

**U. S. Agency for International Development**

**GEO**  
**Guyana Economic Opportunities**

**A National Trade Strategy for Guyana**  
**Prepared for**  
**The Ministry of Foreign Trade and International**  
**Cooperation**

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## Acronyms

ACP	African, Caribbean, and Pacific
AD	Antidumping
AITIC	Agency For International Trade Information and Cooperation
ASYCUDA	Automated System For Customs Data
ATPA	Andean Trade Preferences Act
BIT	Bilateral Investment Treaty
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
CET	Common External Tariff
DDA	Doha Development Agenda
EBA	Everything But Arms
EFTA	European Free Trade Area
EU	European Union
FTAA	Free Trade Area of The Americas
GATS	General Agreement on Trade In Services
GATT	General Agreement on Tariffs And Trade
GDP	Gross Domestic Product
GO-INVEST	Guyana Office on Investment
GPRSP	Guyana Poverty Reduction Strategy Paper
GRULAC	Group of Latin American and Caribbean Countries
GSP	Generalised System of Preferences
HIPC	Highly Indebted Poor Country
LDC	Least-Developed Country
MFA	Multifibre Arrangement
MFN	Most Favoured Nation
MOFTIC	Ministry Of Foreign Trade And International Cooperation
NACEN	National Advisory Committee on External Negotiations
RNM	Regional Negotiating Machinery
S&D	Special and Differential
SPS	Sanitary and Phytosanitary
TPR	Trade Policy Review
TPRM	Trade Policy Review Mechanism
TRAINS	Trade Analysis and Information System
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

## **A National Trade Strategy for Guyana: Managing the Opportunities and Threats of Globalisation**

Globalisation presents both new opportunities and threats to Guyana. Full participation in the world economy is an essential element for achieving the [Poverty Reduction Strategy] targets. However, given the openness of the Guyanese economy, participation also means that the domestic economy must face several risks, such as world recessions, financial crises, dramatic swings in the prices of key export and import commodities, and lack of appropriate access to key markets ...

Guyana cannot control these external threats. However, the country can minimise their effects by maintaining sound macroeconomic policies, sector policies that encourage the production of export products, and a relatively high level of foreign exchange reserves that helps mitigate the impacts of an unfavourable international environment.

*Guyana Poverty Reduction Strategy Paper (2001), page 64.*

### **The Role of Trade in Guyana's Development**

According to the national poverty-reduction strategy, “the objective of the Government export promotion program will be to create conditions for the export sector to be an instrument for sustaining rapid and broad-based growth.”<sup>1</sup> The strategy identified three principal means by which this objective is to be pursued: “This will require maintaining [a] competitive exchange rate, eliminating trade barriers, and providing more effective export promotion services for Guyana’s exports.”<sup>2</sup> These three prongs correspond to fiscal and monetary policy, trade policy, and export-promotion. The strategy laid out in the current report deals specifically with the second of these prongs, putting special emphasis on the role of the Ministry of Foreign Trade and International Cooperation (MOFTIC) in the development and execution of a national trade strategy. It must be recognised throughout that — as acknowledged in the poverty-reduction strategy — trade policy is merely one aspect of a broader national undertaking that will require a sustained and coordinated national effort to reduce poverty through economic opportunity.

Globalisation sets the context in which this strategy is to be pursued. This process poses serious challenges for Guyana’s economy while also creating new prospects for the expansion and diversification of trade. The key task for Guyana’s trade strategy is to manage the threats and opportunities of a global market. Globalisation entails several inter-related trends, much of which can be traced to rapid technological change. The latest advances in technology facilitate and accelerate the cross-border movement of goods, services, capital, and information. Guyana must

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<sup>1</sup> *Guyana Poverty Reduction Strategy Paper (2001), page 29.* The document is cited hereinafter as the *GPRSP*.

<sup>2</sup> *Ibid.*

compete in a global economy in which the virtual distances between markets are shrinking, those markets are increasingly interdependent, and the terms of its access to foreign markets are determined in large measure by its own willingness to engage the world. These facts require that the country become a more active and competitive participant not only in the global marketplace, but also in the rulemaking bodies that govern that market.

The purpose of this document is to devise a trade strategy for Guyana that advances the country's development objectives in this context of increasing globalisation. It does so in three parts. This introductory section reviews the chief trends in the global trade regime and where Guyana fits within it. Section I of the report deals with the substance of trade policy by proposing a series of principles and objectives that the country should pursue. Section II addresses the procedures of trade policymaking by proposing principles and resources that should be employed in pursuit of the aforementioned objectives.

Before examining in detail what the country's trade strategy ought to be, we should first begin by clarifying the scope of our subject matter. This document distinguishes between four different areas of public policy that collectively affect a country's prospects in the global economy, each of which can be associated with the appropriate lead ministry. By "trade policy" we specifically refer to the development and execution of international agreements and national laws that affect the cross-border movement of goods and services. MOFTIC is the lead agency in Guyana's trade policy. As noted below, however, MOFTIC has a supporting position in the other four trade-related areas, and must also coordinate its trade policymaking role with other line ministries that have jurisdiction over trade-related matters.

Trade policy is to be distinguished from "trade promotion," the field of public policy that is aimed at encouraging and (in some cases) providing incentives for trade and investment. This is an area where the Guyana Office on Investment (GO-INVEST) and the new Guyana Marketing Corporation take the lead. MOFTIC should coordinate its preparatory work for trade negotiations with these agencies, especially in the identification of specific sectoral objectives, but the actual task of trade and investment promotion is outside of its jurisdiction.

"Trade regulation" consists of the execution of those national measures that are designed to tax or otherwise regulate the importation of goods and services from other countries. Whether any given regulation relates to the fiscal needs of the state, the protection of consumer health and welfare, or other matters, and no matter what the lead agency may be in developing and executing the relevant laws and policies of regulation, these measures are subject to the commitments that Guyana makes to its trading partners in World Trade Organisation (WTO) agreements and other instruments. MOFTIC's principal responsibilities here are to assist other ministries and policymakers in ensuring that existing and prospective laws and policies comply with the country's obligations, while also endeavouring to establish international rules that accommodate the country's regulatory needs.

In addition to these three topics there is a broad array of policies and circumstances that affect the competitive posture of Guyana. To cite one prominent example, the country's transportation infrastructure is a key determinant of national competitiveness. Other elements of the competitive mix include investment rules, the domestic tax structure, labour laws, and other issues that define the country's business climate and costs of production. These matters are well outside the direct jurisdiction of MOFTIC, but must all be taken into account in the development of its negotiating objectives.

Taken together, these four areas of public policy are critical to improving Guyana's prospects for competing in a global economy. They will all require teamwork within MOFTIC, across ministries, and with the private sector. The purpose of this national trade strategy is to define the goals for that teamwork, and to identify the means by which it should be pursued.

## **Evolving Character of the International Trading System**

The process of globalisation manifests itself in many different ways. From the perspective of Guyana's trade interests, two trends are particularly important. One is the expanding scope of issues that fall under the ever broader rubric of trade policy, which is reflected in an ever-widening set of rules, rights, and obligations in the WTO and regional trade agreements. The other is the growing participation of developing countries in the trading system. Nearly all developing countries are now members of the WTO, where they comprise a majority of the membership, but this does not necessarily mean that the rules and procedures of that organisation are designed with the interests of developing countries in mind. The demands made upon developing countries have grown steadily in recent decades, and the preferences offered to them have undergone important changes. The net result is that Guyana and other developing countries must be prepared for a more challenging environment in which much more is at stake than traditional tools such as tariffs and quotas, and the benefits of the trading system depend more upon bargaining power than the generosity of industrialised countries.

### **The Expanding Scope of Trade Rules**

Trade policy was once confined primarily to border measures affecting the transnational movement of goods, and involved little more than adjustments to tariffs and quotas. It has since grown into a much more sprawling and complicated field of public policy that deals with the movement of goods, services, capital, ideas, and people across frontiers, as well as an array of policy instruments that are employed both at the border and within an economy. This greater complexity puts a serious strain on the resources of all trade agencies, especially those in small, developing countries. In order to be effective in the expanded trading system, statesmen need to acquire expertise in much more than just tariffs, and need to coordinate their actions closely with other government agencies.

This point is best exemplified by the vast nature of WTO commitments. The WTO's predecessor was the General Agreement on Tariffs and Trade (GATT), an agreement that served as the centerpiece of the trading system for half a century. GATT was not even a *bona fide* international organisation in which countries were formal members; it was instead a provisional agreement to which countries were "contracting parties." The main focus of GATT was on tariffs and other measures that directly affected the movement of merchandise across international borders. While many developing countries were contracting parties — a status that Guyana enjoyed since gaining independence in 1966 — the rules of the system were not rigidly applied to them. Developing countries generally did not take a very active role in tariff negotiations, preferring instead to rely upon non-reciprocal, preferential programs in order to secure their access to industrialised countries' markets. When the GATT system began to expand through the negotiation of "codes" covering such issues as subsidies and government procurement, developing countries generally opted not to adopt these additional disciplines. Guyana is one of

many countries that maintained a “non-resident” status in the GATT, meaning that its representation in the GATT was provided through its diplomatic mission in London.<sup>3</sup>

The character of the WTO is quite different from that of the GATT. This is a true international organisation in which countries are members. This membership is nearly universal; except for a handful of holdouts, every country in the world is either already a member or is seeking to accede to the WTO. Moreover, membership entails much stricter rights and obligations. In contrast to the old system of “code reciprocity,” in which countries could pick and choose among the agreements that they would adopt, the WTO is based upon the principle of a “single undertaking.” This means that all of the members are required to adopt all of the agreements that were negotiated in the eighth (Uruguay) round of GATT negotiations (1986-1994), and all but two of the codes that were reached in earlier rounds.

As can be appreciated from the partial list in Table 1, this body of WTO-administered agreements covers a very wide range of subject matter. Trade rules now cover not only the movement of other factors across borders, such as services and capital, but also many things that take place behind borders. These include the protection granted to intellectual property rights, the support given to farmers, and the incentives offered to investors. Moreover, the rights and obligations of all countries may grow under the new Doha Development Agenda (DDA). This set of negotiations, which is the first WTO round in all but name,<sup>4</sup> was launched at the fourth WTO ministerial conference in 2001. The first phase of the negotiations is now underway, and will last until the fifth WTO ministerial conference in late 2003. It is generally expected that the DDA will conclude at the sixth ministerial conference.

Guyana is a full member of the WTO, and as such it was required to accept the results of the Uruguay Round of GATT negotiations in their entirety. This means that the country enjoys all of the same rights as other WTO members, and also that it is under the same obligation to comply with the terms of the agreements that it signed. In some cases this compliance entails the revision of existing laws or the drafting of new ones to conform with WTO disciplines. Many developing countries have found that implementation of these agreements is quite difficult, not least because of their technical complexity and the expertise that they require on the part of negotiators, legislators, and administrators. The technical assistance made available by the donor community is often not sufficient to overcome these difficulties.

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<sup>3</sup> Guyana maintains its non-resident representation in the WTO, but today that representation is made through the mission in Brussels.

<sup>4</sup> In deference to the objections of some developing countries, the term “round” is not formally used to describe these negotiations. In form and intent, however, the DDA is quite similar to the Tokyo and Uruguay rounds of GATT negotiations.

**Table 1. Principal Agreements Reached in the Uruguay Round and Objectives in New Negotiations**

<b>Agreement</b>	<b>Significance</b>	<b>Doha Development Agenda Objectives</b>
Agreement Establishing the World Trade Organisation	The WTO is now a <i>bona fide</i> international organisation that administers a series of agreements that are definitively applied, and performs other functions. It is thus to be distinguished from the provisional and limited character of GATT.	The declaration “strongly reaffirm[s] the principles and objectives set out in the Marrakesh Agreement Establishing the World Trade Organization, and pledge[s] to reject the use of protectionism.”
Understanding on Rules and Procedures Governing the Settlement of Disputes (Dispute Settlement Understanding)	The GATT rules on dispute settlement were weak and easily evaded. Under the DSU, WTO members are in a much stronger position to challenge other members’ laws and measures that are alleged to violate the rules. Panel decisions are more easily reached, adopted, and enforced than was the case under GATT.	WTO members “agree to negotiations on improvements and clarifications of the Dispute Settlement Understanding.”
Agreement on Textiles and Clothing	The Multifiber Arrangement (MFA) and its predecessors established a system of import quotas that restricted trade in this sector since the early 1960s. The Agreement on Textiles and Clothing abolished the MFA and provides for the phase-out of quotas by 2005.	—
General Agreement on Trade in Services (GATS)	GATS established a set of rules governing trade in services that is modeled after GATT’s rules for trade in goods. These rules were somewhat incomplete (e.g., work was not completed on matters such as subsidies and safeguards), and the Uruguay Round negotiations produced relatively few actual commitments on specific services sectors.	The principal aim of the new negotiations is to reach market-access commitments in multiple sectors, with no <i>a priori</i> exclusions of any sectors. Negotiations “shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries.”

**Agreement**

**Significance**

**Doha Development Agenda Objectives**

Agreement on Agriculture

Prior to the Uruguay Round, agricultural trade was not fully incorporated in the GATT rules. The AoA provides for disciplines on subsidies, the “tariffication” of non-tariff barriers, and other rules. This is supplemented by the Agreement on the Application of Sanitary and Phytosanitary Measures, which establishes disciplines on these measures.

“[C]omprehensive negotiations” will aim at “substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.” S&D treatment “shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated.”

Agreement on Trade-Related Intellectual Property Rights (TRIPs)

The TRIPs agreement establishes disciplines affecting the protection and enforcement of patents, trademarks, copyrights, and other forms of intellectual property rights. By bringing these rights into the WTO system, the agreement gives WTO members the authority to bring cases against violators to the Dispute Settlement Body.

The talks will seek the “establishment of a multilateral system of notification and registration of geographical indications for wines and spirits,” and will examine “the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments.”

Agreement on Trade-Related Investment Measures (TRIMs)

The disciplines established by this agreement are relatively weak. The main effect is to ban the use of certain “performance requirements” (e.g., requiring that a foreign investor export a certain percentage of its production).

“[N]egotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations” on the relationship between trade and investment.

Agreement on Safeguards

Safeguards provide for the imposition of restrictions on imports that are fairly traded but injurious. The agreement established further disciplines in the use of these measures.

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**Agreement**

Agreement on Subsidies and Countervailing Measures and the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994

**Significance**

The first of these agreements established additional disciplines in the use of subsidies and countervailing measures against them, while the second did the same for antidumping actions.

**Doha Development Agenda Objectives**

Negotiations will aim at “clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these Agreements and their instruments and objectives, and taking into account the needs of developing and least-developed participants.”

Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994

GATT Article VII deals with the valuation of goods for customs purposes. The agreement provides that the primary basis for customs value is “transaction value.”

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Agreement on Technical Barriers to Trade

The agreement establishes rules and disciplines designed to ensure that technical regulations and standards, including packaging, marking and labelling requirements, and procedures for assessment of conformity with technical regulations and standards do not create unnecessary obstacles to international trade.

—

Agreement on Rules of Origin

The agreement provides for interim disciplines to be employed until members negotiate a definitive agreement on the application of non-preferential rules of origin.

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One might legitimately ask what benefits Guyana has obtained from these many WTO agreements. The question is more easily posed than answered, insofar as the specific benefits of each agreement cannot really be identified in isolation. The theory is instead that the net effect of being part of a system of enforceable commitments will be to reinforce rules-based over power-based solutions to trade problems, provide a means for seeking further access to other countries' markets, and enhance the country's attractiveness to potential foreign investors.

The expanding scope of disciplines in the WTO, coupled with parallel developments in regional and bilateral trade agreements, has a number of implications for Guyana. One is that it is no longer sufficient for countries to treat trade policy as a relatively narrow and isolated element of foreign economic policy. Functions that could once be performed by a small cadre of tariff negotiators now requires not only a more highly trained and professional corps of trade negotiators, but also the effective support of other domestic institutions. The need for coordination between trade ministries and other agencies of government grows exponentially with the scope of the system. Similarly, there is now a greater danger that the various international organisations dealing with trade and related economic issues will lack coherence. The rules and principles followed by the World Bank, the International Monetary Fund, and other financial institutions increasingly impinge upon — and sometimes contradict — the WTO's disciplines. This can be seen, for example, in the varying approaches that the institutions take towards tariff levels, export subsidies, and customs administration. These potential conflicts multiply the need for greater coordination not only among these international organisations, but also among the different national ministries that deal with them.

