THE SERVICES SECTOR IN CARICOM

Trade in services (outside of tourism) has not traditionally received priority attention in CARICOM countries. An emphasis on manufacturing and agriculture has meant that no consistent policy, incentive programme or institutional structure has been put in place for the development of services and its expansion into the export market.

Liberalisation of trade in services is the cornerstone of much negotiation in international trade in the sector. CARICOM is actively involved in negotiations at the World Trade Organization (WTO) and at the preparatory sessions for the Free Trade Area of the Americas (FTAA) which is scheduled to come on stream in 2005. Industrialised countries will be prepared to pursue their interests with close collaboration between governments and private sector bodies. CARICOM countries are not yet prepared for this level of collaboration and negotiation. Heightened competition in the global market also means that CARICOM countries must explore the possibilities for diversifying their economies - and services will be particularly important in this regard.

In order to examine these issues, the Caribbean Regional Program of the United Nations Development Program (UNDP) commissioned a review of research on the services sector within CARICOM. The report provided an overview of the state of policy and research in areas such as financial services, professional services, health services and entertainment. In 1999, Caribbean Export commissioned a report on the possibilities of forming a Caribbean Coalition of Service Industries (CCSI) to address the ways in which services could be developed by the private sector.

This issue of TradeWINS brings together selected findings of these two reports in an attempt to outline the state of the services sector, the obstacles faced and possible solutions for its continued development and expansion.

TRADEWINS is designed with Caribbean business in mind. The series is intended to bring issues of trade policy to the private sector and other interested parties.

"CA RICOM countries must explore the possibilities for diversifying their economies"
Background

The process of globalisation has accelerated three significant trends: the global liberalisation of financial flows, the internationalisation of production through the geographical segmentation of firm activity (businesses outsourcing to third countries) and the opening up of international market access. These trends have led to rapid change and heightened competition in the global trade environment and small economies are particularly vulnerable. This process of globalisation has also affected the services sector which has on average outstripped the manufacturing and agricultural sectors in growth in recent years.

CARICOM territories are highly dependent on a narrow range of exports and traditional exports which were once protected are now threatened. CARICOM Member States must therefore seek to spread their economic risk by adopting export diversification policies and supporting key export ventures. Given the region's traditional emphasis on goods, the diversification process must involve an investigation of the export potential of services as well as goods.

The services sector is already a significant contributor to local economies in the Caribbean and the development of the sector can contribute to trade diversification and a reduction in economic vulnerability. In addition, services can have an important effect on investment (particularly foreign investment which may facilitate transfers of international best practices in technology and services management), economic growth and employment. Services and overall economic development are intricately linked. Improvements in information and communications technology have also made it easier for businesses to provide long-distance services and the manufacturing sector now relies on efficient and comprehensive service provision to make its products more competitive.

What Have we Done so far?

So far, the region has not taken the business of services sector development very seriously. It has not followed through on several of its commitments to the General Agreement on Trade in Services (GATS) which is an integral part of the WTO and at a regional level it has not yet implemented recommendations for liberalisation which could act as a precursor to its international negotiations. However, CARICOM and several regional and international organisations have recognised the need for research in the area and have commissioned a small number of studies. At the level of policy, CARICOM's Protocol II amending the Treaty of Chaguaramas and the CARICOM-Dominican Republic Free Trade Agreement both address the issue of free trade in services.

What do the Studies say?

The studies on the services sector in the region provide an overview of several subsectors and offer general recommendations for development. While they do not provide in-depth analysis or strategies for the expansion of domestic and export potential, they do provide some understanding of the wide range of areas which could be covered by the sector. The studies examined cover the following: financial services (domestic and offshore); insurance; informatics; professional services;
educational services; medical and health services; culture and entertainment; and investment. One study also focuses specifically on services within the OECS. (Studies on tourism and transportation were not selected for review since they have been well-researched elsewhere. Telecommunications, though a significant part of the services sector, was omitted due to a lack of critical research.)

