regulatory capacity and other constraints and stimulate the development of services industries in OECS Member Countries.

Trade Facilitation

21. Larger countries shall undertake initiatives to recognize the professional credentials of OECS service suppliers without imposing nationality or residency requirements.
22. The large countries shall supplement the existing Enquiry/Contact Points system to streamline access to information on domestic regulations and market information through initiatives such as:
 - a. Advice and training to strengthen the services export capability of trade and investment promotion organizations and private companies in small economies (seminars and courses both in-country and in their home country);
 - b. Information to small service suppliers from small economies by means of Seminars on Exporting Services to their country and sector-specific reports on the market for services in their country that are of interest to small economies;
 - c. The development of an on-line database and electronic meeting place to facilitate interaction between small service suppliers from small

economies and service companies in larger countries that may be looking to outsource work or to find trade partners. The website should seek to ensure that importers, buyers and agents in the particular developed country are aware of the services that suppliers in smaller economies are seeking to export to their market;

- d. Funding for trade missions to other countries for small service exporters from smaller economies, and buying missions to client countries for services importers from developed countries; and,
- e. Training and capacity building initiatives such as seminars and courses for service exporters, government officials, and export and investment marketing agencies of smaller economies.

Prerequisites to Further Market Access Liberalisation

The World Trade Organization, in its most recent annual report, has emphasised that a strong domestic regulatory framework is critical if economies are to benefit from liberalisation. Before any further market access liberalisation takes place, OECS Member States need not only to revise the existing regulatory regimes but also to ensure that domestic policies and regulations can be, and are being, enforced.

Summary Points on Policies Needed to Strengthen Services Trade Treaties

In order to address the issues raised above, the following types of services trade policies are needed:

Policies on Implementing the Caribbean Single Market and Economy (CSME)

- #1. Ensure that harmonisation of policies within the CSME is the initial focus of any regulatory initiatives before changes involved other trading partners are considered.
- #2. Ensure that the creation of an integrated labour market within the CSME takes priority over opening the OECS labour market to other trading partners.
- #3. Avoid scheduling any liberalisation commitments that would require changes in OECS laws, regulations, or administrative practises until after the changes needed to implement the CSME have been completed.
- #4. Ensure that CARICOM services export initiatives include OECS service suppliers and do not focus inappropriately on the OECS region as the target of investment or imports from other CARICOM economies.

Services Trade Negotiations Policies

- #5. Ensure that the interests of the Member Countries are accurately and vigorously represented in multi-lateral, pluri-lateral, and bilateral services trade negotiations through direct participation by knowledgeable OECS trade officers.
- #6. Ensure that the principles outlined in Part C of this document (i.e., regarding the structure of services trade agreements, small service suppliers, MFN, transparency, domestic regulation, MRAs, temporary business entry, government procurement, service subsidies, denial of benefits, special and differential treatment based on size of economy) are incorporated into any trade agreement being negotiated.
- #7. Revise existing regulatory regimes as needed to comply with services trade treaty commitments, and ensure that domestic policies and regulations can be, and are being, enforced before any further market access liberalisation takes place.
- #8. Make gaining liberalisation commitments from key trading partners regarding temporary business entry (a component of Mode 4 supply) a top negotiating priority, particularly for business visitors, contract service suppliers, and independent professionals.
- #9. Establish an efficient process for negotiating mutual recognition of professional credentials with key trading partners, including establishing a single national-level registration process in economies with multiple sub-federal jurisdictions for professionals from OECS.
- #10. Because of OECS labour force development issues, retain economic needs tests, work permits, residency requirements and other restrictions on open access to OECS service markets.
- #11. Place market entry conditions on inward services investment (e.g., requiring employment and training of local supervisory and managerial staff, requiring the use of local service suppliers) so that domestic service suppliers, particularly women-owned service firms, profit rather than being crowded out.
- #12. Reserve the right to use government contracting to serve economic development purposes, establishing monetary thresholds below which bidding may be restricted to OECS nationals only or to particular groups of nationals (e.g., small businesses, disadvantages groups), and differentiating between the outsourcing of a public service (which may be provided by a monopoly service supplier) and the purchase by government of service inputs (where competitive bidding is appropriate).

- #13. Reserve the flexibility to use service subsidies in order to develop domestic capacity (as per GATS Article IV) and encourage trade participation by micro and very small service suppliers.
- #14. In the request-offer process for services trade negotiations, use the framework supplied in Annex I.7 of this document in order to apply a consistent methodology to evaluating offers from trading partners.
- #15. Consult regularly with the private sector on services trade issues, ensuring representative input from women-owned service firms as well as from very small and micro service suppliers by conferring with service industry associations and with trade associations (like Chambers of Commerce) that have a large percentage of members from service industries.
- #16. Adopt the framework provided in Annex II of this document for assessing the impact of services trade liberalisation at regular intervals.
- #17. Oversee the collection of internally consistent and relevant services statistics to support analyses of services trade competitiveness and the impact of services trade liberalisation, including supplemental data on Mode 2 trade (in support of the GATS nationality-based definition of modes of supply, as per Annex IIA).
- #18. Adopt the guidelines in Annex IIA of this document for use by all researchers conducting studies of OECS services in order to supplement scarce national statistical resources with consistent data sets and gender disaggregated data related to services export activities, and to improve the base of services trade data available.
- #19. Restructure the OECS website, using the guidelines in Annex I.4, so that it provides clear and coherent content on services trade issues and negotiations for use in coordinating the services trade strategies of the Member Countries and for purposes of institutional memory.