### **The Fuller Participation of Developing Countries**

The second notable trend is the increased role of developing countries in the trading system. They have gone from a small and secondary role in the old GATT system to a majority position in the WTO. This does not mean, however, that the rules of the system are now drawn by the developing countries. There has instead been a shift in the types of special and differential (S&D) treatment that are granted to developing countries. While S&D treatment remains an important aspect of the trading system, the form and magnitude of that treatment are radically different from what was envisioned a generation ago. It had once been argued that developing countries cannot be expected to compete on an equal footing with the industrialised countries, and thus require long-term (if not permanent) preferences. These entailed what might be called "hard" S&D treatment, in the form of non-reciprocal, preferential access to the markets of industrialised countries, as well as major exemptions from the disciplines of the system (e.g., a largely unencumbered right to impose import restrictions for balance-of-payments reasons). While there remain some vestiges of "hard" S&D treatment, especially in the continuation of some preferential access programs and agreements, these benefits are of decreasing value with the gradual reduction in global trade barriers. Most S&D treatment that is now available or under negotiation is instead of a "soft" variety, providing for such things as technical assistance, longer transition periods, or relaxation — but not outright exemptions — to the rules of the system. The aforementioned "single undertaking" offers the strongest evidence that the old S&D system is gone: Developing countries are now expected to deal with the industrialised countries primarily on a more or less equal basis, and must be prepared to bargain for any benefits (reciprocal or otherwise) that they hope to get from their partners.

The changing nature of S&D treatment is not a surprising development. Many industrialised countries embraced preferences reluctantly in the first place, and their increasing dissatisfaction with this principle is one reason for its gradual demise. At some risk of oversimplification, the history of efforts to introduce and enforce S&D treatment in the GATT/WTO system can be reduced to three periods. The first was a failed effort in the mid-1960s to provide for guaranteed results, in which the industrialised countries would be required to import specified minimum levels of goods from developing countries. It was in this context that the Generalised System of Preferences (GSP) was first proposed, with a key UNCTAD document proposing “that *quantitative targets* should be set for their entry into the industrial countries’ market” in which “the industrial countries could establish a quota for admitting manufactured goods from the developing countries *free of duty*.”<sup>5</sup> This arrangement, which might be characterized as “preferences in results,” did not overcome the objections of the industrialised countries. It nevertheless set the basis for those measures that were adopted in the second stage of S&D proposals, which might be characterized as “preferences in access.” Rather than specifying the actual level of goods that would be imported, the rules adopted in this period provided for preferential tariff and quota treatment. That treatment remains in effect, but is increasingly offered only to the least-developed countries (LDCs) or to special regional groups that are favoured by one industrialised country or another. The principal form of S&D treatment available today might be characterized as “preferences in procedures.” The term “procedures” is more appropriate than “rules,” insofar as one of the underlying principles in the new order is that developing countries (other than the LDCs) do not receive permanent, preferential treatment in all of the rules of the game. As provided by the “single undertaking,” all WTO members must adopt all of the agreements emanating from the round.

While one might assume that the reduced availability of “hard” S&D treatment is a major setback for the developing countries, the data do not support the contention that preferences produce expanded exports. Consider the numbers in Table 2, which summarise the changes in U.S. imports of non-oil,<sup>6</sup> non-apparel<sup>7</sup> products from major partners during 1991-2001. If preferential tariff treatment were a major determinant of success in export competition, we would expect to find a tight correlation between the degree of preferences and the rate of growth in exports. The data show no such pattern. While both Canada and Mexico enjoyed nearly complete duty-free access to the U.S. market during this period, the growth in Canada’s exports to the U.S. market were below the world average, while Mexico was well above. Among developing countries, one would expect the beneficiaries of the Caribbean Basin Initiative (CBI) and the Andean Trade Preferences Act (ATPA) to do much better than countries that enjoy the much less generous benefits of the GSP. Quite to the contrary, exports from the CBI and ATPA countries grew at a much slower rate than exports from the world as a whole, while the other GSP beneficiary countries slightly outperformed the world average. And how can one explain that among the countries enjoying no preferences at all there was a range from greatly

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<sup>5</sup> United Nations Conference on Trade and Development. *Towards a New Trade Policy for Development* E/CONF.46/3 (1964), pages 143-144. Emphasis in the original.

<sup>6</sup> The table excludes data on crude oil and natural gas in order to eliminate a major source of price volatility. Note also that the U.S. tariffs on these products are very low, so the potential benefits of preferential treatment are slight.

<sup>7</sup> Apparel trade is summarised in Table 3.

**Table 2. U.S. Imports of Non-Oil, Non-Apparel Products from Selected Partners by Tariff Treatment of the Exporting Country or Group, 1991-2001**

*Millions of Current Dollars, Imports for Consumption, Customs Value*

	1991	2001	Increase	Departure from Norm
<b>Full Duty-Free Access*</b>				
Canada	82,950	187,961	126.6%	-13.2
Mexico	24,507	113,329	362.4%	+222.6
<b>Substantial Duty-Free Access</b>				
CBI Beneficiary Countries	5,148	10,290	99.9%	-39.9
ATPA Beneficiary Countries	3,405	6,943	103.9%	-35.9
<b>Limited Duty-Free Access</b>				
GSP Beneficiary Countries**	36,070	87,931	143.8%	+4.0
<b>No Duty-Free Access</b>				
European Union	89,084	214,748	141.1%	+1.3
Japan	90,986	125,986	38.5%	-101.3
China	14,200	92,029	548.1%	+408.3
<b>World</b>	413,960	992,786	139.8%	—

The data exclude all items in SIC categories 13 (natural gas and crude oil) and 23 (apparel and related items).

\* : Canada's duty-free treatment was phased in during 1989-1998; Mexico's began in 1994 and is still underway.

\*\* : This category excludes data for those GSP beneficiary countries listed in the CBI or ATPA categories. It is based on countries that were eligible for GSP treatment as of 1996.

**Table 3. U.S. Imports of Apparel Products from Selected Partners by Tariff and Quota Treatment of the Exporting Country or Group, 1991-2001**

*Millions of Current Dollars, Imports for Consumption, Customs Value*

	1991	2001	Increase	Departure from Norm
<b>Duty-Free &amp; Quota-Free Access</b>				
Canada	377	1,960	419.9%	+274.6
Mexico	1,487	9,021	506.7%	+361.4
<b>Dutiable But Quota-Free Access</b>				
CBI Beneficiary Countries	2,548	9,374	267.9%	+122.6
<b>Dutiable &amp; Subject to Quota</b>				
China	4,099	9,951	142.8%	-2.5
Hong Kong	4,015	4,312	7.4%	-137.9
Korea	2,800	2,244	-19.9%	-125.4
<b>World</b>	27,376	67,160	145.3%	—

Source: Both tables calculated from U.S. International Trade Commission data.

underperforming the average (Japan) to approximating it (the European Union) to beating it by a vast margin (China)?

The only conclusion that one can draw from the data in Table 2 is that countries' performances in exports to the United States were unrelated to the tariff treatment that they received. The data instead suggest that export performance correlates well with economic reforms in the exporting country. China and Mexico were the two countries shown in the table that made the greatest progress towards a market-oriented economy during the last decade, and their exports soared; the European Union underwent no major changes, and its exports grew at a normal pace; while Japan stagnated, as did its exports. Those facts are more significant than the partial or total exonerations from U.S. tariffs.

This is not to say that "hard" S&D treatment is of no value. The potential for a preferential program to promote trade with a partner is inversely proportional to the magnitude of the protection that is overcome. Tariff preferences will not be very effective when tariff rates are relatively low and declining. The data in Table 3 offer strong support for the contention that preferential quota treatment (whether or not it is coupled with duty-free treatment) is much more valuable than preferential tariff treatment alone. Over the period of 1991-2001, total U.S. imports of apparel products increased by 145.3 percent. The rate of increase was about three times greater for the North American Free Trade Agreement (NAFTA) partners, however, due to the combined quota and tariff preferences that they enjoyed. CBI beneficiary countries also enjoyed a much higher than average rate of growth, due to their preferential quota access during this period.<sup>8</sup> Imports from countries that were subject to both tariffs and quotas either matched or underperformed the world average. These observations are supported by economic theory, which holds that *ceteris paribus* quotas are more restrictive than tariffs. This naturally implies that preferential quota treatment will be a much more effective form of S&D treatment than preferential tariff treatment.

While this may be taken as evidence to support the effectiveness of "hard" S&D treatment, the implications for Guyana are not favourable. Quotas are rapidly disappearing from the international trading system, which means that the prospects for preferential quota treatment are evaporating as well. This point is equally true for apparel and for agricultural products.

Guyana benefits from preferential access to some markets for its garment exports, but it is not certain whether these preferences will be sufficient to maintain its competitiveness in the coming years. The Multifibre Arrangement (MFA) quota regime is to disappear altogether by the year 2005,<sup>9</sup> after which time the only protection in major import markets will be tariffs and the contingent measures of trade-remedy laws (e.g., safeguards and antidumping duties). Guyana already enjoys preferential tariff treatment in its access to some foreign markets; for example, the United States upgraded the Caribbean Basin Initiative in 2000 to extend "NAFTA Parity" to Guyana and other beneficiary countries.<sup>10</sup> While tariff preferences are quite useful in a sector

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<sup>8</sup> Starting in 2001, these countries have also enjoyed "NAFTA parity" in the application of U.S. tariffs on textile and apparel products.

<sup>9</sup> The terms of China's accession to the WTO call for the quotas on its products to be phased out over a longer period.

<sup>10</sup> "NAFTA Parity" provides to Guyana the same access to the U.S. market as Mexico enjoys under the North American Free Trade Agreement. This means duty-free treatment for some items and reduced-duty treatment for

that is still subject to relatively high rates of protection, they may be less valuable than the preferential quota treatment that will soon disappear. It is possible that after 2005 there will be a major consolidation of the global textile and apparel industry, in which even preferential tariff treatment is not enough to ensure the export-competitiveness and economic survival of most producers outside of Asia.

The same challenges are apparent for Guyana's sugar and rice industries. Both have enjoyed preferential quota treatment in their access to the European union market, but those preferences are subject to renegotiation. It is generally anticipated that the negotiations starting in September, 2002 will provide for a phase-out of sugar and rice preferences after 2008. It is not clear if those preferences will be eliminated altogether, or how long the phase-out might last, but the implications are clear enough.

What types of S&D treatment are available to countries such as Guyana? The data in Table 4 summarise the principal trend. Only five agreements in the WTO system (two of which predate the Uruguay Round) provide for "hard" S&D treatment by increasing the trade opportunities for developing countries. Even in these cases, the real value of the preferences is undercut by the eroding margins of preference (i.e., the gradual reduction in tariffs and the phase-out of quotas). The most significant of the "soft" forms of preferential treatment is the flexibility that is provided to developing countries in their commitments and in the rules of the system. Provisions of this sort are now found in most of the significant WTO agreements. These are not outright exceptions, however. Transitional time periods also assume that countries will ultimately adopt disciplines that are either identical or similar to those of the industrialised countries. Technical assistance is increasingly important for developing countries, but its availability depends more on the funding provided to the WTO and other institutions than it does on the provisions in trade agreements themselves. Provisions that call upon WTO members to safeguard the interests of developing countries are the softest measures of all, usually consisting of nothing but "best endeavours" clauses that depend on moral suasion rather than enforcement. A country can ignore them with legal impunity. Finally, those provisions that are meant to assist LDCs are insignificant for countries such as Guyana that fall outside this classification.

The S&D principle nevertheless remains a part of the WTO system, and developing countries managed to secure support for this principle at the Doha ministerial. The Doha Ministerial Declaration noted at the start "the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates," and stated that —

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others, with all duties being subject to a phase-out. In order to qualify for this treatment, however, items must meet the strict NAFTA rules of origin. NAFTA parity is scheduled to expire in 2008, by which time the FTAA is supposed to be in effect. Note also that an initiative currently under consideration in the U.S. Congress would amend the Caribbean Basin preferences to establish even stricter rules of origin for apparel products.

**Table 4. Special and Differential Treatment Provisions in Selected WTO Agreements***Provisions arrayed in approximate and descending order (left-to-right) of utility for Guyana*

	Provisions aimed at increasing the trade opportunities of developing countries	Flexibility of commitments, of action, and use of policy instruments	Transitional time periods	Technical assistance	Provisions that require WTO Members to safeguard the interests of developing countries	Measures to assist LDCs
Agriculture	v	v	v			v
Textiles and Clothing	v				v	v
General Agreement on Trade in Services	v	v		v	v	v
GATT 1994 Arts. XVIII & XXXVI-XXXVIII	v	v			v	
Enabling Clause	v	v				v
Decision on NFIDCs				v	v	
Application of SPS Measures			v	v	v	
Technical Barriers to Trade		v	v	v	v	v
Trade-Related Investment Measures		v	v			v
Implementation of Article VI of GATT 1994					v	
Implementation of Article VII of GATT 1994		v	v	v	v	
Import Licensing Procedures			v		v	
Subsidies and Countervailing Measures		v	v		v	
Safeguards		v			v	
TRIPS			v	v		v
Dispute Settlement Understanding		v		v	v	v
Decision on Measures in Favour of LDCs						v
Waiver preferential tariff treatment of LDCs						v
Decision on Texts Relating to Minimum Values and Imports by Sole Agents, Sole Distributors and Sole Concessionaires					v	

Source: Adapted from WTO, *Implementation of Special and Differential Treatment Provisions In WTO Agreements and Decisions* WT/COMTD/W/77/Rev.1 (21 September 2001), Table 1.

Note: Agreements that do not include S&D provisions (e.g., those on Preshipment Inspection and Rules of Origin) are not shown here.

The majority of WTO Members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.<sup>11</sup>

The declaration also noted the participants' agreement to review all S&D treatment provisions "with a view to strengthening them and making them more precise, effective and operational," and endorsing "the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns."<sup>12</sup> The negotiations on market-access commitments for non-agricultural goods are also to be aimed "in particular on products of export interest to developing countries," and "shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments."<sup>13</sup>

What is needed now is the commitment of Guyana and other developing countries to negotiate actively for the fulfillment of these principles. The days are long gone when developing countries could pin their hopes for S&D treatment solely on the liberality of industrialised countries. Benefits are instead won through hard bargaining, which in turn requires that countries devote the institutional resources and political capital needed for real negotiations.

Guyana must also be prepared to negotiate for any S&D treatment that it hopes to obtain in regional agreements. It should be stressed that even the regional trade arrangements among industrialised countries have included S&D provisions intended to ease the integration of the less developed countries in a region. For example, Portugal was granted S&D treatment when it joined the European Free Trade Area. This consisted of a slower phase-in for Portugal's tariff cuts, more permissive safeguards provisions, authority for Portugal to apply quantitative restrictions on exports of an exhaustive mining product, and establishment of a special EFTA Industrial Development Fund for Portugal. Similarly, the European Union's accession agreements negotiated with Greece, Spain, and Portugal each included transitional measures that allowed the acceding countries a time period for accepting the obligations of EC membership. These measures were time-bound and did not constitute permanent exceptions. The EU's S&D policy now emphasises technical assistance for Eastern European countries that are in the process of accession. These precedents may offer useful models for additional forms of S&D treatment.