**Financial Services**

Financial services are generally provided by banks, insurance and trust companies, mortgage and finance houses, savings and loan associations, stock exchanges and unit trusts. Much of the research in this area has been focussed on capital markets and international trade - examining developments, exports (particularly in the offshore financial services sector) and liberalisation.

Several studies have attempted to identify the elements necessary for the development of capital markets and financial services in international trade. An integrated capital market (through a regional stock exchange), improved regulations and increased linkages to international markets have been highlighted as key elements.

Increased harmonisation (of legislation, regulations, company laws and accounting standards), export credit facilities and the creation of a CARICOM Investment Code were also identified and researchers found that taxation and restrictions on land and property ownership were obstacles to development of the sector in general. Banking, equipment financing and leasing, trading in securities and commodities, portfolio management and insurance were seen as areas for potential export development.

**Offshore Financial Services**

The Caribbean is an important location for offshore financial services but researchers have found that it does not seem to have a clear competitive advantage. If foreign investment in the sector is to be increased, it seems that CARICOM territories will need to upgrade their domestic financial systems, liberalise restrictions on the movement of capital and harmonise tax regimes and regulatory frameworks. It has also been suggested that the creation of an OECS offshore mutual fund industry could generate substantial foreign exchange earnings.

Reports by the Organisation for Economic Co-operation and Development (OECD) and the Financial Action Task Force (FATF) - on unfair tax havens and money-laundering respectively - have identified several Caribbean jurisdictions as having inadequate regulatory frameworks. These claims are being actively contested by governments in the region.

**Insurance**

There has been very little analysis of the insurance industry as a services sector. Much of the research has focussed on legal aspects of the industry and captive insurance has generated some interest among researchers. Export possibilities for industry may lie in insurance educational services to other developing countries. It has been suggested, however, that export possibilities for CARICOM may be limited in scope because the territories lack the necessary infrastructure, funds and research to develop products which can compete in developed countries. With regard to non-life insurance, it was felt that the region did not have the technological expertise to cover complex industrial or liability risks.

**Informatics**

Although information processing is a relatively small industry in the Caribbean, there seems to be great opportunity in the processing of claims and records in areas such as the health, insurance, transportation and legal industries. Studies point out, however, that the demand appears to be greater than the region’s ability to supply.

Although labour costs in CARICOM territories are comparatively low, there are several factors which would seem to make the region uncompetitive in the industry. The first is the shortage of informatics professionals with skills in such areas as software development, network systems, data entry and other technical capabilities. (The shortage is particularly acute in the higher value-added services.) The second major obstacle is the comparatively high cost of telecommunications. Finally, the business environment - which includes work permit restrictions, aliens landholding restrictions, a lack of specific incentives and inconsistent practices with regard to foreign and local investors - is thought to be an obstacle to development of the sector.

**Professional Services**

Professional services cover a wide range of specialisations. The areas covered by existing studies include management consulting and
The professional services industry is made up mainly of small firms operating domestically or regionally and offering generalised services. Larger companies are limited principally to construction-related industries in the larger economies and work primarily on programmes directed by international donors, public investment and special private sector projects. Many are local offices of international firms which are not allowed to market their services abroad. Indigenous firms, therefore, will be the ones to lead the export drive.

The studies suggested that Caribbean firms are generally perceived to be outside of the mainstream with little hands-on experience of new or emerging technologies or techniques. Consulting engineering firms seem to have some advantage over international firms with regard to fee structure but the sector still has not developed as a significant contributor to economic growth in the region. Despite the virtual elimination of foreign exchange controls in the region there is a lack of transparency in public procurement and service professionals are still unable to move freely throughout the region. It has been suggested that governments need to devise and implement a strategy which will address the questions of professional accreditation, the free movement of accredited professionals, access to investment and working capital and export marketing incentives. The establishment of regional professional associations such as a Caribbean Accredited Professional Services Institute has also been suggested.

