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***GUYANA'S EXTERNAL TRADE STRATEGY WITH  
PARTICULAR REFERENCE TO FTAA AND  
POST-LOME ARRANGEMENTS***

***EXECUTIVE SUMMARY***

**BUILDING EQUITY AND ECONOMIC PARTICIPATION (BEEP) PROJECT**

(Paper submitted to the BEEP Seminar entitled Guyana's External Trade Strategy With Particular Reference To FTAA and Post-Lome Arrangements held on 9/7/98 Georgetown Guyana)

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## **A INTRODUCTION**

The report reviews the existing trading arrangements (WTO, the Lome Convention The Caribbean Basin Economic Recovery Act CARIBCAN and CARICOM and examines specifically the challenges and opportunities facing Guyana in the WTO, FTAA, Post-Lome and CARICOM with the aim of elaborating strategies that would maximize benefits and minimize costs

## **B NATURE AND PATTERN OF TRADE**

The growth of Guyana's exports accelerated at the beginning of the 1990s as compared to the period of the 1980s when it was quite slow and even negative in some sub-periods. Over the entire period 1980-1997 little dynamism in exports in terms of the emergence of new exports has been exhibited. Traditional exports of sugar, rice, aluminum ores and rum still continue to dominate the export pattern even though their share has recently declined due to the increases in gold, diamonds and shrimps along with some non-traditional agricultural and agro-processed items. Slow product diversification has also been accompanied by slow market diversification. The USA, Canada and the EU have kept their dominant positions in Guyana's trade. The only noteworthy change is that recently Canada has been emerging as a more significant trading partner. CARICOM trade has not grown in much significance and no other identifiable regional markets have been penetrated.

## **C NATURE AND STRUCTURE OF INTEGRATION INTO THE WORLD ECONOMY**

### ***a UNILATERAL AND REGIONAL LIBERALIZATION***

Guyana has had some appreciable trade liberalization. It is doubtful whether there are any gains from further liberalization. With such low effective rates of duty coupled with relatively porous borders, lack of administrative capacity and a low compliance rate, liberalization may have run its course.

### ***b MFN (WTO)***

In terms of its schedule of commitments in the WTO, no significant effort at trade liberalization is observable in the Uruguay Round.

## ***C NATURE OF PREFERENCES AND PREFERENCE EROSION***

### *1 Structure of Preferences*

At present an estimated 45 % of Guyana's exports enjoy preferences in external markets. These would be GSP, Lome, CBERA, CARICOM and CARIBCAN. Dependence on preference is heavy in the EU market where 87% of the exports to that market are subject to preference.

### *2 Impact of the Uruguay Round NATURE OF PREFERENCE EROSION*

In so far as the tariff cuts in the URA eroded the preferential treatment enjoyed by Guyana under the GSP, the Lome Convention, CBERA and CARIBCAN, the impact of the UR can be expected to be negative. The impact has not been significant.

### *3 NAFTA and CBERA) Summary Comparison of NAFTA and CBERA*

The increase in trade preference for Mexico under NAFTA will reduce the competitive advantage of products from the Caribbean Basin in several ways.

It is difficult to estimate how all these effects will play out especially in a dynamic sense. In addition to that, there are obvious areas where Mexico has gained an advantage over Guyana. Some of these are as follows:

- Mexico will not pay seasonal duties in Canada on vegetables. Like Mexico, Guyana has duty-free access except during the seasonal period. Canada is a promising market for Guyana in this area.
- Shrimp exports could be affected by US duty reductions for Mexico. Mexican production will increase as well as its processing efforts.
- The concessions Mexico obtained in textiles and garments have had a powerful impact on the expansion of the exports to the US to the detriment of many Caribbean producers. Although a small supplier, Guyana's potential here may have been pre-empted.
- Mexico obtained a sugar quota twice its present size to be filled in seven years from 2001. Potentially this could squeeze Caribbean sugar quotas if Mexico decides to increase its domestic production.

In conclusion, the low pre-NAFTA tariffs on Mexican exports to the US as well as the low level of exports from Guyana had made the direct impact rather negligible. The dynamic impact may not however be the same.

#### *4 Overall Assessment of Guyana's Integration into World Economy*

From the beginning of the 1990s Guyana has accelerated its speed of integration into the world economy. Its export growth now surpasses its output growth. The integration so far has however been unbalanced.

Further unilateral liberalization in the above circumstances could be precarious especially since it would not yield any noteworthy benefits and may provoke fiscal difficulties especially if alternative indirect and non-discriminatory taxes are difficult to find.

While the impact of NAFTA and UR have not been significant, they have however limited the scope for export diversification using preferences- a situation that has been further compounded by the European Single Market and Economy and the FTA enlargement of the EU to Eastern Europe and the Mediterranean. The latter also implies that Guyana may well have to recover some ground in market access at the multilateral and regional level to boost its planned export expansion.

#### **D ACTUAL AND POTENTIAL DEMAND AND SUPPLY OF EXPORTS**

Based on assessment of export potential and in examining the leading markets for some of these major products, it would appear that markets in North America, Europe and the region would be the most complimentary. For some products as sugar, garments, bauxite and rum it is difficult to conceive of alternative markets. The regional markets are obviously very underdeveloped particularly the wider Caribbean and Latin American markets which should be able to absorb a larger proportion of non-traditional agricultural and manufactured goods. CARICOM imports from Guyana could also be boosted from its present low levels.

#### **E COSTS AND BENEFITS OF INTEGRATION CHOICES**

##### ***a FTAA Trade and Investment Impact***

###### *1) Static Effects*

The gains from FTAA for Guyana as a result of the removal of all tariff and non-tariff barriers are difficult to estimate. These gains would largely be in the North American and Canadian market where most of its hemispheric exports go at present and face NBTs. The tariffs on these exports are negligible but there are NTBs in the form of quotas especially for sugar and garments. Tariff may not be the most important barrier for Guyana for actual and potential exports to the Hemisphere. Non-tariff barriers such as environmental and phyto-sanitary barriers and anti-dumping laws may be the most important for a market access strategy for Guyana especially one that would have to focus on agricultural exports.

### *2) Dynamic Impact*

FTAA would introduce dynamic shifts in investment and trade over the longer period. As a result of specialization, capital could move to exploit lower wages and cheaper land costs in Guyana. Production will shift more towards the labour-intensive sectors and Guyana's strength in labour-intensive and natural-resource production could therefore be enhanced.

### ***b POST-LOME***

The debate on the future of the Lome Convention has basically thrown up three options facing countries such as Guyana. They are the continuance of the status-quo (Lome), graduated GSP and a Free Trade Area.

## **F CONCLUSION TOWARDS A WORLD INTEGRATION STRATEGY**

The issue of what is the path for Guyana to integrate on a sustained basis into the world economy is still highly debatable. At present Guyana in terms of trade and investment is highly integrated into the Transatlantic Region (North America and Europe). Most of its existing and prospective markets are centered in this space which constitutes a sizeable market and where trade and investment forces are autonomous.