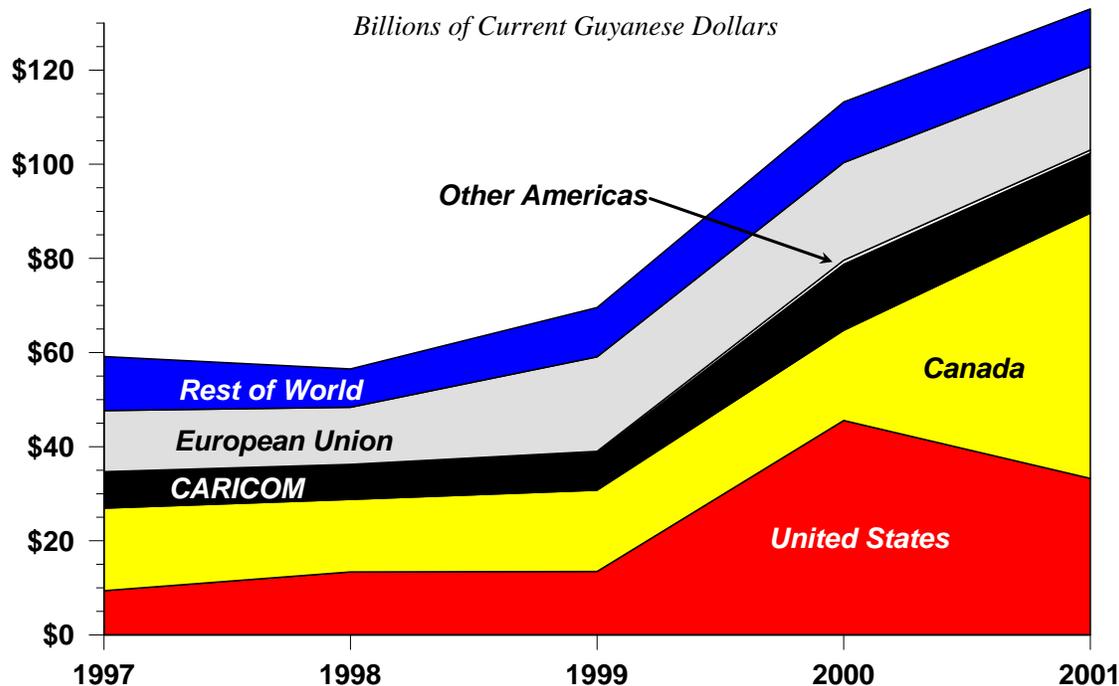
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<sup>11</sup> World Trade Organisation, *Ministerial Declaration WT/MIN(01)/DEC/W/1* (14 November 2001), paragraph 2.

<sup>12</sup> *Ibid.*, paragraph 44.

<sup>13</sup> *Ibid.*, paragraph 16.

**Figure 1**  
**Destination of Guyana's Exports, 1997-2001**

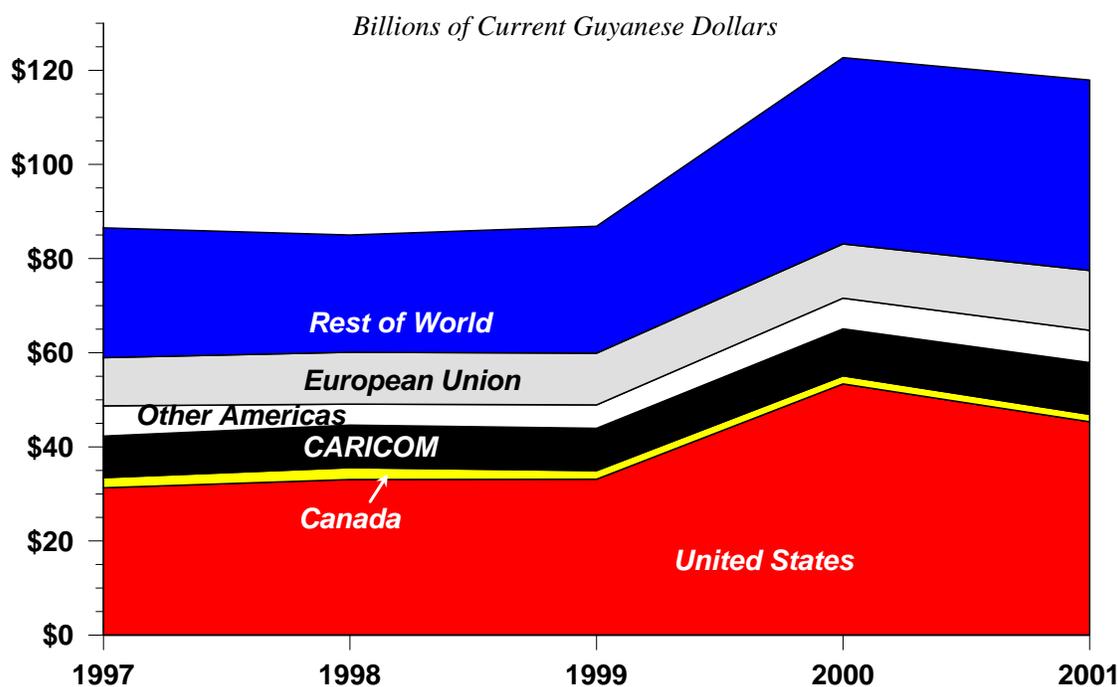


Source: Calculated from ASYCUDA data.

### Guyana's Partners in Trade and Negotiations

The export data shown in Figure 1 suggest three important points about Guyana's trade. First, the country has done well in its recent efforts to promote exports. Even when one takes into account the effects of inflation, exports expanded at an impressive rate over the past five years. The country's external sector has benefited from a more market-driven approach to economic policy. Second, that expansion has depended principally upon the country's access to markets in the Western Hemisphere, above all in North America. In any given year either Canada or the United States may take first place as an export market for Guyana's markets, but in each of the past five years they have together accounted for a large and growing share of total exports. The import data in Figure 2 show that the United States has an even more dominant share of the country's import market. Third, the European Union accounts for a declining share of Guyana's exports; this trend is likely to continue with the reduction of preferential access for the country's rice and sugar exports.

**Figure 2**  
**Origin of Guyana's Imports, 1997-2001**



Source: Calculated from ASYCUDA data.

Guyana is now engaged in four major negotiations, and may enter into others as well. The current initiatives are as follows:

- At the regional level, the Caribbean Community (CARICOM) is still perfecting the economic integration of its member states through the Caribbean Single Market and Economy, while also working through the Regional Negotiating Machinery (RNM) to coordinate information and efforts in other negotiations. Originally established at a time when regional trade agreements among developing countries were primarily intended to serve as instruments of an import-substitution industrialisation strategy, CARICOM is moving towards a strategy based more upon open regionalism and collective engagement of negotiating partners.
- At the hemispheric level, the Free Trade Area of the Americas (FTAA) is supposed to be negotiated by 2005. Encompassing all countries in the Americas except Cuba, it may ultimately replace the preferential arrangements and agreements that Guyana (individually or with CARICOM) has reached with Canada, the United States, Colombia, Venezuela, Brazil, and other countries.
- At the multilateral level, the World Trade Organisation (WTO) launched the Doha Development Agenda in 2001. These negotiations covers a wide range of issues, including

market access for goods and services, agriculture, new rules affecting trade-related aspects of investment, trade-remedy laws, and other topics.

- The European Union (EU) is currently preparing to renegotiate the terms of its preferential arrangements with the African, Caribbean, and Pacific (ACP) countries. These preferential arrangements affect such key Guyanese exports as sugar and rice. The WTO waiver for the preferences is set to expire in 2008, and negotiations are slated to begin in September, 2002. It is generally anticipated that these negotiations will lead to agreements that phase out the preferences over a period of perhaps ten to twelve years.

Of these negotiations, the FTAA represents the largest concentration of Guyana's current trade. As of 2001, the FTAA partners (including CARICOM) accounted for 54.9 percent of the country's imports and 77.5 percent of its exports. The European Union accounted for much smaller shares of Guyana's imports (10.8 percent) and exports (13.3 percent),<sup>14</sup> while the rest of the world took a very small share of Guyana's exports (9.2 percent). This does not mean, however, that the WTO negotiations are insignificant because they affect trade only with those countries that are not dealt with in the CARICOM, FTAA, or ACP negotiations. The WTO is the forum in which Guyana deals with all of its trading partners, whether or not they are additionally partners in some other grouping.

The net effect of these negotiations will be a trading system in which Guyana's prospects are determined more by its underlying economic competitiveness than by the willingness of industrialised countries to grant preferential access to their markets. If globalisation is inevitable and the meaning of S&D treatment is changing, Guyana's only option is to concentrate on improving its competitive posture and diversifying its economic base. The industries in which Guyana concentrates its efforts in the coming years should be those in which it has a real advantage, rather than those in which its advantage is artificially created by the interventions of other countries' governments.

## A Coordinated Approach to Trade Strategy

The trade strategy is premised on the fact that trade policy alone is only one component of the country's competitive posture, and its capacity to promote new opportunities for Guyana is limited by the available national resources. One of the main objectives of trade policy is to remove demand-side restraints on trade, such as the tariff and non-tariff barriers that are imposed by one's trading partners. This is an important and difficult task, but the supply-side restraints in Guyana may pose even greater limitations. This point is illustrated by the data shown in Figure 3, which compares two aspects of access to the U.S. market. The tariffs that the United States imposes on imports are classic trade barriers, and their reduction or removal is an appropriate goal for trade policy. Conversely, the cost of shipping goods to the United States (i.e., freight and insurance charges) is only indirectly affected by trade policy. These costs are partly determined by the degree and results of competition among service providers, and hence might be affected by the commitments that are made in negotiations over trade in services, but the principal

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<sup>14</sup> Note that in this paragraph and in figures 1 and 2 the data for "Other Americas" and "European Union" are based on the main countries in those grouping reported in the ASYCUDA data. The totals for each group may be slightly higher than reported here.

determinants of shipping costs are the nature of the goods being shipped and the quality and availability of physical infrastructure to ship them.

The data in Figure 3 offer one perspective on why trade policy *per se* is not the sole determinant of Guyana's competitive position in the U.S. market. The average tariff that the United States imposed on imports from Guyana in 2001 was just 0.2 percent, identical to the preferential access enjoyed by Mexico. Some products exported by Guyana enjoyed reduced-duty or duty-free access to the U.S. market because of preferences extended under various programs, but the duty-free treatment for the most important products was extended to all U.S. trading partners on a most-favoured-nation (MFN) basis. For example, shrimp and bauxite — which together accounted for over half of U.S. imports from Guyana in 2001 — can both be imported duty-free from all countries that have MFN access to the U.S. market (i.e., all but five countries in the world). This means that there is no more that can be done for these products by the traditional tools of trade policy, except in cases where less obvious non-tariff issues may arise (e.g., restrictions on shrimp imports for environmental or sanitary reasons). By contrast, the high cost of transportation poses a very serious impediment, and one for which the tools of trade policy are of secondary importance. The average cost of shipping goods from Guyana to the United States was equal to 11.5 percent of their value, compared to 3.3 percent for goods imported into the United States from all sources, and 5.0 percent for the Caribbean Basin in general. These observations support another study's conclusion that the "inadequacies of Guyana's current port facilities and harbours ... increase the country's cost of production of exports by 30 percent."<sup>15</sup>

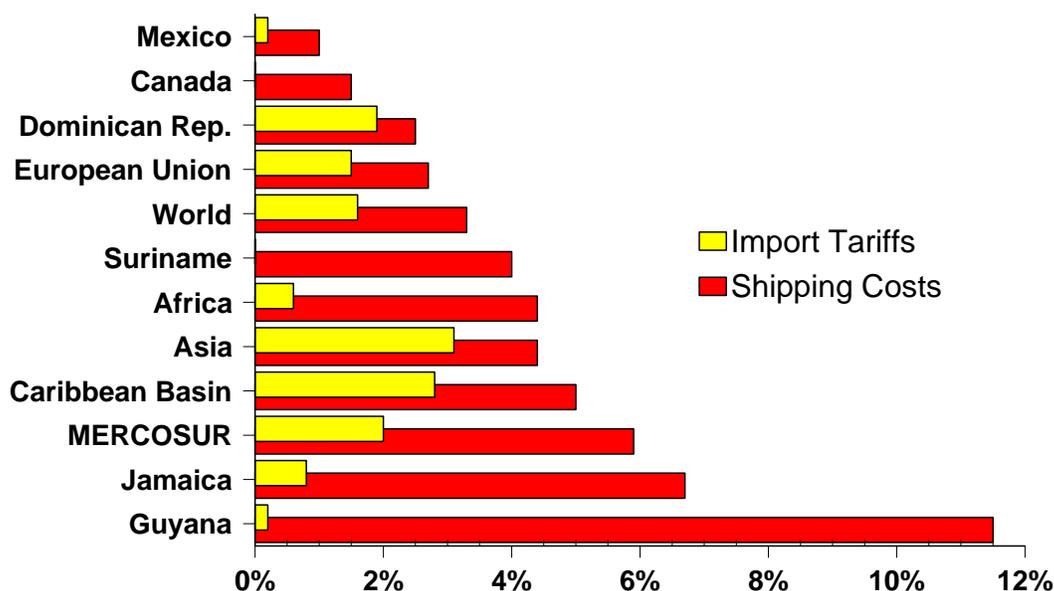
A closer look at the data indicates that the disparity is not actually as wide as indicated in Figure 3. The average is inflated by the very high cost of shipping bauxite, a relatively bulky and low-value item. The data in Table 5 are more in the nature of a comparison between apples and apples, by showing product-specific tariffs and shipping costs for items of interest to Guyana. These figures nevertheless confirm the two basic points. First, the preferential tariff treatment that the United States extends to Guyana is of only limited value. Half of the products shown here were already duty-free on an MFN basis, and the margins of preference for four of the other five products were less than four percent each. Only one of these ten products was subject to a relatively high MFN tariff, thus providing a proportionally large margin of preference for Guyana. Second, the data also confirm that Guyana's shipping costs are relatively high. For example, in 2001 it cost US\$10.12 per metric ton to ship bauxite from Guyana to the United States, compared to US\$2.52 per metric ton for Jamaica. The average cost of shipping this product to the U.S. market from all sources was US\$6.49 per metric ton. Guyana's higher shipping costs within the Caribbean region are less of a disadvantage when its major competitors in the U.S. market are Asian. For example, the cost of shipping frozen shrimp from Guyana to the United States was US\$18.9¢ per kilogram, which compares favourably to the US\$26.0¢ per kilogram that it costs to ship the same product from faraway Thailand (the leading U.S. supplier). As a share of the product's value, however, Guyana is still a higher-cost shipper than Thailand.

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<sup>15</sup> Amy Angel, "Analysis of the Effects on Guyana's Export Sector of Changes in International Markets" (February, 1996), cited in the *NPRSP*, pages 30-31.

**Figure 3**  
**Cost of Importing Goods From Selected Countries**  
**And Regions into the United States, 2001**

*Tariffs and Shipping (Insurance + Freight) as a Percentage of the Customs Value of Goods*



Source: Calculated from U.S. International Trade Commission data.

The bottom line here is not that trade policy is less significant than infrastructure. These figures are instead presented to underline the importance of viewing trade policy as one component of a coordinated national effort in which the traditional tools of trade policy play only a part. The same point can be made with respect to many other matters that affect the cost of doing business in Guyana. The country's economic prospects will improve if MOFTIC's succeeds in reducing or removing other countries' trade barriers, but this achievement must be complemented by other initiatives that enhance the country's competitive posture in an increasingly globalized economy. This leads us back to the starting point for the national trade strategy: Trade policy is merely one aspect of a broader national undertaking that will require a sustained and coordinated national effort to reduce poverty through economic opportunity.