**Educational Services**

Though education has not traditionally been considered an export service in the region, the emphasis on education and training for human resource development means that the sector must be considered a producer service. The main study examined focuses on three aspects of education: i) levels, (primary, secondary, tertiary - community and technical colleges as well as professional schools, university and offshore schools - and adult education); ii) specialisations (e.g. curriculum, planning and guidance and counselling); and iii) supports (such as buildings, equipment, technology and financing). The suggested export possibilities for the sector include expertise in the various levels and specialisations of education, basic training of educational staff, and models of alternative education strategies, integrated schooling and multi-cultural education.

**Medical and Health Services**

Several studies pointed to shortcomings in domestic health services as a major obstacle to the development of the sector as an export earner. It was felt, however, that the region could exploit its natural resources and develop specialities peculiar to its location. It was also felt that greater use could be made of the University of the West Indies (UWI) as a research and training institution offering these services to foreign students. Researchers have made several suggestions for the development of health and medical services for export, including: offshore professional health training, research into indigenous plants and traditional practices, tourist health and specialised services, the manufacture of pharmaceuticals and natural health care products, cosmetic surgery, spas, retirement communities and alternative health services.

The high cost of travel and accommodation, the absence of insurance coverage for out-of-country care (for visitors) and the lack of referral networks are cited as obstacles to developing the industry for export. Studies suggested that the private sector in the region would have to focus on a relatively affluent and discrete market and provide high quality services in areas not normally covered by insurance. They would also need to explore joint ventures. The public sector would need to strengthen domestic health care systems and develop transparent regulatory frameworks and encourage foreign investment and ownership.

**Culture and Entertainment**

Many researchers have suggested that culture and entertainment are industries with great export potential. The rich cultural heritage of the region is seen as a key to the development of the sector. Studies have paid particular attention to the music industry since it generates employment in a number of areas outside of performance including marketing, production, sound engineering and legal services. The full contribution of the industry to national income, however, is not known. Researchers have made several suggestions for the development of health and medical services for export, including: offshore professional health training, research into indigenous plants and traditional practices, tourist health and specialised services, the manufacture of pharmaceuticals and natural health care products, cosmetic surgery, spas, retirement communities and alternative health services.
marketing relationships, training programmes and service institutions will be needed to facilitate development of this particular industry.

Other areas explored in the research include audiovisual media, publishing and support services for cultural artefacts. Researchers have pointed to the relationship between culture and tourism as an area to be developed further. It was felt that, with regard to the industry as a whole, regional governments needed to put certain measures in place to facilitate the expansion of trade. Restrictions on the movement of cultural products and personnel within the region would have to be removed and governments would need to re-examine their Rules of Origin as they relate to cultural products. It was felt that protection legislation should be enacted and markets explored in the Caribbean diaspora and beyond.

**Investment**

Studies in the area of investment have examined intra-CARICOM trade and foreign investment flows. Researchers have pointed to several obstacles to the development of investment as a services sector both within CARICOM as a whole and within the OECS specifically. The main issues of concern are restrictions on the movement of capital and personnel, restrictions on foreign ownership of land and companies and discretionary Ministerial powers in the granting of licences and work permits (the latter two being particularly relevant in the case of the OECS).

Several suggestions have been made for the development of the sector. These include: the automatic granting of work permits to technical, professional and managerial personnel of CARICOM owned or controlled enterprises which operate in any Member State; the removal of controls on the movement of capital and payments; the extension of foreign exchange privileges similar to those received by nationals to all CARICOM citizens; the phasing out of foreign exchange controls for nationals and foreigners; and the adoption of the CARICOM Double Taxation Agreement. It has also been suggested that a CARICOM Enterprise Regime be put in place and that an integrated CARICOM financial system be developed. (Attempts have been made at establishing an Enterprise Regime but these efforts have not been sustained.) Researchers felt that procedures for the granting of licences should be made transparent (and dispensed with in the case of companies controlled by OECS and CARICOM citizens) and that company legislation should be simplified and modernised. Clear policies on investment should also be developed.

