

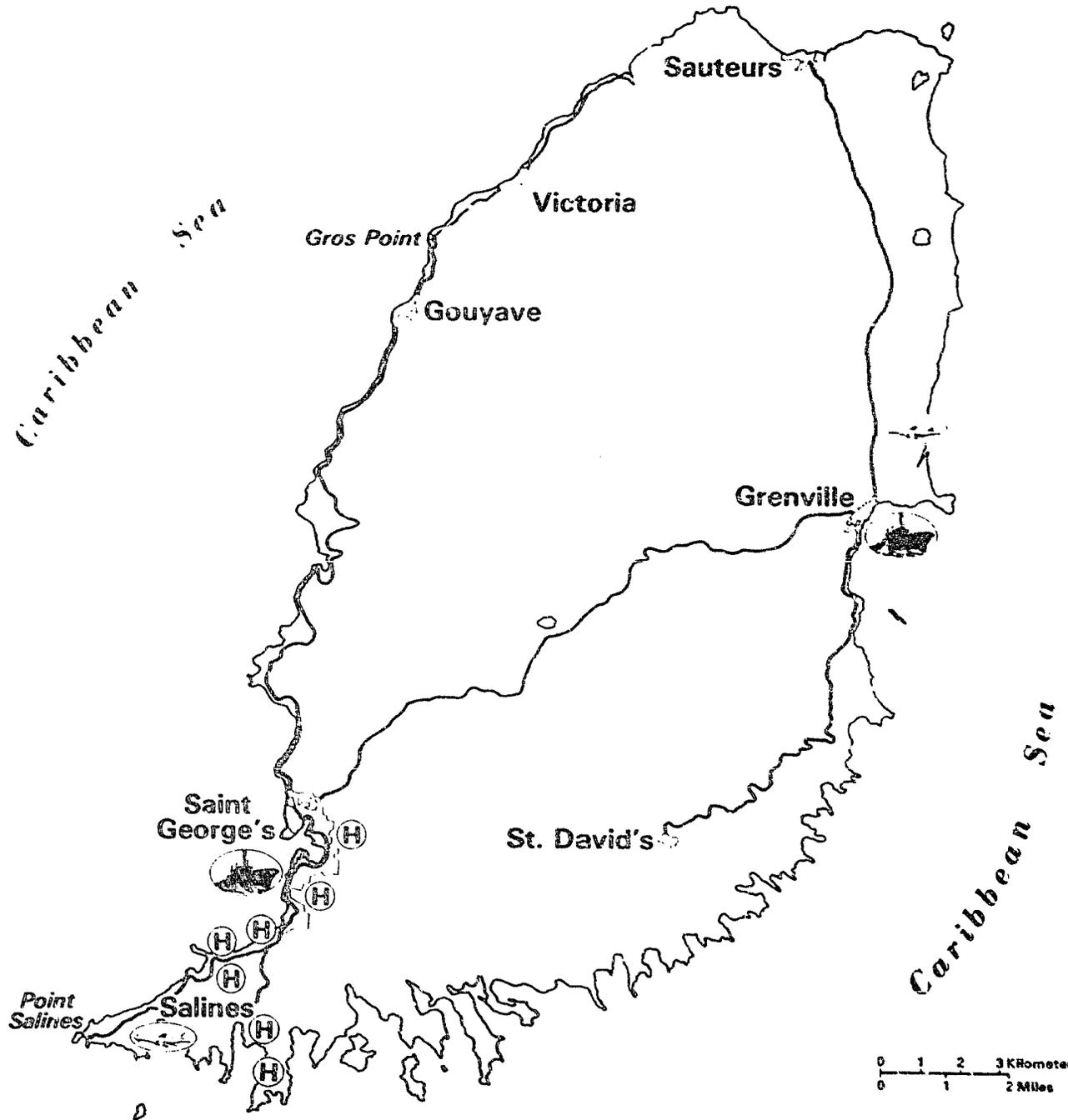
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Prospects for Growth in Grenada: The Role of the Private Sector

**A Report by the Interagency Team
on Commercial and Private Sector Initiatives**

December 5, 1983

Grenada

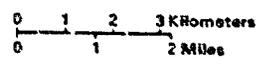


Legend:

-  Major Cities
-  Key Roads
-  Airports
-  Hotel areas
-  Ports

Agricultural Production

	<u>Acres</u>
Cocoa	14,000
Bananas	8,000
Nutmeg	6,500
Sugar Cane	6,000



REPORT ON COMMERCIAL AND PRIVATE
SECTOR INITIATIVES IN GRENADA

Table of Contents

Executive Summary and Principal Recommendations	(i - iv)
I. Purpose and Scope of Visit	1
II. State and Condition of Grenada	1
Political Overview	1
Economic Overview	3
The Public Sector	3
The Private Sector	4
Infrastructure	6
Point Salines Airport	9
III. Key Sectors	9
Tourism	9
Commerce and Trade	13
Agriculture	14
Industry	18
Banking and Credit	19
Labor	20
Health	21
Education	22
IV. Business Opportunities	24
Annexes:	
A. Team Members	
B. CBI Designation	
C. Key Contacts	
D. Statement on Grenada by Chamber of Commerce	
E. Project Profiles	

Executive Summary and Principal Recommendations

I. Purpose and Scope of Visit

A United States Government inter-agency team travelled to Grenada from November 17 to November 19, 1983 to examine general economic and private sector conditions in the aftermath of the rescue mission. Six agencies were represented. The team's report responds to instructions from the White House Coordinating Group on Commercial and Private Sector Initiatives to assess the overall business climate; determine principal constraints to increased trade and investment from foreign and local businessmen; assess the needs of Grenada's small and medium sized businessmen; determine key sectors in which Grenada has natural advantages and where employment can be generated, economic growth achieved, and foreign exchange earned; and identify specific trade and investment opportunities.

II. State/Condition of Grenada

Political Environment:

On October 13 the late Prime Minister Bishop was placed under house arrest. Within two weeks he was dead and Governor General Sir Paul Scoon had begun forming a new government. The government is in the process of determining its policies. Both the public and the private sectors are busily formulating plans for the immediate future.

The Economy and Public Policy:

Grenada is a small open economy largely dependent on agriculture. In 1982 the country's gross domestic product was about \$107 million. Since 1981 economic growth has been concentrated in construction by the public sector; all other sectors declined. Due to recent events unemployment will remain a problem in the short term. In the immediate future, exports will probably decline and tourism stagnate. The interim government has already taken certain productive steps, such as abolishing some export and import restrictions and indicating its willingness to create a positive climate for free trade and private enterprise. Reducing taxes, formulating an investment code, and developing a program to sell off state enterprises are some specific areas which the government should address as soon as possible.

Private Sector:

The group found serious constraints on the private sector which

will obstruct economic rehabilitation if not corrected: poor infrastructure, confiscatory tax policies, a severe shortage of capital, and need for general management and skills training.

Though these are serious constraints, the team found a vibrant private sector with firm policy views that they will soon present to the interim government.

Infrastructure:

Grenada's inadequate infrastructure seriously inhibits short-term opportunities for economic growth. Years of neglect have reduced the capacity and reliability of virtually every basic public service. Damage from the rescue mission is marginal and in most cases already under repair by U.S. Army engineers. Substantial capital will be required to rehabilitate and expand water, sewage, electricity, telephone and road facilities.

Point Salines Airport:

It is recommended that the USG undertake an economic feasibility study of the facilities begun at Point Salines airport (including necessary support infrastructure). There is some indication that the operating costs would be prohibitive, e.g., \$10 million a year. Others have argued that a scaled down facility may be critical for tourism and agro-business development.

Tourism:

Tourism and related business are critical to economic development and social stability in Grenada. However, tourism income stagnated starting in the late 1970s and left hotel facilities barely adequate to restart some forms of tourism for the 1984 season. Future growth will require substantial external investment in hotels, road construction, power and water networks. While regional travellers, especially from Trinidad, will remain important, North American stayover and cruise ship visitors could easily become the main source for Grenada's tourism. Qualification for CBI tax status also could generate substantial new business visitors for Grenada.

Agriculture:

Grenada's economy depends on agriculture. The sector employs one-third of the labor force and contributes about one-fourth of GDP. Bananas, cocoa, nutmeg, and mace represent about 75 percent of agriculture's contribution to GDP and a like percentage of merchandise exports. Land holdings average less than five acres. Crop specialization is not practiced. Of

special concern is nutmeg, a large export earner and important cash crop of 7,000 farmers. Due to low world prices and the loss of key markets, the Nutmeg Association is holding an inventory equal to 14 months of exports.