**Table 5**  
**Average Tariffs and Shipping Costs for U.S. Imports from Guyana and the World as a Whole of the Top Ten Items Imported from Guyana, 2001**

HTS Number and Product Description	U.S. Imports (\$Millions)		Tariffs (% of Value)		Shipping (% of Value)	
	Guyana	World	Guyana	World	Guyana	World
0306.13.00 Shrimps and prawns, dried, salted or in brine, frozen	53.2	2,957.9	0.0	0.0	4.2	2.7
2606.00.00 Aluminum ores and concentrates (bauxite)	23.4	207.7	0.0	0.0	31.9	24.1
1701.11.10 Cane sugar, raw, in solid form, w/o added flavoring or coloring	5.0	413.0	0.0	1.0	10.7	9.2
4412.14.30 Plywood sheets n/o 6 mm thick, outer ply of nontropical hardwood	4.9	148.1	0.0	3.2	18.6	8.5
4412.22.30 Plywood, least one hardwood outer ply, w/tropical hardwood ply	4.5	10.1	0.0	3.8	25.2	20.1
7102.31.00 Nonindustrial diamonds, unworked	3.6	550.5	0.0	0.0	0.2	0.1
0304.20.60 Frozen fillets of fresh-water fish, flat fish, etc.	2.0	668.0	0.0	0.1	9.6	5.1
7108.12.10 Gold, nonmonetary, bullion and doré	1.8	1,630.4	0.0	0.0	0.2	0.1
6211.43.00 Women's or girls' track suits etc., not knit, man-made fibers	1.6	322.1	1.0	9.4	1.5	3.7
0303.79.40 Fish, frozen, excluding fillets, other meat portions, livers and roes	1.5	117.0	0.0	0.0	6.7	6.8

*Source: Calculated from U.S. International Trade Commission data.*

## Section I

### Principles and Objectives for Trade Agreements and Policy

This section identifies the goals that Guyana should set in its trade policy, especially the agreements that it is negotiating. These objectives are stated both as general principles and as more specific objectives. Even those objectives, however, are declared here more in the nature of generic interests (e.g., seeking improved market access) than as pinpointed goals (e.g., seeking the elimination of Country A's tariff on Product B). In order to devise and pursue more precise objectives in individual negotiations, Guyana will need to develop a more focused and intensive system of investigation. That point is taken up in Section II, where we deal with how trade policy is made; see especially Principle II.A.

Appendix I.1 places these objectives in chronological order by providing a list of "action items" that MOFTIC should address during 2002-2003. Most of these items are derived from this section, but some relate to matters taken up in Section II.

**Principle I.A: Mapping Guyana's Existing Rights and Obligations. Guyana has made commitments to its trading partners (and *vice versa*) in CARICOM, the WTO, and other fora. The country must ensure both that its own trade laws and agreements, as well as those of its partners, are devised and executed in accordance with these commitments.**

Guyana has already made many commitments in its existing trade agreements, most notably those reached in the Uruguay Round of WTO negotiations and in CARICOM economic integration talks. Any further action taken in the country's trade policy, whether in the form of national laws or international agreements, must comply with these commitments. The commitments that Guyana and its trading partners make to one another establish limits on their freedom of movement. This point is not unwelcome: It is in the interests of all members of the trading system that they operate within a body of well-understood and enforceable rules, and those rules matter only if they actually place constraints on countries. Treaties and other international agreements might be defined as instruments by which countries agree, on a voluntary and reciprocal basis, to impose limitations on the exercise of their sovereignty. MOFTIC should take the lead in ensuring that Guyana is in compliance with its commitments. This responsibility applies to existing national laws and policies, those that are still under consideration, and the trade agreements that are being negotiated. MOFTIC must be equally vigilant in ensuring that its trading partners abide by their commitments (see Objective I.F.1).

**Objective I.A.1 WTO Commitments. The many agreements already reached in the WTO, as well as those that are now under negotiation, are at the center of the country's legal obligations.**

As reviewed in the introductory section, the agreements negotiated in and administered by the WTO cover a wide range of subject matter. They go well beyond tariffs and other measures regulating the movement of goods across borders, covering such diverse issues as trade in

services and the protection of intellectual property rights. Like many other developing countries, Guyana faces difficulties and costs in implementing these various agreements. They nevertheless constitute legal obligations on the country, and an inventory should be undertaken of what these agreements require and what steps may be necessary to comply with them. That same exercise will clarify any limits on what can be done in national legislation and bilateral or regional negotiations, while also suggesting negotiated modifications that might be sought in trade agreements.

These commitments need to be mapped both with respect to the principles and rules established in agreements and the more specific commitments that Guyana has made. The country's schedule of commitments in the General Agreement on Trade in Services (GATS) provides an example of the second type. Guyana made commitments in seventeen services sectors and subsectors in the Uruguay Round negotiations,<sup>16</sup> and these had the effect of binding its present practices. This means that the commitments did not require the country to change its laws in order to come into compliance, but did place limits on its ability to make changes to the existing laws in the future. By mapping those commitments and comparing them with the laws now in place, the country can ensure that it does not inadvertently fall out of compliance with its obligations.

Some of the commitments that Guyana made in the Uruguay Round may indeed require changes in its existing law or in their execution. This appears to be the case, for example, for intellectual property rights. The law that is currently under consideration will presumably address any disparities between existing law and WTO obligations. It is preferable for Guyana to bring its laws into compliance on its own than to repeat the recent experience in which it was called upon to answer a number of questions put to it by members of that WTO TRIPS Council regarding the WTO-compliance of its laws.

**Objective I.A.2 Trade Policy Review. The WTO has made a commitment in principle to conduct a Trade Policy Review (TPR) of Guyana's regime. This exercise should be viewed as a major opportunity for the country to conduct a comprehensive examination of its laws and policies, and to ensure that its measures comply with WTO obligations.**

The Trade Policy Review Mechanism (TPRM) of the WTO provides for examination of a country's laws and policies, with special attention to their compliance with WTO obligations. All other countries in the region have already undergone the TPRM process, and have found it to be a very productive exercise. This process offers an excellent means for carrying out Objective I.A.1.

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<sup>16</sup> Guyana's commitments covered legal services; account, auditing and book-keeping services; engineering and architectural services; medical and dental services; on-line information and data base retrieval; acceptance of deposits and other repayable funds from the public; lending of all types; life, accident and health insurance services; non-life insurance services; services auxiliary to insurance (including broking and agency services); hotels and restaurants; travel agencies and tour operator services; aircraft repair and maintenance services; computer reservation system (CRS) services; road passenger transportation; road freight transportation; and supporting services for road transport services. See WTO, "Guyana: Schedule of Specific Commitments" GATS/SC/37 (15 April 1994).

TPR investigations can have the same salutary effect for a country's trade policymaking agencies as a WTO-accession negotiation. In each instance, the process requires that the country think through its trade strategy and consider the WTO-consistency of its laws and other measures. The main difference is that, unlike an accession, a TPR does not oblige the country to change any laws that appear to be out of compliance or make any commitments (concessions) to the other WTO members. TPR investigations also offer a means of obtaining technical assistance from the WTO secretariat, and can encourage closer cooperation between the various branches and institutions of government.

The WTO has already set in motion the process of seeking the necessary funds and administrative approval to conduct a TPR for Guyana. It is possible that the process of researching and writing the TPR report could start before the end of 2002, with the aim of completing the initial report by early 2003. In the process of conducting this review, the WTO would extend technical assistance to Guyana.

MOFTIC should begin working with other ministries to prepare for the TPR. This will involve assembling all laws, agreements, and other documents that relate to the country's trade policy, together with data on trade and other economic matters. Work that was undertaken by a consultant in 2000 can help to provide a "road map" for TPR preparation.<sup>17</sup>

**Objective I.A.3 CARICOM Commitments. Guyana's position in bilateral, hemispheric, and multilateral market-access negotiations will need to be coordinated with its regional partners, especially on matters affecting tariffs.**

Chief among Guyana's obligations to CARICOM is maintaining the integrity of the group's common external tariff (CET). There are advantages and disadvantages to joining a customs union. One advantage is that the individual members of the union can pool their leverage and negotiating expertise in a single body, as in the case of the RNM. One of the disadvantages is that those same individual members lose a degree of their freedom of movement in all manner of negotiations. At the multilateral level, for example, Guyana has only limited scope for making market-access commitments of its own to partners outside of CARICOM. It is relatively free to make commitments that concern only its bound tariff rates, but any commitments that bring it below CARICOM's CET would have to be cleared with its regional partners. Similarly, bilateral negotiations with extra-regional partners are subject to review and possible rejection by the membership. Guyana has recently had an unhappy experience with this aspect of the CARICOM bargain. Future negotiations will require closer coordination at all stages of preparation, negotiation, and implementation. Among the issues that should be identified by trade policymakers in advance of a negotiation is the potential sensitivity of other CARICOM partners to Guyanese commitments on specific products and sectors in third-country agreements.

CARICOM deals with several other aspects of economic integration in general and trade policy in particular. When carrying out the "mapping" exercise in Objective I.A.1, MOFTIC should also take note of the commitments that Guyana has made on the regional level.

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<sup>17</sup> Irving Williamson, "WTO Strategic and Action Plan — Interim Report" (July 7, 2001), assistance provided by the USAID Guyana Economic Opportunities (GEO) Project.

**Objective I.A.4 Ensuring the WTO-Compliance of Bilateral, Regional, and Hemispheric Trade Agreements. MOFTIC should work with its negotiating partners to ensure that all agreements meet WTO standards and are properly notified to the organisation.**

Common markets and other types of discriminatory trade agreements hold an unusual place in the international legal regime of trade. While they are clearly incompatible with the central principle of the WTO system (i.e., universal and unconditional most-favoured-nation treatment), they are also given a special status by modifications to those principles. MOFTIC must work to ensure that the discriminatory trade agreements into which it enters comply with the terms of WTO law, most notably GATT Article XXIV and Article V of the General Agreement on Trade in Services. Such agreements should be promptly notified to the WTO.

**Principle I.B: Prioritisation of Future Objectives. MOFTIC's investigative, coordinating, and negotiating resources should be allocated according to a hierarchy of objectives, with sectoral objectives in the lead.**

Guyana's trade policymakers need to establish clear priorities in order to direct their energies where they can have the most impact. This can best be done by giving top priority to the core issues of trade policy, which consist of measures that directly affect Guyana's access to foreign markets. These sectoral matters include trade in agricultural goods, non-agricultural goods, and services.

Guyana is already committed to four major negotiations (WTO, FTAA, CARICOM, and ACP/EU), and may enter into additional talks on a bilateral or regional basis. Given the limited resources available to the Government of Guyana in general, and to MOFTIC in particular, it is necessary to focus efforts on those areas that are most likely to produce discernible and positive results for the country's trade interests. These priority areas should be defined principally by economic sectors, rather than by negotiating fora. For example, one objective is to reduce or remove foreign barriers to the exportation of Guyana's non-traditional agricultural products. That sectoral goal can be pursued in all four of the ongoing negotiations (but the WTO and FTAA negotiations appear to offer the best prospects).

The allocation of resources will not necessarily correspond directly to the apparent economic significance of a sector. Resources should be assigned where they are most likely to make a difference, which in some cases will mean allotting more time and attention to matters that (at first glance) may appear to be smaller in magnitude. For example, consider the question of agricultural trade policy. Sugar and rice have thus far been vastly more significant to Guyana than have less traditional products such as seafood and processed foods. This does not mean, however, that these sectors should *ipso facto* receive a commensurately large share of staff time. There are two main reasons why devoting more resources to non-traditional sectors and products may yield more "bang for the buck" in the pursuit of Guyana's trade interests. First, the issues in sugar and rice are less analytically challenging, and information on these developments may be more readily available from industry associations and other sources. MOFTIC's instructions to negotiators on these matters could be stated in a few declarative sentences (see Objective I.C.1). Second, Guyana shares a community of interests with other countries that are engaged in the negotiations with the EU, and hence the country can engage primarily in coalition efforts *vis à*

*vis* the sugar and rice talks. This is not the case for non-traditional products for which Guyana has special interests that are not as easily served through joint undertakings.

The allocation of resources to negotiations should be subject to regular review, taking into account developments in the negotiations as well as changes in the resources available to MOFTIC and other government agencies. This topic is taken up in Section II.

**Objective I.B.1 Primary Issues. The most immediate and significant task for Guyana's trade policymakers is to deal with those issues that directly affect the access of Guyana's products to foreign markets. In addition to tariffs (preferential and non-preferential), these include non-tariff barriers imposed for any reason. Guyana's own tariffs should be addressed in this same context.**

The highest priority for Guyana's trade policymakers should be to secure the reduction or elimination of barriers to foreign markets for products that are currently or prospectively exported by Guyana. In 2000, over three-quarters of Guyana's exports to the world were conducted on a duty-free basis.<sup>18</sup> While the optimist would point out that the glass is three-quarters full, trade negotiators should focus their attention on the remaining quarter. It would be realistic to set a decade-long goal of achieving duty-free access for all of Guyana's exports to all of its important trading partners.

Access to foreign markets should be sought on a preferential basis when possible (Principle I.C), but this does not mean that the reciprocal exchange of market-access commitments (Principle I.D) is an unattractive option. Both producers and consumers in Guyana could benefit from further reductions in the country's import tariffs, especially if that can be achieved in tandem with further reductions in barriers to foreign markets. Lower tariff barriers may help to attract new foreign investment by establishing a more predictable and business-friendly investment climate. Moreover, reciprocal reductions in tariff and non-tariff trade barriers are more permanent and enforceable than temporary, voluntary grants of S&D treatment.

Market-access negotiations cover a range of related topics. Depending on the negotiating forum in question, the cluster of bodies that deal with market access may include separate working groups on tariffs, agriculture (including SPS measures), services, S&D treatment (which may alternatively be identified as "small economies"), etc. To a much lesser degree, related topics such as government procurement and rules of origin may also merit attention. Any negotiating group or council that is devoted principally to dealing with market-access issues on either a preferential or reciprocal basis should receive the highest priority from Guyana's trade policymakers.

The principal objectives are to promote exports of goods produced in Guyana, but services also offer new growth opportunities. This is especially true for the cluster of services associated with tourism, such as transportation, hotels, restaurants, guides, sports, and so forth. Guyana should work with other countries in the FTAA and WTO negotiations to seek commitments from

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<sup>18</sup> The precise figure was 77.6 percent, down from 82.5 percent in 1999. This result is based on some 100 countries' reported imports from Guyana and used the lowest applicable rate for Guyana in each country (e.g., it assumes a 100 percent GSP utilization rate). Data are from the Trade Analysis and Information System (TRAINS), UNCTAD.

countries to reduce or remove barriers to trade in tourism-related services. Depending on the progress made towards achieving other objectives such as the development of information infrastructure, Guyana may wish to seek commitments in other services sectors as well.

**Objective I.B.2 Secondary Issues. The second most significant set of issues concerns the legal defense of the country's trade interests. These include trade disputes (either as complainant or defendant), the use of trade-remedy laws (i.e., antidumping duties, countervailing duties, and safeguards), and trade-related issues such as intellectual property rights and investment.**

Negotiating improved access to foreign markets is only the first step towards expanding trade. The commitments obtained from one's trading partners need to be monitored for compliance and, in some cases, must be subject to consultations and dispute-settlement proceedings. The identification of these issues as secondary matters should not be taken to mean that they deserve considerably less attention than the primary issues. They are only slightly less important than the items identified in objective I.B.1. It must nevertheless be acknowledged that these topics are more technically challenging than questions of market access, and will require substantial training for MOFTIC staffers. This point suggests that adequate attention to these secondary issues will require additional technical assistance from the donor community. For example, see Objective I.A.2 above regarding the assistance that might be obtained from the WTO in a Trade Policy Review exercise. See also Objective I.F.2 regarding the use of CARICOM resources in antidumping investigations.

With regard to investment, it must be stressed that the placement of this issue in the secondary category is based upon expectations of what might actually be achieved in the current trade negotiations. This topic would deserve to be placed in the primary category if the current negotiations were likely to produce agreements that have an important impact on investment promotion. Thus far negotiations in the WTO and other fora have focused principally on certain trade-related aspects of countries' investment regimes (e.g., export performance requirements), rather than on investment promotion *per se*. While it is in Guyana's interests to address the WTO-compliance of its own investment-related measures, the multilateral and hemispheric negotiations on investment seem less likely than the market-access negotiations to produce tangible benefits for the country. If Guyana wishes to negotiate agreements that are more directly aimed at attracting foreign investment, it may consider reviving the negotiations for a bilateral investment treaty (BIT) with the United States, and proposing BITs with other prospective partners as well.

One secondary issues of interest to Guyana is the possible creation of a special appellation of origin for "Caribbean rum." This is an issue that the European Union has suggested in the context of the Agreement on Trade-Related Intellectual Property Rights (TRIPs), which provides for the exclusive use of terms such as "champagne" and "Kentucky bourbon." Working in cooperation with the EU and other rum-producing states in the Caribbean, Guyana could promote this appellation in the TRIPs negotiations.