**OECS and Services**

Special mention has been made of the development of the services sector in the OECS territories. Services account for over 80% of GDP in the OECS countries with construction, information, professional, educational, health care and shipping and related services in the lead. Regional free zone shopping, construction and financial services appear to have the highest levels of earning potential.

Despite the importance of the sector to the economies of the OECS territories, one researcher has found that there are several factors which place the OECS at a competitive disadvantage for trade in services: worker productivity and education are relatively low; financial service providers prefer risk-taking on tangible products; and entrepreneurs seem to lack the interest or technical and managerial knowledge for operating in the sector.

In addition (as described above) there are licensing, registration and immigration barriers to free movement of labour and access to resources. Double taxation is also a major impediment. Foreign suppliers are often granted exemptions which place them at an advantage over local suppliers. Institutional support services and incentives are lacking and government procurement procedures are not transparent. It is also predicted that environmental degradation may in the future affect success in areas such as hospitality and real estate if corrective measures are not taken.

**What About the Trade Agreements?**

Although services policy is yet to be fully developed in the region, steps have been taken to remove restrictions on trade in the sector. CARICOM’s Protocol II and the Free Trade Agreement (FTA) negotiated between CARICOM and the Dominican Republic provide initial frameworks for policy direction and address some of the obstacles to trade discussed earlier.

**CARICOM’s Protocol II**

Protocol II which deals with establishment, services and capital is intended to amend the Treaty of Chaguaramas by increasing liberalisation in the sector. Protocol II is now
in effect and it makes provisions for several of the changes suggested in the research. Restrictions on the right of establishment will be removed and no new ones will be added. This will make it easier for self-employed persons to offer their services across the region. The Protocol also allows for the establishment of common standards and measures for accreditation and recognition of educational qualifications. Restrictions on the provision of services will be removed and no new ones shall be added. Restrictions on banking, insurance, other financial services and the movement of capital and current transactions will also be eliminated. Existing obstacles to trade in services must be identified to CARICOM’s Council for Trade and Economic Development (COTED). The special needs of the Less Developed Countries (LDCs) of CARICOM are also taken into account.

The CARICOM-Dominican Republic Free Trade Agreement

The Free Trade Agreement (FTA) between CARICOM and the Dominican Republic includes special sections on trade in services and investment. Essentially, the countries have agreed to remove restrictions to trade in both areas. Any obstacles shall be listed and no new ones will be added. The requirement of establishing a local presence in a territory in order to supply a service will be removed. In terms of investment, certain initiatives will be put into place to guarantee access to work permits and licences and to facilitate the transfer of payments. The two parties have also agreed to establish a Business Forum to facilitate the activities of the private sector. They have also agreed to work to prevent double taxation and facilitate government procurement. The Agreement seeks to make licensing procedures more transparent and to protect cultural heritage. It is important to note that any delays in consolidating free trade in services at the CARICOM level can impede the adoption of a CARICOM position in the continuing FTA negotiations.

A Research

National Studies on Services

National studies on services are essential to a meaningful analysis of the strengths, weaknesses and possibilities of the sector. A focus on services and its subsectors can provide the basis for policy formulation at the national and regional levels. CARICOM countries are the only ones in the hemisphere which have not completed preliminary national studies on services. Although the need for such studies was considered and even initiated by some countries when the Uruguay Round negotiating process (part of the General Agreement on Trade in Services) got underway, it appears that there has since been little attention paid to this issue. (It is significant to note that the situation is somewhat different in the Dominican Republic.)

Recommendation

CARICOM countries should urgently address the need for national studies on services and devise strategies for disseminating results and recommendations arising from the research to the national community. Such an exercise could sensitize governments, the private sector and the public at large to the subject of services and its domestic and export potential. It could also help to redress the disproportionate emphasis on the goods sector.