Banking:

The commercial banks are severely strapped for cash due to borrowing demands by the previous government. As of March 1983, net credit extended to the public sector amounted to 35 percent of the banks' deposits. This figure was only 14 percent fifteen months earlier. Further study is needed of the mechanisms that could be used to both restructure the government's finances and inject liquidity into the banking system.

Industry, Trade, and Commerce:

Promising sectors include the processing of agro-products such as nutmeg, cocoa, cloves, and fruits. Furniture, cut flowers, and light manufacturing (textiles, subcontract manufacturing) and handicrafts also offer possibilities. Import opportunities should arise for fertilizers, seeds, machinery and equipment, and construction materials.

Business Opportunities:

There will be business opportunities for U.S. companies in Grenada through direct trade and investment, the provision of services and the repair and improvement of the island's infrastructure. The private sector showed considerable interest in a business development mission to open an immediate and direct dialogue with U.S. business leaders. Several projects have been identified which could be initiated immediately. They would be investigated as a part of any proposed OPIC and/or Presidential Investment Missions.

Labor:

Organized labor is in disarray now that the dominant, highly radicalized portion of its leadership has been removed. The private sector remains suspicious, but understands the necessity for filling the leadership gap to provide for a functioning democratic labor movement and thereby avoid a return to radicalism and business strife. The American Institute for Free Labor Development (AIFLD) of the AFL-CIO is well equipped to help in this regard.

III. Key Recommendations:

1. Undertake an economic feasibility study of the proposal to complete the Point Salines Airport.
2. Provide balance of payments support to rebuild liquidity of the banking system.
3. Assist the interim GOG in developing economic management policies that reduce repression of the private sector. Areas to be explored include:
 - revising the investment and tax codes;
 - developing a labor code that supports democratic unions and eligibility for CBI;
 - selling off GOG enterprises;
 - eliminating control over imports by the Marketing and Import Board.
4. Arrange for sale of large nutmeg inventory.
5. Expedite negotiations with the interim GOG on designation for CBI trade and tax benefits.
6. Arrange for a carefully selected business development mission from the U.S. private sector.
7. Rebuild tourism through marketing and public relations programs aimed at restarting cruise ships and yachting activities in early 1984.
8. Expand ongoing regional activities funded by the donor community to include Grenada, including: Project Development Assistance Program; Latin American Agribusiness Development Corporation; Caribbean Association of Industry and Commerce; Caribbean Financial Services Corporation; and Caribbean Project Development Facility.
9. Replace personnel in health and education fields lost when the Cubans left Grenada; further analyze supplies and equipment requirements.
10. Support the rehabilitation of public utilities and infrastructure.

I. PURPOSE AND SCOPE OF VISIT

An intergovernmental agency team visited Grenada from November 17-19 1983, to review the business climate and the prospects for increased trade and investment. The nine member group examined the constraints facing private businessmen, including the investment code and tax laws as well as the rules governing trade transactions and credit flows. The group surveyed physical infrastructure to obtain a clear understanding of deficiencies in roads, air transport and port facilities, water and sewerage, electricity and communications. Agriculture, tourism and light industry were the focus of the visit, due to the employment and foreign exchange generating capacity of these sectors.

The group met representatives from Grenada's private and public sectors and from regional organizations and businesses based in Barbados, as well as with business leaders from Trinidad.

This report is based on those interviews as well as documents available from regional and international lending agencies.

U.S. Embassy, AID and Department of Defense personnel provided excellent administrative support and valuable insights to the state and condition of Grenada.

II. STATE AND CONDITION OF GRENADA

POLITICAL OVERVIEW

The marxist government of Maurice Bishop took power in 1979. His party, the New Jewel Movement (NJM) turned increasingly leftist with extensive support from Cuba and the USSR. During October of 1983, a power struggle ensued between Bishop and his Finance Minister, Bernard Coard. This struggle lead to the events as detailed below:

Chronology of Recent Events:

- October 13: Prime Minister Bishop and other supporters placed under house arrest.
- October 19: Large crowds freed Bishop and others and marched to Fort Rupert. Army arrived and fired on crowd with an unknown number of casualties. In ensuing confusion Bishop and others were recaptured

and executed. Shoot on sight 24-hour curfew declared. Revolutionary Military Council led by General Hudson Austin formed.