**Objective I.B.3 Tertiary Issues. Other issues that merit only occasional attention from Guyana's trade policymakers concern competition policy, highly technical questions of trade law, the governance of international economic institutions, and other matters that do not bear a reasonably close relationship to the primary issues.**

Two reasons dictate the assignment of a lower priority to these issues. One is that they have only an indirect impact on the trade interests of the country. While one might imagine scenarios under which (for example) the rules governing competition policy might make a difference to the country, the connection is much less direct than is the case for the reduction or removal of identifiable barriers to products that are exported from Guyana. Moreover, issues that fall in this category are beyond the current technical expertise of MOFTIC personnel, and it would not be worthwhile to devote substantial resources at present in order to conduct the necessary training. To the extent that Guyana devotes attention to such matters, it should allow the RNM to take the lead and/or seek the support of technical assistance from the donor community (e.g., the assignment of international experts to serve in MOFTIC).

**Principle I.C: Preferential Access to Foreign Markets. Guyana should make the most of existing preferential arrangements, seeking their continuation for as long as possible and even their expansion, but policymakers must be prepared for their gradual diminution in value and eventual disappearance altogether.**

As discussed in the introduction to this strategy, non-reciprocal preferential access to foreign markets cannot be seen as a permanent feature in the world trading system. It is instead based upon imperfect legal and political foundations, and is being undermined by the multilateral liberalisation of trade barriers, the negotiation of reciprocal trade agreements between industrialised and developing countries, and targeted programs for specific partners. The underlying principle that Guyana should pursue for all forms of non-reciprocal preferences can be simply stated: "Use it, but be prepared to lose it." This means getting the most out of what opportunities still remain for preferences, but viewing them as temporary benefits that will eventually be replaced.

Preferential access can also be obtained through non-reciprocal programs. It must be stressed here that many of the preference-giving countries are switching from general to targeted programs. While the GSP remains in effect,<sup>19</sup> many industrialised countries offer superior preferences to favoured partners on the basis of their regional placement, historical ties, or level of economic development. Guyana benefits from some of these programs, such as the CBI of the United States and Canada's CARIBCAN, but is excluded from others such as the Everything But Arms (EBA) proposal of the EU. Moreover, industrialised and developing countries alike are now embarked on negotiations that will ultimately replace non-reciprocal preferences with reciprocal trade agreements. This is a general global phenomenon, in which the proposed free

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<sup>19</sup> Note however that the program has at least temporarily expired in the United States. The last authorisation ended September 30, 2001, but is expected to be retroactively reauthorized at some point in the future.

trade agreement among countries of the Western Hemisphere is only one of many such initiatives.

**Objective I.C.1 Sugar and Rice. Guyana should, in concert with other beneficiary countries, negotiate for the maximum possible extension in the magnitude and duration of the ACP sugar protocol and rice agreement.**

This is the most obvious, simple, and perhaps the most important objective for Guyana's trade strategy in the medium term. Unfortunately, it may also be the one over which Guyana has least control. It depends in the first instance on the willingness of the EU to continue paying high prices for these commodities, and also on the forbearance of other WTO members. Working in cooperation with the Ministry of Agriculture, the domestic industries, the RNM, and other sugar- and rice-producing countries, MOFTIC should indeed seek to obtain the best and most elongated terms for preferential access to the EU market. It would nevertheless be prudent for other agencies of government to plan for programs that may ease the burden of adjustment for farmers and field workers through retraining and diversification. That process may begin even before the WTO waivers for the current protocols expire, as sugar and rice producers seek to improve their competitiveness through greater mechanisation. Modernization is apt to reduce employment in the industries. Another MOFTIC objective should be to work with the Ministry of Agriculture, the New Guyana Marketing Corporation, and GO-INVEST to identify and eliminate trade barriers affecting agricultural and agri-processing products that might be produced in the future by displaced sugar and rice farmers.

**Objective I.C.2 S&D Treatment. Working in concert with other small countries in the FTAA and WTO process, Guyana should promote the principle that the small countries of the region merit various forms of S&D treatment.**

Some advocates of S&D treatment have lately shifted their argument by emphasizing the special needs of *small* developing states in particular rather than developing countries in general, irrespective of size. By definition it is difficult to achieve real economies of scale in small countries. For example, shipping costs are likely to be higher for countries with small ports than for countries with greater volumes of international traffic. This line of argument points to the need for structural measures in agreement to address the problems stemming from asymmetry among the participant economies, as well as technical assistance to ease individual countries' transition.

Special treatment of small economies is contemplated not only in the FTAA, where the concept was pioneered, but also in the WTO. The Doha Ministerial Declaration provides as follows:

We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the

work programme and make recommendations for action to the Fifth Session of the Ministerial Conference [in 2003].<sup>20</sup>

Indications are that some industrialised countries may be more willing to extend S&D treatment than others, whether on the basis of countries' size or level of economic development. The NAFTA between Canada, Mexico, and the United States offers fewer S&D features for its less developed member. NAFTA meant switching from a relationship based upon one-way preferences under the GSP to full reciprocity. Mexican negotiators nevertheless managed to secure two principles that operated to their advantage. One is that the agreement's tariff-reduction schedules took as their point of departure the countries' applied rates and not the bound rates. While bound and applied rates are usually one and the same thing for Canada and the United States, many Mexican applied tariffs were well below the country's ceiling binding (generally 50 percent). This principle meant that Mexican phase-outs began at much higher base levels, and generally lasted longer, than the U.S. and Canadian reductions. Second, the applied rates of the United States and Canada recognised the GSP status of products imported from Mexico. The significance and current status of this point is taken up in Objective I.D.1.

It may be difficult for Guyana and other CARICOM members to persuade their FTAA partners to accept a similar arrangement by which the starting point for their tariff reductions would be the countries' WTO bound rates, considering the fact that these are generally at rates of 50 percent for manufactures and 100 percent for agricultural items.<sup>21</sup> There may nevertheless be some room for employing a modified version of this principle in the FTAA's market-access negotiations.

**Objective I.C.3 LDC Parity. Working in concert with other highly indebted poor countries (HIPC), Guyana should promote a principle of parity with least developed countries.**

Guyana is not officially classified as a least developed country (LDC), and therefore is denied various forms of special treatment that are extended to such countries by international agreements and national laws. Among the additional benefits extended to LDCs are more preferential access to the EU market under the EBA initiative, exoneration from some obligations under WTO agreements, and eligibility for a Swiss Government subsidy for the establishment of a WTO mission in Geneva.

Forty-eight countries are designated as LDCs at present. The original designation of LDCs was based on per capita gross domestic product (GDP) not exceeding \$100 (in 1968 U.S. dollars); the share of manufacturing in total GDP being 10 per cent or less; and the adult literacy rate being 20 per cent or less. As approved by the U.N. General Assembly in 1971, the original list of LDCs identified half of the countries that are now granted this status.<sup>22</sup> The remainder were added to

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<sup>20</sup> World Trade Organisation, *Ministerial Declaration* WT/MIN(01)/DEC/W/1 (14 November 2001), paragraph 35.

<sup>21</sup> In addition to these general ceiling bindings, higher bound rates of 70 or 100 percent are established for some manufactures such as alcoholic beverages, tobacco products, and imitation jewelry.

<sup>22</sup> Afghanistan, Benin, Bhutan, Botswana, Burundi, Chad, Ethiopia, Guinea, Haiti, the Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta (now Burkina Faso), Samoa, and the Yemen Arab Republic.

the list during 1975-1994.<sup>23</sup> Guyana shares some important attributes with LDCs, but its literacy rate is outside the parameters necessary to achieve designation to this category.

One option is to seek the extension of LDC-like treatment to Guyana and other HIPC countries that are not also classified as LDCs. The World Bank has identified two dozen countries as eligible for the HIPC initiative.<sup>24</sup> The principal benefits of this status relate to debt relief, but it is possible that the HIPC countries could promote a principle under which they are given "LDC Parity." There is already considerable overlap between the two groups; besides Guyana, the only HIPC countries that are not also LDCs are Bolivia, Cameroon, Honduras, Nicaragua, and Senegal.

There is currently no initiative in the WTO that would extend special treatment to HIPC countries. It is nevertheless worth noting the following provision in the Doha Development Agenda:

We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.<sup>25</sup>

Even if an "LDC Parity" approach does not make progress in the WTO, it might also be pursued in the FTAA, as well as with the EU and the Swiss Government.

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<sup>23</sup> Bangladesh, Central African Republic, Democratic Yemen, and the Gambia in 1975; Cape Verde and the Comoros in 1977; Guinea-Bissau in 1981; Djibouti, Equatorial Guinea, São Tomé and Príncipe, Sierra Leone, and Togo in 1982; Vanuatu in 1985; Kiribati, Mauritania, and Tuvalu in 1986; Myanmar in 1987; Mozambique in 1988; Liberia in 1990; Cambodia, Madagascar, Solomon Islands, Zaire, and Zambia in 1991; Eritrea and Angola in 1994. Note that Democratic Yemen and the Yemen Arab Republic later merged. Botswana was graduated in 1994.

<sup>24</sup> In addition to Guyana, these countries include Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Tanzania, Uganda, and Zambia. "The HIPC Initiative: Background and Progress Through December 2001" (posted at <http://www.worldbank.org/hipc/progress-to-date/May99v3/may99v3.htm>).

<sup>25</sup> World Trade Organisation, *Ministerial Declaration* WT/MIN(01)/DEC/W/1 (14 November 2001), paragraph 36.

**Principle I.D: Reciprocal Access to Foreign Markets.** Guyana is currently negotiating reciprocal trade agreements in bilateral, regional, and multilateral fora. While negotiators should seek whenever possible to include principles of S&D treatment in these agreements, they must also be prepared to make specific requests for tariff commitments on products of interest to Guyana's exporters, and to make reciprocal commitments for reductions in the country's own tariff barriers.

The scope of S&D-inspired market access will inevitably contract in the coming years. The inexorable progress towards multilateral trade liberalisation produces a reduction in the potential margins of preference that can be provided to developing countries. Duty-free access to another country's market is not very preferential when most of that country's tariff and non-tariff barriers are low. This principle is the natural complement to Principle I.C, when coupled with the expectation that S&D treatment will decline over the coming years. Of the four major negotiations in which the country is now engaged, three of them — the CARICOM, FTAA, and WTO talks — are fundamentally based on principles of reciprocity. Only the ACP/EU negotiations are founded primarily on S&D principles, and the main question in those talks is how long it will take to phase out preferences.

Reciprocal negotiations are more challenging than the preferential variety, insofar as being a *demandeur* for reciprocal commitments is a more analytically difficult proposition than simply requesting preferences. At a minimum, it will require improvements in MOFTIC's technical capacity to collect and analyse data on other countries' trade flows and barriers (see Principle II.A).

Guyana must be prepared to bargain with its trading partners not only over access to their markets, but also over its own tariff and non-tariff measures. In so doing, the country's trade policymakers should seek to promote the interests of all of its industries and consumers. This means going beyond the narrow focus of past plans that were based on import-substitution industrialisation (whether national or regional in its base). There is indeed merit in promoting sectors that lead to further processing of goods that are domestically produced in Guyana, but in some instances the production of these raw materials may not be sufficiently large or consistent to achieve an appropriate economy of scale. In such instances, it may be economically rational either to export the raw materials to facilities in another country or to supplement domestic sources through imports. For example, consider the development of a plant that produces carambola jam. While it may appear preferable to devise an industry in which Guyana grows all of the fruit and processes all of the jam, it may make greater economic sense either to import some of the raw material for processing here, or to export the fruit to facilities offshore. In either case, tariffs and other instruments of trade policy could be adjusted to remove impediments to such a cooperative undertaking.

In addition to the four major negotiations in which the country is already engaged, Guyana might enter into additional, bilateral talks with selected partners. The national poverty-reduction strategy calls for Guyana to "sign trade treaties with its major bilateral trading partners" as an instrument of investment promotion.<sup>26</sup> Any such negotiations will likely be based more on

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<sup>26</sup> GPRSP, page 29.

reciprocity than on S&D principles. As discussed in Section II, they will also require closer coordination with Guyana's CARICOM partners.

**Objective I.D.1 Base Rates. In negotiating most market-access commitments in the FTAA, Guyana should work with other Caribbean countries to promote the principle that the preferential tariff privileges extended by its North American trading partners under the Caribbean Basin Initiative and CARIBCAN should be treated as the base rates for market-access commitments by the United States and Canada, respectively.**

Negotiating reciprocal agreements does not necessarily require the abandonment of S&D principles altogether. One means of extending the preferential treatment that Guyana currently enjoys, albeit temporarily, is to use the existing preferential rates as the base for negotiations. This approach "locks in" that treatment, ensuring that there are no jarring transitions when a preferential program is replaced by a reciprocal agreement.

NAFTA offers a precedent for this approach. Even though Mexico's status under its partners' GSP programs expired when NAFTA entered into force, Mexico benefited from a norm in the negotiations under which any products for which it received GSP treatment would retain their duty-free status without interruption. This also meant that these Mexican products were no longer susceptible to removal from the GSP under the various mechanisms for "graduation." In effect, NAFTA transformed Mexico's GSP privileges into enforceable rights.

It is important for Guyana to monitor developments in this aspect of U.S. trade negotiations. There are indications that the current negotiations for a U.S.-Chile FTA may make a significant departure from the NAFTA precedent by using the U.S. MFN rates, rather than Chile's GSP privileges, as the basis for tariff reductions on some products. MOFTIC should review the final terms of this bilateral agreement when it is concluded to determine (1) whether the NAFTA precedent has indeed been modified, and (2) what the implications may be for the proposed approach to the FTAA negotiations.

Discussions with other small FTAA countries on this topic should be undertaken with a view to developing any proposals in time for the FTAA ministerial meeting in October, 2002.

**Objective I.D.2 "Substantially All." Further investigation is needed into determining whether it would be in Guyana's interest in the FTAA market-access negotiations to pursue a principle that would allow for the exclusion of some product sectors from the agreement.**

The FTAA negotiations were supposed to agree by now on the modalities by which tariff negotiations are to be conducted. The established deadline passed without action, but this leaves an opportunity for Guyana to consider which approach will best suit its long-term objectives.

At issue here is what may at first appear to be legal technicality, but is in fact a key issue for the politics and economics of the FTAA. To simplify, the agreement could be devised on the basis of a "positive list" (i.e., it covers only those products that are explicitly listed as FTAA-eligible), a "negative list" (i.e., it covers all products except those that are explicitly listed as FTAA-

ineligible), or it could cover all products without exception (but still provide for phase-outs of tariffs at varying rates of decline). As a general rule, producers of goods that are either uncompetitive or currently benefit from preferential market access tend to favour a positive-list approach, insofar as it offers the greatest protection, while those who are more competitive favour complete coverage. A negative-list approach represents a compromise position. If Guyana were to base its objectives solely on the interests of its rice and sugar producers, it might opt for the positive-list approach (coupled with efforts to secure additional access to North American markets). This approach is complicated, however, by disputes between the United States and Brazil.

WTO law is somewhat ambiguous on this point. GATT Article XXIV(8) requires that free trade agreements and customs unions eliminate “duties and other restrictive regulations of commerce ... with respect to substantially all the trade between the[ir] constituent territories,” but does not provide any definitions or standards for determining what “substantially all” means. While proposals have been made at various times in GATT and WTO history to clarify this provision by establishing stricter criteria that are stated in either qualitative rather than quantitative terms — for example, a certain percentage of tariff lines must be covered, or a percentage of total trade, or some mix of product sectors — none of these have been adopted. Agreements have therefore been examined on a case-by-case basis, without any overriding standards having been set beyond the plain language of Article XXIV(8). The most that one can say with real confidence is that the imprecise phrase “substantially all” allows for an indeterminate number of exceptions.