More Detailed Studies by Subsector

The studies which are currently available provide a useful broad understanding of particular subsectors. However, there is a need for the data to be further disaggregated - broken down - in order to make meaningful policy decisions possible. Areas such as information services and professional services, for example, include a wide range of activities which are often not addressed in the current research. Such a breakdown will be critical in assessing the economic contribution and export potential of the subsectors. (Since the time of writing, a small number of studies on entertainment, financial services and telecommunications in CARICOM have been pro-
Recommendations

The range of services subsectors analysed by researchers should be deepened and broadened with particular emphasis on their evolution, performance and possibilities. This should help to establish a set of priorities for policy development which could direct investment and other incentives for improved export capacity. The linkages between subsectors and between services and goods should also be explored, together with the possibilities for regional cooperation.

Statistical Data

Accurate and extensive statistical data on the services sector is key to the successful completion of national studies, the assessment of overall competitiveness (by sector and subsector) and preparation for negotiations. There is a marked absence of such data within CARICOM. The direction of service imports and exports, service investment flows and stock, service consumption expenditure, employment and labour productivity and price are some of the areas in which information is unavailable. Within the OECS, where tourism is vitally important, there is insufficient data to properly ascertain the number of workers employed in the sector and its related services. The lack of data means that economic analyses often focus on the primary and industrial sectors, paying scant attention to services or dealing with only one subsector (usually tourism) in detail. Assessments of intra-CARICOM trade and investment in services and CARICOM’s services trade balance with external partners are therefore difficult to produce.

Recommendation

Statistical offices and central banks within CARICOM should tackle this problem immediately. They should be provided with the necessary resources for this process (and much of this should be sought from international agencies) and CARICOM should work towards developing agreed methodologies for compiling the necessary data.

B Policy

Commitment to the Uruguay Round on Services

The General Agreement on Trade in Services (GATS) is an integral part of the Agreement Establishing the World Trade Organization (WTO) and the Uruguay Round is the most recent part of the negotiation process for GATS. All CARICOM Member States are members of the WTO and have made certain commitments to trade liberalisation at the Uruguay Round. Unfortunately, these commitments have been minimal and uneven - some countries have committed in more areas than others. CARICOM as a unit should consider the possibility of harmonising its commitments.

Fact-o-file

The decision allowing CARICOM nationals who are university graduates to live and work in any CARICOM state is one which potentially enables a certain level of regional integration through the free movement of skills and facilitates the supply of services. However, a careful reading of GATS suggests that the exclusion of non-university graduates from the arrangement might in fact constitute a barrier to a particular “mode of supply” - a practice which is not encouraged by the WTO. CARICOM decisions regarding trade in services should be examined more closely to ensure that they conform to WTO recommendations.

Fact-o-file

CARICOM countries made several commitments within the context of GATS which entered into force on January 1, 1995. The commitments included: a) a framework of rules for government regulation of trade and investment in services; b) a set of national schedules governing the application of the rules to specific industries (with clearly defined exceptions); and c) a series of annexes and ministerial decisions augmenting the framework rules and providing for follow-up activities or additional negotiations.

Recommendations

Commitments made by CARICOM countries in the area of services should be examined. The legal and institutional development reforms required to support the commitments to the Uruguay Round should also be evaluated. The schedules of trading partners should be made available in accessible form so that export opportunities and constraints may be identified. Full use should also be made of the enquiry points established by GATS.

Preparations for Hemispheric and International Negotiations

In order to prepare for negotiations at the hemispheric (FTAA) and international (WTO) levels, CARICOM territories must complete work at the national level which can ensure that their...
legislation, administration, practices and procedures are consistent with GATS. Territories must identify the gaps in their existing frameworks and work towards compatibility with the trends in the liberalisation of trade in services.

**Recommendations**

Countries should pay close attention to the services regime of the North American Free Trade Agreement (NAFTA). NAFTA’s services regime is further advanced than the current proposals of the Uruguay Round and provides an indication of the negotiating position which is likely to be advocated by NAFTA partners in hemispheric negotiations. Countries should also examine the treatment of services in agreements negotiated since NAFTA such as the Chile-MERCOSUR and Chile-Canada agreements.