It has thus far been a firm position of U.S. trade negotiators that “substantially all” means “all,” and one therefore finds no explicit product exclusions in the concessions that the United States makes or receives in the FTAs that it negotiates. In NAFTA all products are covered in the schedules of tariff commitments from the United States to Canada and Mexico, and from those two countries to the United States. Once the final tariff cuts have been made (which for some products will not come until 2008), all products traded between the United States and its neighbors that meet the agreement’s rules of origin will be duty-free.<sup>27</sup>

It is possible that the U.S. position on “substantially all” may change as a result of the current efforts to secure a new grant of negotiating authority from the U.S. Congress. A bill that is now under consideration in that legislative body would make it much more procedurally difficult, though not impossible, for U.S. negotiators to make tariff commitments that cover certain sensitive agricultural products. The chief intent of the sponsors of this provision is to prevent or delay the extension of duty-free treatment to imports of frozen concentrated orange juice from Brazil. Viewed in a narrow perspective, it might serve the interests of some Guyanese industries if indeed the FTAA were to exclude some products. There is nevertheless a possibility that such an approach could lead Brazilian negotiators to walk out of the FTAA process, a step that could ultimately result in a new negotiating pattern. One possible outcome of this looming confrontation could be the fragmentation of negotiations, where in place of a single FTAA there

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<sup>27</sup> Note however that the established U.S. view on “substantially all” did not bind the bilateral deals between Canada and Mexico, partners who excluded certain agricultural products from their bilateral exchanges of commitments under NAFTA.

may instead be established a series of separate free trade agreements, customs unions, and special relationships among the countries of the Western Hemisphere.

The final disposition of this matter remains in doubt. MOFTIC should review further developments to determine (1) what the positions of the U.S. and Brazilian negotiators will indeed be, (2) what the implications may be for the FTAA, and (3) what position the country, in consultation and cooperation with other partners, should take on product coverage and other issues.

**Principle I.E A Voice for Trade in Related National Policy Debates. MOFTIC has a key role in promoting the principles of competitiveness and compliance.**

Many other ministries have primary jurisdiction over issues that have an impact on Guyana's trade strategy. MOFTIC needs to be a voice for trade in inter-ministerial consideration of these issues, basing its positions on the answers to two questions. First, what impact would an initiative have on the country's competitiveness? Second, what implications might the initiative have on compliance with the obligations that Guyana has undertaken in its trade agreements? These are questions for which MOFTIC should be prepared to provide answers in many different areas, including the following:

- Reform of the **tax system** may be the single most important step that Guyana can take at the domestic level to improve its attractiveness to foreign investors and its competitiveness in the trading system. This topic is principally the responsibility of the Ministry of Finance, and will also be the subject of a technical assistance project of the International Monetary Fund, but MOFTIC has an important role to play in ensuring that any changes are consistent with the country's CARICOM and WTO obligations. Given the commitments under CARICOM's common external tariff and the bound tariffs in the WTO, reforms that focus on the application of the consumption tax to imports (which accounts for 27.7 percent of budgeted revenue in 2002) are less complex and more significant than those affecting the actual tariffs imposed on imports (which account for 8.8 percent of budgeted revenue).<sup>28</sup> The current system of generalised and specific tax exemptions should also be reviewed in order to ensure that it is designed and executed in a WTO-compliant manner.<sup>29</sup> Elimination of export duties would also promote trade by removing an impediment that appears to impose an administrative burden on exporters that is not justified by the very small amount of revenue collected.<sup>30</sup>

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<sup>28</sup> Revenue projections from Ministry of Finance, *Estimates of the Public Sector Current and Capital Revenue and Expenditure for the Year 2002* Volume 1 (2002), Table 6.

<sup>29</sup> A report by the International Monetary Fund addressed these exemptions from a fiscal perspective, suggesting that they need "to be fundamentally reappraised, with a view to ensuring that new exemptions [are] initially granted more sparingly and are subsequently more tightly monitored." Angelo Faria, Robin Adair, and Dwight St. Louis, *Guyana: Toward a Medium-Term Strategy for Reforming Tax Policy and Administration* (February, 2000), page 8. See also page 35 of the same report. If such a reappraisal is made, it should also take into account Guyana's obligations under WTO agreements.

<sup>30</sup> In 2000, for example, export duties yielded just G\$7.3 million. This amounted to a tiny fraction of the G\$19.1 billion in collections by the Customs and Trade Administration, and an even smaller share of the total G\$38.0 billion

- The development of **export-processing zones** is principally the responsibility of the Ministry of Tourism, Industry, and Commerce. The national poverty-reduction strategy proposes that “the Government ... develop garment-manufacturing parks in strategic locations to stimulate production of manufactured goods,”<sup>31</sup> and the Ministry of Tourism, Industry, and Commerce is interested in establishing a free port in Lethem and special zones in Georgetown and regions 1, 2, 3, 4, 5, 6, 9, and 10. While MOFTIC would not take the lead in devising the plan, administering the zones, or attracting foreign investors, it should carefully review these plans to ensure that they are carried out in a WTO-compliant fashion. For example, while WTO rules do permit the duty-free importation of goods into such zones they also generally require that any goods that subsequently enter the domestic stream of commerce be subject to duty on an MFN basis.
- Issues related to the implementation of **sanitary and phytosanitary (SPS)** laws are principally the responsibility of the Ministry of Agriculture, both with respect to imports of foreign agricultural products and exports of Guyanese products to foreign countries. MOFTIC should nevertheless monitor events to ensure that SPS laws at home and abroad are executed in compliance with the WTO Agreement on SPS Measures, and also provide assistance to the Ministry of Agriculture in any representations to foreign governments’ SPS agencies.<sup>32</sup>
- The New Guyana Marketing Corporation and GO-INVEST have principal responsibility for the **promotion of exports and investment** in their respective areas of expertise. While MOFTIC has neither the resources nor the mandate to act as a trade-promotion agency, it should work closely with these bodies to identify foreign barriers to Guyanese exports (see Resource II.B.2).
- Improvements in ports, harbours, and other components of the national **transportation infrastructure** are primarily the responsibility of the Ministry of Public Works and Communication. The data reviewed at the start of this report nevertheless suggest that the high cost of shipping goods from Guyana is a very serious impediment to the promotion of trade and investment. In addition to supporting the proposal in the poverty-reduction strategy that the government “study the economic feasibility of building a deep-water harbour,”<sup>33</sup> MOFTIC should also work with the Ministry of Public Works and Communication to explore whether commitments on transportation services in the WTO and FTAA negotiations may aid in attracting further foreign investment in infrastructure projects.
- **Reform of the public service** is an issue for all agencies of the Government of Guyana, and especially for the Ministry of Public Service Management, but reform in the Revenue Authority has especially significant implications for the country’s trade policy. Moreover,

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in government revenue. See Guyana Revenue Authority, *Annual Report and Statement of Accounts for the Year Ending 31<sup>st</sup> December 2000* (ND), page 9.

<sup>31</sup> *GPRSP*, page 30.

<sup>32</sup> See for example the issues raised in the Ministry of Agriculture note on “Status of Attempts by Guyana to Export Non-Traditional Fruits and Vegetables to the USA via Miami” (August, 2001).

<sup>33</sup> *GPRSP*, page 30.

MOFTIC's capacity to carry out its mandate is determined in part by the level of salaries that it, like other ministries, is able to offer its employees.<sup>34</sup>

**Principle I.F: Defense of Guyana's Interests. MOFTIC must be prepared to defend the country's trade interests in regional and multilateral bodies.**

The negotiation of a trade agreement is not the final step in securing access to foreign markets. Vigilance is necessary to ensure that one's trading partners comply with the terms of the agreement. It may also be necessary defend Guyana's own laws and practices, and to deal with allegations of dumping.

**Objective I.F.1 Dispute Settlement Mechanism. MOFTIC should be prepared to use the various options available for bringing complaints against the practices of its trading partners.**

The WTO and other trade fora serve not only as sites for the negotiation of agreements, but also for the adjudication of disputes that arise over their implementation and interpretation. When warranted, Guyana should be prepared to bring complaints before the WTO's Dispute Settlement Body or other fora. This should not be done lightly, however, bearing in mind the costs and degree of expertise required to pursue complaints. Anyone who has had the misfortune to be party to a lawsuit knows that legal avenues are expensive, and should be pursued only when justified by the magnitude of the issue and the reasonable expectations of a favourable outcome.

Two steps can be taken to reduce the potential costs associated with the use of dispute-settlement mechanisms. First, Guyana should seek whenever possible to pursue its complaints as part of a coalition. It would be a rare development if the laws or policies of one of its trading partners were to be uniquely prejudicial to Guyana's interests. Second, the WTO provides less formal and costly alternatives to the pursuit of formal disputes. These include the use of the good offices of the WTO Director-General as a means of mediating disputes, especially those that arise between developing and industrialised countries.

**Objective I.F.2 Antidumping Law. If Guyana chooses to implement an antidumping law, it should do so solely through the proposed CARICOM machinery.**

While legitimate concerns may arise over potentially unfair import competition in Guyana's market, it does not necessarily follow that antidumping (AD) law is the best or only means of addressing these problems. AD investigations are an expensive luxury that Guyana cannot presently afford to undertake on its own, given the scarce resources of MOFTIC. It would require at least half a dozen highly trained professionals (as well as a substantial budget for travel and other expenses) to carry out the responsibilities of a national AD law. This is not something that can be done "on the cheap," as any findings of an AD authority can be challenged by the

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<sup>34</sup> See Omer Gokcekus *et al.*, *Institutional Environment and Public Officials' Performance in Guyana* World Bank Technical Paper No.506 (2001).

country's trading partners in the WTO. It can be quite expensive for a country to ensure that its AD investigations are properly conducted and effectively defended.

CARICOM is currently developing a model AD law that will be presented to the member governments, but it will not require that the country establish an antidumping unit within MOFTIC or any other agency of government. The law will allow Guyana to rely upon the CARICOM secretariat to conduct any AD investigations that involve allegations of dumping in more than one member country. This approach would provide the country with defense against unfair trade practices without requiring substantial new budgetary outlays for personnel, training, and travel.

Moreover, there are other means that might be employed to deal with concerns that arise over injurious import competition. The alternatives include raising tariffs above their applied rate (but not above the bound rates), and utilizing GATT Article XIX to impose temporary restrictions on imports that are found to be injurious. MOFTIC can develop contingency plans and procedures for the use of these alternatives, with particular attention paid to the WTO-compliance of any actions that might be contemplated in the event of injurious import competition.

## Appendix I.1

### Action Items for MOFTIC in Calendar Years 2002 and 2003

*Note: While most of the items in this list are based on matters presented in Section I of the National Trade Strategy, some are taken up in Section II*

Target Date	Action	Strategy or Other Reference
Mid-June, 2002	Begin the mapping of Guyana's rights and obligations under trade agreements, and the comparison to national laws, together with the assembly of documents and other materials in preparation for a WTO Trade Policy Review.	Objectives I.A.1, I.A.2, I.A.3
End of June, 2002	Consult with other RNM states over possible requests for other WTO member countries' commitments on services of interest to Caribbean countries (e.g., tourism and related services). The GATS negotiations provide that participants in the WTO negotiations on services "shall submit initial requests for specific commitments by 30 June 2002."	Objective I.B.1, DDA paragraph 15
Mid-July, 2002	Complete a first exercise in the practical training of MOFTIC and other ministries' personnel in the analysis of trade data and preparation of instructions to negotiators. This first exercise should produce (1) a document that presents the facts and objectives for one product sector of interest to Guyana, and (2) a manual that lays out the method for reproducing these results in analyses of other sectors. The exercise is to be coordinated with other agencies, and provides an opportunity to improve the ASYCUDA system.	Resources II.A.1, II.D.3, II.D.6
End of July, 2002	Based on consultations with other RNM states, submit any requests for other WTO member countries' commitments on services of interest to Caribbean countries.	Objective I.B.1, DDA paragraph 15
Start of August, 2002	Target date for the installation of new information technology and the establishment of a trade reference library.	Resources II.D.4, II.D.5
End of August, 2002	Complete internal and external consultations in preparation for EU-ACP negotiations	Objective I.C.1
September 5-6, 2002	Host in Georgetown a conference on "Market Access Issues in the Doha and FTAA Negotiations." Coordinate planning and execution of the conference with UNCTAD, as well as speakers from OAS, IDB, CARICOM, RNM, and OECS.	[Correspondence with UNCTAD]

<b>Target Date</b>	<b>Action</b>	<b>Strategy or Other Reference</b>
End of September, 2002	In preparation for the 7 <sup>th</sup> ministerial meeting of the FTAA process in Ecuador (Oct. 30-Nov. 1), complete an internal review of the draft FTAA text's implications for Guyana. Working with the RNM, devise objectives for the third phase of FTAA negotiations.  Complete consultations with other Caribbean countries to promote the principle of using preferences as the base rates for market-access commitments by the United States and Canada in the FTAA.	Objectives I.C.2, I.D.1, I.D.2
Start of October, 2002	Conduct a "reconnaissance mission" to Geneva in order to enhance the country's representation before the WTO and establish a working relationship with AITIC.	Resource II.D.1
Mid-October, 2002	Consolidate all requests received from other WTO member countries in the GATS negotiations and begin the process of internal consultation over possible responses.	DDA paragraph 15
Start of November, 2002	Using the manual written in July (see above), complete analyses of at least two additional sectors.	Resources II.A.1 and II.D.3
Start of December, 2002	Complete the mapping of Guyana's rights and obligations under trade agreements that was started in June.	Objectives I.A.1, I.A.2, I.A.3
End of year	Develop specific objectives for tariff negotiations in the FTAA, based upon internal reviews and consultations with CARICOM partners. (The FTAA tariff negotiations were to be initiated no later than May 15, 2002, but have been delayed due to continued discussions over the modalities for the negotiations.)	Resource II.A.1
End of February, 2003	Complete internal and external consultations over Guyana's position regarding modalities for the further commitments in the WTO agreement on agriculture, which are to be established no later than 31 March 2003.	DDA paragraph 14
End of March, 2003	Respond to other WTO member countries' requests that Guyana make new commitments on trade in services. The GATS negotiations provide that "initial offers [are due] by 31 March 2003."	Objective I.B.1, DDA paragraph 15
Start of June, 2003	Complete consultations with other Caribbean countries, the European Union, and other interested parties over the possible creation of a special appellation of origin for "Caribbean rum." The TRIPs negotiations seek "the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by" late 2003.	Objective I.B.2, DDA paragraph 18
Start of September, 2003	Complete Guyana's draft schedule for the WTO negotiations under the Agreement on Agriculture. "Participants shall submit their comprehensive draft Schedules ... no later than the date of the Fifth Session of the Ministerial Conference" in 2003.	DDA paragraph 14

## Section II

### Principles and Resources in Trade Policymaking

The objectives laid out in Section I can be achieved only if Guyana pursues them with proper procedures and resources. This section addresses how trade policy is made. It is based on the contention that Guyana's trade policymakers must follow the cardinal principles of empirical preparation and institutional coordination. Negotiations require that policymakers be armed with the necessary economic and legal information, and that their positions have the necessary political support at home and (when appropriate) abroad. Some recent negotiations offer object lessons in the difficulties that can arise if positions are not coordinated internally and externally. The delays encountered in implementation of CARICOM's partial scope agreement with Venezuela illustrate the importance of domestic (inter-ministerial) coordination, while the agreement with Brazil demonstrates the problems that can arise in coordinating with the CARICOM partners when negotiating a third-party agreement.

The development and pursuit of trade policy also requires that policymakers have at their disposal the necessary human, physical, and financial resources. Guyana's policymakers should make the most of the resources that are already available, while also seeking to acquire additional technical and material assistance from the donor community.

**Principle II.A: Empirical Preparation. The most immediate need for MOFTIC is to enhance its analytical capacities in advance of trade negotiations.**

The most important part of any trade negotiation takes place before the diplomats sit down to bargain. MOFTIC needs to improve its capacity to collect, analyse, and disseminate information that is necessary to the consideration of options and the drafting of instructions for negotiators.

**Resource II.A.1: Identification of Sectoral-Based Negotiating Objectives. The first step in the preparation for any trade negotiation must be the identification of commitments on tariffs and other sectoral matters that are to be sought from Guyana's negotiating partners, and the commitments that Guyana is prepared to make in return, in specific sectoral areas.**

As discussed in Section I, Guyana's primary objective in trade negotiations is to improve its access to foreign markets for its goods and services exports. As such, its trade policymakers need current and reliable information on those sectors, as well as the tariff and non-tariff barriers that they face abroad.

MOFTIC should work with other ministries and the private sector to identify the principal sectors on which it should focus its attention. Various ministerial, inter-ministerial, and public-private bodies in Guyana have put forward their candidates already. Among the most frequently identified sectors on these lists are agri-processing (especially juices, purees, pulps, jams, and jellies), garments and leather products, forestry and wood products, and crafts and jewelry. The main service sectors of interest to Guyana are tourism (including hotels, restaurants, resorts, etc.) and information and communications technology (e.g., call centers). Once a set of target

products or sectors is identified, MOFTIC should work with other ministries and the private sector to catalog the trade barriers imposed by Guyana's current or prospective negotiating partners. In the process of developing those studies, officials should prepare a standard procedure that lays out the steps taken and the sources used in developing the information. The same procedure can then be employed to replicate the process for other products and sectors.

Conducting research of this sort will require coordination of efforts and an improvement in the resources available to MOFTIC. This points is taken up below in Principle II.D.

**Resource II.A.2: Identification of Rules-Based Negotiating Objectives. MOFTIC should pursue rules in trade agreements that complement and secure its sectoral objectives.**

Prior to entering into negotiations with any partners, MOFTIC should identify any laws or policies in that country that might undermine the achievement of its sectoral objectives. Moreover, as discussed in Principle I.F, the commitments that countries make in trade agreements should be backed up with adequate enforcement mechanisms.

**Principle II.B: Internal Coordination. Coordination between ministries, and between the government and the private sector, is essential at all stages of trade policymaking.**

While MOFTIC is the lead agency in the development and pursuit of Guyana's trade policy, it cannot execute its responsibilities without support from other elements inside and outside of government. Coordination within the country is essential before negotiations (when researching the facts and developing objectives), during negotiations (when developing responses to a partner's proposals), and after negotiations (when approving and implementing agreements).

**Resource II.B.1: Inter-Ministerial Coordination at the Cabinet and Working Levels. Guyana now has in place mechanisms for coordination between MOFTIC and other ministries, and should use them fully.**

Successful trade policymaking depends upon a cooperative and collegial approach among all ministries with an interest in trade-related matters. In the absence of such teamwork, the negotiators will not have the information they need to reach agreements with their foreign counterparts, nor will they have the political support necessary to approve and implement these agreements at home.

Guyana now has a set of bodies to handle the coordination of trade policymaking among the ministries. One is the National Advisory Committee on External Negotiations (NACEN). It was established in 1997 as the domestic complement to CARICOM's Regional Negotiating Machinery.<sup>35</sup> Like its counterparts in other CARICOM member countries, NACEN is intended to facilitate effective coordination and preparation for the region's economic negotiations. Chaired

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<sup>35</sup> For background on the origins, mission, and structure of NACEN see Ministry of Foreign Affairs, *A Vibrant and Relevant Foreign Policy* (January, 1999), pages 25-31.

by the minister of MOFTIC, the members of the committee represent the public and private sectors, labour, and academia. Its secretary is a high-level MOFTIC official. Its objectives are:

- To identify issues of national concern to Guyana pursuant to the country's strategic trade and economic policy objectives.
- To provide advice to the Government of Guyana on the multiplicity of issues in the area of international trade policy.
- To coordinate national positions on trade and economic negotiations at the regional, hemispheric and global levels.
- To facilitate Guyana's effective, informed and timely preparation for and participation in the negotiations related to the
  - ACP/EU Lome arrangements, the Free Trade Area of the Americas (FTAA) and the World Trade Organisation (WTO).
  - To ensure national input into the Regional Negotiating Machinery (RNM) process by serving as the designated national focal point[.]<sup>36</sup>

More recently, the Government of Guyana created a National Trade Negotiations Committee (N-TNC) that is supported by a series of technical working groups (TWGs). The purpose and structure of the N-TNC and its TWGs are described in appendices II.1 and II.2 of this report. These bodies provide the institutional machinery to ensure that all relevant ministries have a voice in the development and pursuit of trade policy objectives.

Coordination entails not only the establishment of a well-designed structure for inter-ministerial consultation, but also the identification of priority areas for action. The main partners with which MOFTIC must coordinate action are the ministries of Finance (for all matters affecting Guyana's tariff commitments), Agriculture (for matters affecting agricultural tariff requests and offers, preferential agreements, and sanitary and phytosanitary issues), and Tourism, Industry, and Commerce (for all matters affecting the domestic regulation of industry and opportunities in the tourism services sector), as well as GO-INVEST and the New Guyana Marketing Corporation (for issues related to the promotion of trade and investment).

Coordination between the Ministry of Finance and MOFTIC is especially important. Taxes on trade, including those collected on imports and exports as well as tariffs and consumption taxes, account for more than one-third of government revenue. Given the country's unusually high level of dependence on trade taxes (collected both as tariffs and consumption taxes), it is imperative that Guyana's trade policymakers work closely with its budget planners in preparing for all negotiations that may lead to a reduction in tariffs. As the International Monetary Fund noted,

steps need to be taken to counteract the threat to the overall tax base represented by the prospective consequences of the growing economic and financial integration (including regional trading arrangements) and to provide competitive incentives to attract private investment in Guyana.<sup>37</sup>

In the past the coordination between the Ministry of Finance and the trade ministry (MOFTIC and its predecessor) has been a determining factor in the speed with which Guyana has been able

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<sup>36</sup> *Ibid.*, page 28.

<sup>37</sup> Faria, Adair, and St. Louis, *op.cit.*, page 6.

to capitalise on the benefits of trade agreements. Concerns over the revenue implications can lead to extended reviews of negotiated agreements, and consequently delay the benefits for Guyana's exporters. The trade and budgetary interests of the country would be better served if these two ministries were to redouble their efforts to coordinate action at all three stages of trade negotiations (i.e., preparation, negotiation, and implementation).

**Resource II.B.2: Consultation with the Private Sector. Organisations and individual firms in the private sector must be consulted regularly.**

The private sector is the ultimate beneficiary of trade policy, and should be involved as much as possible in its development and execution. Businesses are often the most important source of information on other countries' trade barriers, apparent violations of trade agreements, and related matters.

MOFTIC has a number of means for communicating with the private sector. It should continue the current practices of eliciting views through NACEN, dealing with umbrella organisations such as the Private Sector Commission and the Guyana Manufacturers Association, and publishing calls for comments through newspaper advertisements. Umbrella groups perform valuable functions, and their continued cooperation should be sought in preparation for future negotiations, but trade policymakers should also undertake a more targeted and proactive approach to dealing with the private sector. Utilizing the identifiers in trade data (see Resource II.D.6) and other sources, they should directly contact the firms that produce goods that are under study for trade negotiations.

**Principle II.C: External Coordination. Negotiations with other countries involve not only the exchange of commitments, but also the establishment of coalitions in larger negotiations. MOFTIC must work closely with like-minded countries in general and its CARICOM partners in particular.**

Guyana represents around one-tenth of the population of CARICOM, about one-tenth of one percent of the population of the FTAA countries, and an even smaller percentage of the WTO membership. Notwithstanding the juridical equality of states, Guyana's individual leverage is quite small. As such, it is imperative that the country work in coalitions whenever possible.

**Resource II.C.1: Coordination with Like-Minded Countries. Whether it is negotiating in a regional, hemispheric, or multilateral forum, Guyana should seek to cooperate with partners that have similar objectives.**

All negotiations other than bilaterals should be pursued on a coalition basis whenever possible. Guyana shares a community of interest with at least some other countries on almost every conceivable issue. Depending on the topic at hand, an alliance might variously be founded upon membership in formal groups (especially CARICOM), or based on its geographic place in the world, its sectoral composition, its level of economic development and indebtedness (see Objective I.C.3), and so forth. The Caribbean RNM is an especially important instrument for coalition efforts, but this is not the only basket in which Guyana might place its egg.

Coalition efforts are especially important in the WTO, due both to the large number of countries represented there and the non-resident nature of Guyana's mission (see Resource II.D.1). Guyana should work with a variety of groups in Geneva with which it shares common interests, including regional bodies such as the Group of Latin American and Caribbean Countries (GRULAC) and the "friends groups" organized around sectoral interests such as sugar and tourism.

**Principle II.D: Enhancement of MOFTIC Resources. The financial, physical, and human resources available to MOFTIC must be increased to a level commensurate with the ministry's responsibilities.**

The resources within MOFTIC and those that are available to this ministry through cooperation with other agencies and ministries (including secondment of officers) need to be expanded. The 2002 budget provides G\$18.3 million to MOFTIC,<sup>38</sup> representing a tiny fraction of one percent of the total expenditures of the Government of Guyana. By way of comparison, the budget for the Ministry of Tourism, Industry and Commerce is 24.6 times larger, the budget for the Ministry of Agriculture is 102.5 times larger, and the budget for the Ministry of Finance is 589.8 times larger.<sup>39</sup> This is not to say that a small agency is necessarily an ineffective body. In the United States, for example, officials in the Office of the U.S. Trade Representative take pride in the fact that theirs is an elite, "lean and mean" agency that makes the most of its small size and limited budget. Even so, the present funding, staffing, and physical plant of MOFTIC appear to be woefully inadequate to meet the needs of an important and dynamic field. Efforts must be made to supplement these with additional resources from both the Government of Guyana and the donor community.

**Resource II.D.1: Increased Representation in Geneva. The current ambassador to Brussels should travel to Geneva periodically in order to collect intelligence and represent Guyana in key WTO meetings.**

Although Guyana became a contracting party to the GATT immediately after it gained independence in 1966, and became a member of the WTO when that organisation replaced GATT in 1995, it has not been particularly active in GATT or WTO deliberations. Guyana does not have a permanent mission in Geneva. The country is represented in the WTO and other Geneva-based institutions on a sporadic basis from Georgetown and the Brussels mission.

Geneva-based diplomats and observers estimate that the annual costs of operating a small but effective mission in Geneva (including the costs of salaries, rent, etc.) might range from perhaps US\$500,000 to US\$1 million. This is clearly beyond the present resources of the Government of Guyana. Moreover, the fact that the country is not officially designated as an LDC means that it is ineligible for the Swiss Government subsidy extended to such countries (but see also Objective I.C.3 regarding a possible approach to this issue).

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<sup>38</sup> These funds are actually subsumed under a line item for the Ministry of Foreign Affairs (MFA). Because MOFTIC is currently housed within the MFA building, and the MFA provides other forms of support (e.g., utilities), the actual MOFTIC budget is somewhat larger than the figure quoted above. See *Estimates of the Public Sector Current and Capital Revenue and Expenditure for the Year 2002* Volume 1 (2002), page 55.

<sup>39</sup> Comparisons calculated from *ibid.*, page 19.

The recommended alternative is a compromise between maintaining the *status quo* and establishing a permanent mission. The Swiss government and other donors support a project that is intended to encourage fuller participation on the part of developing countries. The Agency for International Trade Information and Cooperation (AITIC) provides free services for non-resident missions. These include the use of office space, meeting rooms, telephones, and computers. AITIC is very conveniently located *vis à vis* the headquarters of both the WTO and the United Nations Conference on Trade and Development, and is staffed by people who can provide excellent guidance on the sometimes mysterious ways of Geneva.<sup>40</sup>

Several of the other countries without permanent missions find it useful to send ambassadors or other officials to Geneva for specific meetings or missions, using the AITIC facilities as a base of operations. The main advantage of this approach is that it is very cost-effective: Instead of spending hundreds of thousands of U.S. dollars per year on local staff, rent, and so forth, their only costs are the travel expenses and salaries of the people they send. The main disadvantage is that this still means keeping “out of the loop” for the many activities and networking opportunities in Geneva that are not a part of the formal WTO schedule.

It is recommended that Guyana try the AITIC option for a time, with a view towards considering the later establishment of a permanent mission. Guyana's ambassador in Brussels should be tasked to visit Geneva several times a year, with instructions to deal with all issues in the WTO that directly affect Guyana's interests (e.g., the TPR, the agricultural negotiations in the new round, etc.). After trying that for six to nine months, an assessment can be made of whether the marginal additional benefits of a more formal and permanent representation of Guyana's interests in Geneva would justify the additional expenses.

It would also be useful to begin this process with a “reconnaissance” mission to Geneva. The main purpose of such a mission is to establish direct contacts between the Guyanese officials and officials in the WTO, UNCTAD, and other organisations, as well as the diplomatic community. The mission will also seek to coordinate additional technical assistance for Guyana, begin the TPR process (Objective I.E.1), arrange for a more regular flow of information from Geneva to Georgetown, establish relations with AITIC, and plan a schedule for future missions by the Brussels ambassador.

**Resource II.D.2: Increase in MOFTIC Staff Size. MOFTIC presently has one-fourth of the staff that it originally proposed. Expansion in the size of the ministry's staff would enhance its ability to carry out the national trade strategy.**

MOFTIC is currently operating with one-fourth of the already small staff of 60 that it had initially sought. The ministry needs additional staff at the clerical, technical, and coordinating levels if it is to meet its mandated objectives. In some cases the gaps can be filled with the assignment of voluntary personnel and additional technical assistance from international organisations, but in the long run it is preferable for MOFTIC to rely upon its own corps of trade policy professionals.

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<sup>40</sup> See the information posted at <http://www.acici.org/aitic/> for further details on this institution and its services for non-resident missions.

**Resource II.D.3: Improvement in MOFTIC Staff Capacities. The ministry staff should be provided further training on issues and methods in trade policy.**

The quality of MOFTIC staff is even more important than its quantitative size. As a new agency with predominantly young staffers, MOFTIC is in serious need of staff training in a number of areas. The most important needs are for technical skills related to trade policy *per se*, as discussed below, but — like much of the Guyanese public service — several MOFTIC officers could also benefit from training in general office skills (e.g., the use of computers and other information technology).

One area where MOFTIC's staff needs training in the immediate future is in the identification of priorities for current and future trade negotiations (Objective II.A.1). While the skills related to this task are not unusually demanding, they do require familiarity with some specialised data sources and fields of knowledge. Funding should be sought to provide training to MOFTIC staff from international experts on matters related to trade and tariff data. Similar exercises have been conducted with GO-INVEST,<sup>41</sup> and have previously been proposed for MOFTIC's predecessor agency.<sup>42</sup> In order to encourage cooperative efforts with other trade-related agencies, training exercises should provide for instruction and participation on the part of staff from other bodies in the government and private sector.

To the maximum extent possible, MOFTIC should take advantage of the training and other technical assistance programs made available by such institutions as the WTO, the United Nations Conference on Trade and Development, the Inter-American Development Bank, the Organisation of American States, and the Organisation for Economic Cooperation and Development, among others. The best means of obtaining such support from the WTO is in the context of the Trade Policy Review discussed in Objective I.A.2; such exercises typically lead to the deployment of WTO officials and consultants to a country. One means of promoting the capacities of staff is to encourage international organisations to base their training programs for CARICOM country officials in Georgetown. That may be an easier task to accomplish when the new CARICOM headquarters is completed.

**Resource II.D.4: Improvement in MOFTIC Information Technology. The ministry requires substantial improvements in its information technology in order to acquire data, analyse options, present recommendations to policymakers, and draft instructions to negotiators.**

MOFTIC currently has an inadequate ratio of computers per staff, only one computer with an Internet connection, just one photocopier, and one fax machine (which does not work properly). This physical plant is inadequate for the execution of the ministry's functions. Access to the Internet in particular has become the *sine qua non* of effective trade policy management. Efforts should be made to secure assistance from the donor community for the acquisition of new

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<sup>41</sup> Jay Kaufman and Charles Mahoney, "Guyana Office for Investment: Market Information Training and Needs Assessment" (February, 2002), assistance provided by the USAID Guyana Economic Opportunities (GEO) Project.