**Inventory of Obstacles to Intra-CARICOM Trade and Investment in Services**

A CARICOM-specific inventory of obstacles to trade in services is crucial for positioning the region as a viable trading partner. The identification and elimination of barriers to trade will be a necessary step in the preparation for negotiations. There appear to be five broad categories of obstacles to trade in services: quotas (restricting volume or value of transactions); price-based measures (imposing taxes on foreign suppliers or price controls); local presence measures (requiring physical or corporate presence in a market); technical measures (relating to standards, certification or industry-specific regulations); and government contract restrictions (measures relating to government procurement and subsidisation).

**Fact-o-file**

NAFTA has adopted a negative list approach to services which means that all services except those which are explicitly excluded will be targeted for liberalisation. NAFTA requires all parties to list all non-conforming measures at national and sub-national levels within prescribed time limits. Failure to list these measures within this period will result in full and automatic liberalisation of the sector. Further negotiations on services in the hemisphere (notably the FTAA) are likely to follow this trend towards greater transparency.

**Recommendation**

CARICOM should compile an inventory of obstacles to intra-CARICOM trade and investment in services as a first step towards intra-regional liberalisation of the sector. This would serve to identify particular subsectors and measures requiring special policy attention and would provide the basis for programming the removal of such obstacles.

**A CARICOM Services Regime**

The implementation of a regional services regime, consistent with GATS, is necessary to facilitate the development of export-oriented trade and increase the competitiveness of service enterprises. Such a regime would allow firms to secure capital and human resources more efficiently, from a wider geographical pool. It would provide greater uniformity in national regulations and professional standards and would facilitate greater transparency in the liberalisation effort. It would also serve as a basis for negotiating with third countries and facilitate the establishment of the CARICOM Single Market and Economy (CSME). Protocol II amending the Treaty of Chaguaramas is intended to be such a regime. However, governments must commit to giving more substance to the Protocol and broadening its scope.

**Recommendations**

CARICOM should move immediately to strengthen and implement Protocol II in effect! with a view to speeding up the process of regional integration in the sector and providing a platform from which territories can enter into negotiations with other partners.

**Information Technology Policies**

Information technology (IT) is the infrastructure which increasingly drives production, investment and trade in both goods and services and CARICOM territories are ill-prepared to take full advantage of its potential. IT is essential to several aspects of development including areas of culture, education and training. Its linkages to issues such as intellectual property, data security and job creation should make it a necessary item on national and regional agendas. A comprehensive policy on IT will also greatly facilitate the development of competition in the area of telecommunications which is currently so keenly contested in the region.

**Recommendations**

Information technology and its infrastructure should be at the core of national planning efforts for the short, medium and long term.
with specific targets and a vision of the technology’s possibilities (the Government of Barbados has introduced such a plan). In addition, a regional policy on monopolies providing telecommunications services should be developed.

**Facilitating Full Participation of the Business Sector**

Central to the successful development of an export-oriented services sector is the development of a supportive environment. Traditionally, regional governments have paid closer attention to the development of manufacturing and agriculture than they have to services. The result has been that there are often incentives in place for manufacturing firms (e.g. tax-free entry of equipment) where none exist for businesses engaged in the supply of services. Governments will need to adopt a range of facilitating measures which recognise the occasional need for temporary protection and government assistance as well as the overarching goal of liberalisation.

**Recommendations**

Regional governments should work to remove barriers affecting service producers and exporters and institute a system of incentives for such businesses. Example may be taken from the Information Services Investment Facilitating Act which encourages foreign investment in the OECS countries. However, governments must ensure that foreign investors in the sector are not treated more favourably than their local counterparts. Governments should also pay particular attention to the needs of small firms and the Less Developed Countries (LDCs) of CARICOM.

**Where do we go From Here?**

The region must move immediately to address the lack of research and comprehensive policy which would allow it to negotiate successfully for free trade in services. Trade Promotion Organisations must facilitate detailed, analytical studies on the development of services for the domestic and export markets and must make the results of this research available and accessible to the private sector. Governments must also ensure that services-specific information from individual territories and the region are included in international databases and that their business communities are encouraged to utilise the facilities provided by GATS for the exchange of information and expertise.