<sup>42</sup> Stephen Lande, "Data, Information and Analytical Training Needs of the Government of Guyana in the Performance of International Trade Functions" (August, 2000), assistance provided by the USAID Guyana Economic Opportunities (GEO) Project.

information technology. Failing that, appropriations should be secured for the purchase of these materials.

**Resource II.D.5: Establishment of a Trade Reference Library. MOFTIC should build upon the WTO Reference Center to establish a library of electronic and paper documents related to trade.**

In 1999 the WTO donated to Guyana a reference center consisting of a computer, a set of compact disks, and other documentation related to trade. That reference center was recently transferred to MOFTIC. It should now form the core of a broader library of reference materials related to trade, consisting to the maximum extent possible of materials obtained free of charge from the donor community and other sources. This would include all manner of information that may be useful in the development and execution of trade negotiations and other MOFTIC functions, including both electronic and paper copies of trading partners' tariff schedules (applied, bound, and preferential), copies of laws and international agreements, books and journals, trade and investment data (electronic and printed), training manuals, standard reference materials, etc. Materials that are received directly from the WTO and other international organisations should be housed in this library. The library should also serve as a depository for the materials that are prepared by MOFTIC and other agencies in the preparation for trade negotiations, export-promotion campaigns, and the like. The computer in the reference center should also be linked to the Internet and "bookmarked" with the addresses of all relevant sources of information in cyberspace. Arrangements should be made with other agencies' libraries (e.g., the Central Bank) for cooperative research, inter-library loan, etc.

**Resource II.D.6: Improvement in the Trade Data System. The existing system of national trade data needs to be improved and supplemented with other sources.**

Guyana adopted the Automated System for Customs Data (ASYCUDA) in 1996. The ASYCUDA system has a few considerable virtues, such as the speed with which it is made available<sup>43</sup> and the identification of specific importers and exporters (which will provide very useful contacts for analysts when they prepare background information for upcoming negotiations). It also has some shortcomings that need to be addressed. One is beyond the control of ASYCUDA itself: The data are only as reliable as the customs system itself, and it is widely acknowledged that smuggling and other irregularities at the border cast doubt upon the validity of the collected figures. For analysts, this means a "garbage in, garbage out" problem in assessing the meaning of trade data.

Another problem that may be much easier to address is the inadequate aggregation of ASYCUDA data. As currently compiled and disseminated, the data appear to report individual entries of specific commodities rather than aggregated totals. An analyst who wishes to know, for example, how much gasoline was imported from Venezuela during a given month or year must sit down with a calculator and tally up a series of separate entries. The system may require

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<sup>43</sup> Monthly summaries are available less than ten days after the conclusion of a month. This compares favourably to the current six-week lag for comparable trade data in the United States.

reprogramming to provide for automatic aggregation of the data. If possible, the system should also permit analysts to choose the level of aggregation (e.g., providing the option of examining data at the 2-, 4-, or 6-digit level within the Harmonised System of tariff nomenclature), to request “runs” that show for any level the shares of imports/exports that originate in/are destined for specific trading partners, and to relate the import data with the relevant Guyanese tariff rates.

In addition to the ASYCUDA, MOFTIC analysts should use other data sources. These include the national sources of its trading partners (e.g., the U.S. International Trade Commission's Dataweb), the materials prepared by international organisations (e.g., the International Monetary Fund's *Direction of Trade Statistics* series and the United Nations Conference on Trade and Development's TRAINS system), and data disseminated by national and international business organisations. These sources should be acquired free of charge if possible. Arrangements should also be made to acquire as much information as possible from private firms and trade associations in Guyana and the Caribbean region.

Research of this sort may also produce ancillary benefits in other areas of public policy. The Guyana Revenue Authority acknowledges that “large amounts of revenue are lost through various malpractices by importers which include false declarations, under invoicing and undervaluation of imports, and collusion.”<sup>44</sup> Comparisons of trade data between Guyana and its trading partners may identify products and sectors that appear to be evading formal commercial channels for purposes of avoiding taxes. This can be indicated if, for example, the U.S. import data show consistently higher values or volumes of shrimp imports from Guyana than are indicated in Guyana's export data, or if Venezuelan export data for petroleum derivatives show consistently higher values or volumes than do the corresponding Guyanese import data. This form of forensic accounting could help to target investigative resources, and perhaps to increase the collection of customs revenue, while also providing more complete and reliable data for trade analysts and policymakers. It thus represents one example of the type of team effort upon which this national trade strategy is founded.

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<sup>44</sup> Guyana Revenue Authority, *Annual Report and Statement of Accounts for the Year Ending 31<sup>st</sup> December 2000* (ND), page 9.

## **Appendix II.1**

### **Structure of the National Trade Negotiations Committee**

The Government of Guyana recently installed a new system of coordination among its trade-related ministries.<sup>45</sup> This appendix summarises the purpose of the system; see Appendix II.2 for the organisation of the related technical working groups.

#### **(a) National Trade Negotiations Committee (N-TNC)**

- (i) The N-TNC will be coordinated by MOFTIC. The meeting of the N-TNC will be scheduled at regular intervals.
- (ii) The work of the N-TNC will be assisted by the various Technical Working Groups (TWGs).
- (iii) The representatives of the Lead Agencies of each TWG and the designated Alternates will comprise the core membership of the N-TNC. The Private Sector Commission/Private Sector will be represented on all the TWGs and the N-TNC.

#### **(b) Technical Working Groups (TWGs) – Annex II**

- (i) Each TWG will be coordinated or chaired by a designated Lead Agency. The Lead Agencies have been recommended based on area of competence and policy responsibility (Example: the Ministry of Agriculture will be the Lead Agency for the Technical Working Group on Agriculture). Alternate Lead persons may be designated in each TWG.
- (ii) The TWGs will be specific in their focus (for e.g. Agriculture, Intellectual Property Rights, Services etc.) and comprised of those public/private sector agencies which have a direct or specific interest in the subject areas to be addressed.
- (iii) The TWG will meet as often as it sees fit. Meetings will be convened by the Lead Agency Representative (or Alternate where necessary). The TWG will set its own agenda and meeting times.

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<sup>45</sup> "Report on Inter-Agency Meeting on The Proposed Establishment of a National Trade Negotiations Committee (N-TNC)" (February 21, 2002).

- (iv) The Lead Agency Representatives (or Alternates) will report on activities of the TWGs to the N-TNC.
- (v) The Agencies comprising the core membership of each TWG will identify their representatives who will serve as the contact points (competent official) in each agency to facilitate quick and easy communication, including transmission of documentation and input/feedback on specific matters. The information concerning these contact points would be communicated to MOFTIC within a week.

(c) **Other**

- (i) MOFTIC will circulate to the various agencies, the information on the FTAA Groups contained in the **Summary Report of the Meeting of Officials Preparatory to the Twelfth Meeting of the Council for Trade and Economic Development (COTED)**.
- (ii) The TWGs on Agriculture and Market Access should convene early to deliberate on the issue of Methods and modalities of tariff elimination” in the FTAA.

## Appendix II.2 Organisation of Technical Working Groups (TWGs) of the N-TNC

TECHNICAL WORKING GROUPS (TWGs)	NEGOTIATING FORA		PARTICIPATING AGENCIES	LEAD AGENCIES
<b>Ministry of Foreign Trade and International Cooperation - Coordinator (overview of entire process of the negotiations)</b>	WTO -	Trade Negotiations Committee est. at Doha (WTO-TNC)	<b>Ministry of Foreign Trade &amp; International Cooperation</b>	<i>Ministry of Foreign Trade &amp; International Cooperation</i>
	FTAA -	Trade Negotiations Committee (FTAA-TNC)		
	ACP/EU -	Joint ACP-EC Ministerial Trade Committee		
	CARICOM	Council for Trade and Economic Development (COTED)		
<b>MARKET ACCESS (incl. Technical Barriers to Trade (TBT))</b>  [TWG-ma]	WTO -	- WTO-TNC - Negotiating Group on Market Access est. by the WTO-TNC	<ul style="list-style-type: none"> <li>- <b>Ministry of Foreign Trade and International Cooperation (MOFTIC)</b></li> <li>- Ministry of Agriculture, including other agencies (GRDB, GUYSUCO, etc.).</li> <li>- Ministry of Fisheries, Crops &amp; Livestock.</li> <li>- Ministry of Tourism, Industry &amp; Commerce.</li> <li>- Customs &amp; Trade Administration.</li> <li>- Guyana National Bureau of Standards.</li> <li>- Guyana Bureau of Statistics.</li> <li>- Guyana Office for Investment.</li> <li>- Private Sector Commission.</li> </ul>	<i>Ministry of Foreign Trade &amp; International Cooperation</i>
	FTAA -	- Negotiating Group on Market Access (NGMA)		
	ACP/EU -	- Preparations for Economic Partnership Agreement (EPA) nags		
	CARICOM	- Council for Trade and Economic Development (COTED)		
<b>AGRICULTURE (incl. Sanitary and Phytosanitary (SPS) Measures)</b>  [TWG-ag]	WTO -	- WTO-TNC - Committee on Agriculture - Committee on SPS	<ul style="list-style-type: none"> <li>- <b>Ministry of Agriculture, incl. other agencies (GRDB, GUYSUCO etc)</b></li> <li>- Ministry of Fisheries, Crops and Livestock incl. other agencies (National Dairy Development Programme etc).</li> <li>- Ministry of Health.</li> <li>- New Guyana Marketing Corporation.</li> </ul>	<i>Ministry of Agriculture</i>
	FTAA -	- Negotiating Group on Agriculture (NGAG)		

TECHNICAL WORKING GROUPS (TWGs)	NEGOTIATING FORA		PARTICIPATING AGENCIES	LEAD AGENCIES
	ACP/EU -	<ul style="list-style-type: none"> <li>- Joint ACP/EU Working Party on Rice</li> <li>- Ministerial Sugar Bureau etc.</li> <li>- Preparations for EPA negs</li> </ul>	<ul style="list-style-type: none"> <li>- Private Sector Commission.</li> <li>- Rice Producer's Association (RPA).</li> <li>- Guyana Poultry Producers Association (GPPA)</li> <li>- MOFTIC.</li> </ul>	
CARICOM	<ul style="list-style-type: none"> <li>- Working Group on the Regional Rice Industry</li> <li>- COTED</li> <li>- Regional Agricultural Planners Forum (RPF)</li> </ul>			
<b>SERVICES</b> [TWG-sv]	WTO -	<ul style="list-style-type: none"> <li>- WTO-TNC</li> <li>- Council for Trade in Services</li> </ul>	<ul style="list-style-type: none"> <li>- <b>MOFTIC.</b></li> <li>- Ministry of Tourism, Industry &amp; Commerce.</li> <li>- Private Sector Commission.</li> </ul>	<i>Ministry of Foreign Trade &amp; International Cooperation</i>
FTAA -	<ul style="list-style-type: none"> <li>- Negotiating Group on Services (NGSV)</li> </ul>			
ACP/EU -	<ul style="list-style-type: none"> <li>- Preparations for EPA negs</li> </ul>			
CARICOM	<ul style="list-style-type: none"> <li>- CARICOM Working Group on Services</li> <li>- Completion of Protocol II discussions</li> </ul>			
<b>SUBSIDIES, ANTIDUMPING AND COUNTER-VAILING DUTIES</b> [TWG-adv]	WTO -	<ul style="list-style-type: none"> <li>- WTO-TNC</li> <li>- Negotiating Group on Rules est. by TNC</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Ministry of Tourism, Industry &amp; Commerce.</b></li> <li>- Ministry of Finance.</li> <li>- Customs &amp; Trade Administration.</li> <li>- Guyana Manufacturers' Association</li> <li>- Private Sector Commission.</li> <li>- MOFTIC.</li> </ul>	<i>Ministry of Tourism, Industry &amp; Commerce</i>
FTAA -	<ul style="list-style-type: none"> <li>- Negotiating Group on Antidumping and Counter-vailing Duties (NGADCV)</li> </ul>			
ACP/EU -	<ul style="list-style-type: none"> <li>- Preparations for EPA negs</li> </ul>			
CARICOM	<ul style="list-style-type: none"> <li>- CARICOM Single Market &amp; Economy (CSM&amp;E)</li> </ul>			

TECHNICAL WORKING GROUPS (TWGs)	NEGOTIATING FORA		PARTICIPATING AGENCIES	LEAD AGENCIES
<b>INTELLECTUAL PROPERTY RIGHTS</b>  [TWG-ip]	WTO -	- WTO-TNC  - TRIPS Council	- <b>Ministry of Legal Affairs.</b> - <b>MOFTIC.</b> - Ministry of Tourism, Industry & Commerce. - Customs & Trade Administration. - Ministry of Agriculture. - Ministry of Fisheries, Crops & Livestock. - Ministry of Culture, Youth & Sports. - Ministry of Amerindian Affairs. - Private Sector Commission.	<i>Ministry of Foreign Trade &amp; International Cooperation/ Ministry Legal Affairs</i>
	FTAA -	- Negotiating Group on Intellectual Property (NGIP)		
	ACP/EU -	- Preparations for EPA negs		
	CARICOM	- CARICOM Working Group on Intellectual Property Rights		
<b>DISPUTE SETTLEMENT</b>  [TWG-ds]	WTO -	- WTO-TNC  - Dispute Settlement Body	- <b>Ministry of Legal Affairs.</b> - Ministry of Tourism, Industry & Commerce. - MOFTIC. - Private Sector Commission.	<i>Ministry of Legal Affairs</i>
	FTAA -	- Negotiating Group on Dispute Settlement (NGDS)		
	ACP/EU -	- Preparations for EPA negs		
	CARICOM	- CSM&E  - Caribbean Court of Justice		
<b>INVESTMENT</b>  [TWG-in]	WTO -	-Working Group on Trade and Investment  - Preparation for negs beginning after 5 <sup>th</sup> WTO Ministerial	- <b>GOINVEST.</b> - Ministry of Tourism, Industry & Commerce. - Ministry of Finance. - Bank of Guyana. - Private Sector Commission. - MOFTIC.	<i>Guyana Office for Investment (GOINVEST)</i>
	FTAA -	- Negotiating Group on Investment (NGIN)		
	ACP/EU -	- Preparations for EPA negs		
	CARICOM	- CSM&E		

TECHNICAL WORKING GROUPS (TWGs)	NEGOTIATING FORA		PARTICIPATING AGENCIES	LEAD AGENCIES
<b>GOVERNMENT PROCUREMENT</b>  [TWG-gp]	WTO -	- Working Group on Transparency in Government Procurement  - Preparation for negs beginning after 5 <sup>th</sup> WTO Ministerial	- <b>Ministry of Finance.</b> - Ministry of Public Works & Communications. - Auditor General's Department. - Guyana National Bureau of Standards. - MOFTIC. - Private Sector Commission.	<i>Ministry of Finance</i>
	FTAA -	- Negotiating Group on Government Procurement (NGGP)		
	ACP/EU -	- Preparations for EPA negs		
	CARICOM	- CSM&E		
<b>COMPETITION POLICY</b>  [TWG-cp]	WTO -	-Working Group on Trade and Competition Policy  - Preparation for negs beginning after 5 <sup>th</sup> WTO Ministerial	- <b>Ministry of Tourism, Industry &amp; Commerce.</b> - Ministry of Finance. - Ministry of Legal Affairs. - Guyana Office for Investment. - Private Sector Commission. - MOFTIC.	<i>Ministry of Tourism, Industry &amp; Commerce</i>
	FTAA -	- Negotiating Group on Competition Policy (NGCP)		
	ACP/EU -	- Preparations for EPA negs		
	CARICOM	- CSM&E		
<b>ELECTRONIC COMMERCE</b>  [TWG-ecom]	WTO -	- Work Programme on Electronic Commerce	- <b>Ministry of Tourism, Industry and Commerce.</b> - Ministry of Legal Affairs. - Customs & Trade Administration. - Private Sector Commission. - MOFTIC.	<i>Ministry of Tourism, Industry &amp; Commerce</i>
	FTAA -	-Negotiating Group on Electronic Commerce (ECOM)		
	ACP/EU -	- Uncertain if e-com will be included in EPA negs		
	CARICOM	- CSM&E		