Members of the private sector will need to follow developments in the sector very closely. They should monitor the progress of trade negotiations and work through their private sector institutions and Trade Promotion Organisations to develop positions which can be added to the process. They should support and make full use of market research in identifying export markets, exploring new industries for development and improving the competitiveness of their existing service products. Governments and private sectors will need to work together to ensure that the region is prepared to benefit from the globalisation of trade in services and that its particular concerns are addressed.

**How can the Private Sector get Organised?**

One way in which the private sector can organise and contribute to the overall development of services is through the establishment of a Caribbean Coalition of Service Industries (CCSI). Services coalitions exist at national, subnational and international levels and they are becoming increasingly important in trade negotiations - providing valuable input from the private sector. These coalitions generally include business representatives from a range of subsectors.

The aim of many national coalitions is to reduce barriers to their exports and open foreign markets through international and regional trade and investment liberalisation. They work closely with governments to develop national negotiating positions which will further their objectives. In the case of the Caribbean, the first priority needs to be domestic sector development and diversification and an appropriate pace of liberalisation externally. A Caribbean presence within the international services movement can help to broaden the perspective of the movement.

The CCSI could be initiated by a regional agency or agencies linked to the private sector (such as Caribbean Export); by regional sectoral umbrella bodies or national business bodies (such as Chambers of Commerce); or by prominent business leaders in the region. The CCSI could assist in the effort towards regional integration and provide CARICOM and the Caribbean Regional Negotiating Machinery (CRNM) with valuable information for developing a more informed negotiating position.
Below are recommendations for the establishment of such a coalition with particular attention to aims and objectives and institutional aspects.

**Geographical coverage**

The CCSI should be CARIFORUM-based. Business and political linkages have gradually increased between CARICOM and the Dominican Republic and two significant regional bodies supportive of the private sector (the Caribbean Association of Industry and Commerce and Caribbean Export) are already CARIFORUM in scope. Extending the coalition beyond CARICOM should also increase membership, resources and potential impact. Such a broad coalition would also be able to provide useful input into the CRNM which exercises CARIFORUM representation for trade negotiations with Europe and close consultation with the Dominican Republic on FTAA issues.

**Aims and Objectives**

There would be two main aims: to promote the development of the sector in the Caribbean and to perform an advocacy function. The objectives would be:

**Awareness Building**

This would involve building awareness of the importance of the services sector (along with its possibilities and challenges) among the private sector, government, labour and academics. Activities could include seminars, media briefings and research.

**Institution Building**

The CCSI should broaden the services movement by encouraging and assisting in the formation of subsector associations (e.g. associations of architects, engineers, informatics professionals, etc.)

**Sector Development and Policy Action**

At the national and regional levels, the CCSI should work to improve legislative frameworks and encourage harmonisation, ensure equality of government treatment of the services sector with those of manufacturing and agriculture and incentives for the sector; eliminate barriers to the efficient operation of the sector; raise standards; and promote regional cooperation and integration with particular attention to removing intra-regional access barriers.

**Investment and Export Promotion**

The CCSI should formulate joint strategies for promoting the export of services within the Caribbean and externally. Special attention should be paid to professional issues in terms of proposing mutual recognition of qualifications and standards and proposing the free movement of professionals within the Caribbean. Strategies will also have to promote the Caribbean as a service-friendly environment in order to encourage foreign investment, joint ventures and other alliances with extra-regional partners.

**International Negotiations**

This will be one of the core functions of the CCSI: to enhance the region’s negotiating capacity for the very complex deliberations (in particular, with the WTO and the FTAA) in which the region will be engaged over the next several years. The CCSI should aim to involve the private sector in a more meaningful partnership with governments for the purpose of formulating negotiating positions and strategies. Preparation for this process could include the collection of information from the private sector on obstacles faced and opportunities sought; policy advocacy on negotiating subjects, agenda proposals and the specific needs of smaller economies; and dialogue with private sector counterparts during services trade negotiations.

**Research and Information Dissemination**

This objective will be crucial to the development of awareness building, policy action and international negotiations. The CCSI should give special consideration to setting up a research and publications unit to support this process.

**Membership**

The CCSI should aim for a broadly-based mixed or inclusive membership body which would include: Caribbean regional business and professional umbrella bodies; national umbrella bodies; individual firms and conglomerates; relevant regional academic and research institutions; and other bodies which are deemed suitable. The CCSI should be established only when a sufficient number of bodies deemed eligible makes it feasible for an umbrella body to be created. This should minimise the risks associated with burdening an existing body with additional responsibilities. The main source of funding for the CCSI would come
Institutional Aspects

The management of the CCSI could be carried out by a Coordinating Committee which would provide overall policy guidance and be responsible for budgetary and fund-raising activities as well as representation of the body and advocacy functions. This Committee would be made up of business representatives from a wide range of subsectors and supported by a permanent secretariat administered by an executive head. A research and publications unit and a website would facilitate the coalition’s information and awareness building function as well as some of its communication needs. An inventory of external obstacles facing Caribbean service providers and service sector statistics should be a first priority. The work of the coalition could be delegated to a Policy and Promotion Committee (dealing with intra-regional issues) and an External Relations Committee. Both would deal directly with governments and perform an advocacy role.

Conclusions

Service sector development is crucial to the overall economic development of CARIFORUM territories. The traditional emphasis on goods has meant that the region has not paid sufficient attention to developing a sustainable services infrastructure. If the region is to be in a position to negotiate successfully at the hemispheric and international levels, it must work now to consolidate the sector at the domestic and export levels. The private sector now has a unique opportunity to put into place structures which can address its needs and concerns and which can allow it to work with governments for economic development.

Useful References


**TRADE WINS** is a publication of the Caribbean Export Development Agency (Caribbean Export). It is an important part of the agency's advocacy programme - making trade information accessible to those who need it most.

Caribbean Export has identified a need to broaden and consolidate private sector involvement in the business of trade - identifying markets, improving market access, increasing competitiveness and playing a key role in the development of trade policy.

**TRADE WINS** is a series of edited reports, treaties and agreements reflecting trends in regional business and pointing the way to future development. The series will be published occasionally - as new documents come to hand. Through **TRADE WINS**, we aim to inform members of the private sector, and others, of the important role of research, policy and negotiation in the development of regional and international trade. We hope that they will be encouraged to better organise themselves, to increase the present levels of research and to lobby their governments for changes which can improve the way they do business.

Caribbean Export welcomes your feedback on this series. Please feel free to contact us at the addresses below:

(Headquarters)
Caribbean Export Development Agency
Mutual Building
Hastings Main Road
Christ Church
BARBADOS

Mailing Address:
P.O. Box 34B
BARBADOS

Tel: (246) 436-0578
Fax: (246) 436-9999
E-mail: info@carib-export.com

Website: [www.carib-export.com](http://www.carib-export.com)

(Trade & Investment Facilitation Office)
Caribbean Export Development Agency
Miramar Trade Centre
Ave. 3rd, Esq. 80, Edificio Havana (1-B)
4th Piso, Apt. 410, Miramar
Ciudad Habana
CUBA

Tel: (537) 248-808/810
Fax: (537) 248-809
E-mail: info@carib-export.com

The Caribbean Export Development Agency serves the Caribbean Forum of ACP States (CARIFORUM). CARIFORUM comprises CARICOM states (Caribbean Community and Common Market), Haiti and the Dominican Republic. The CARIFORUM Secretariat is located in Georgetown, Guyana.

(Member States of CARICOM are: Antigua & Barbuda, the Bahamas, Barbados, Belize, the Commonwealth of Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago.) (Haiti has been provisionally accepted into the Community and will attain full status once its accession has been completed. The Bahamas is a member of the Caribbean Community but not of the Common Market.)