- October 21: Curfew is lifted for four hours. Scattered looting reported.
- October 22: US Embassy personnel arrive and meet with U.S. citizens. CARICOM meets and votes to expel Grenada.
- October 24: US receives formal invitation to assist OECS States in military action.
- October 25: Rescue mission commences.
- November 2: Hostilities declared over.
- November 9: Governor General names Advisory Council.
- November 14: Initial members of Advisory Council sworn in.

Current State of Government

--Advisory Council is moving to take administrative control of the government.

--There remain many serious gaps in the civil service.

--Government and private sector are not ready for major influx of visitors. Carefully screened business missions could be useful.

--Civil servants are, to the limited extent possible, in charge. They do not yet have political direction, but generally reflect a social democratic civil service mentality.

Observation: The implications of the rescue mission have been felt throughout the Caribbean. Assistance to Grenada must be balanced against our continuing interests in other islands. To this end, regional organizations and Caribbean-based enterprises should be included in at least some of our activities.

ECONOMIC OVERVIEW:

The economy of Grenada is characterized by its small size and its high degree of openness. (In 1982 GDP was \$107 million and imports equaled 66% of GDP). Agriculture is the mainstay of the economy. It employs one-third of the labor force and contributes one-fourth of the GDP. Tourism is the second major source of foreign exchange but contributes only about 10 percent of GDP and employs approximately 6 percent of the workforce. The manufacturing sector is the smallest in the Eastern Caribbean, contributing only 2.7 percent of GDP.

A cursory overview suggests that Grenada has done relatively well over the past several years. Although the average annual growth rate is down from the 7 percent of 1975-78, it was still positive, averaging 3.3 percent in 1981-82. However, that growth was almost exclusively the result of a dramatic boom in the construction sector, in particular work on the international airport. In virtually every other sector, except government services, there was no growth or a decline from 1981 to 1982.

There are no accurate figures for unemployment in Grenada. The last government announced in 1982 that unemployment had dropped from 28 percent in 1980 to 14 percent, but offered no supporting data. Most observers estimate that the real rate was higher. Over two-thirds of the country's population is under 25 and the government estimates approximately 4,000 new jobs are required a year to keep pace with the growth of the labor force. Because of the economy's openness, the trend for inflation tends to follow those of its major trading partners. Price increases declined to 5.5 percent for the 12-months up to April this year.

Grenada's current account deficit has grown from the equivalent of 1 percent of GDP in 1978 to 33 percent in 1982, primarily as a result of stagnant export earnings and a steep increase in imports associated with the government investment programs. The current account deficit generally has been covered by large inflow of foreign assistance from the Eastern Bloc, although the government was forced to greatly increase its borrowing from commercial sources over the past two years.

THE PUBLIC SECTOR

Government Policy: Previous government rhetoric, policies and ownership of private enterprises led to an uncertain and high risk business climate. Private investment slowed and eventually

turned to capital flight. A new investment code was promulgated in 1983, but it failed to attract capital because it prohibited foreign participation in key sectors.

Personal and corporate taxes were increased sharply to finance the rapid growth in public expenditures. Business profits disappeared along with available commercial credit as the GOG siphoned off liquidity from the private sector.

State Enterprises: There are approximately 40 state enterprises in Grenada. They are found in virtually every sector. There has been a significant increase over the past 2 years as a number of private holdings of the previous Prime Minister and his colleagues were nationalized by the Bishop government. In addition, the government established public corporations to control imports, housing construction, transportation services and local crafts. For example, The Grenada Resorts Corporation operates 7 small hotels; the State Farm Corporation operates 26 large farms; and Grenada Agroindustries operates the fruit processing plant. Complete financial statements are available for only 11 of the enterprises. The current state of the services provided by many of these enterprises suggests the need for significant expenditure of capital for repair, upgrading and expansion in the immediate future. Some will need to be abolished and others sold to private interests.

Key Findings

--Government's role in economic management has become pervasive, woefully inefficient and should be reduced.

--The state of services provided by the state enterprises, such as water, electricity, and telephone is poor.

--Many of the enterprises were established without any economic justification and are de facto hindrances to development.

THE PRIVATE SECTOR

The private sector emerged early in Grenada's history when trading ships from Europe brought articles for sale to or barter with the islanders in return for products to be taken back to Europe. In the 1940s, the purchase and export of agricultural products was centralized in agricultural cooperatives. [To compensate for this business loss the private sector broadened the scope of their dealings to include a wider range of commodities to meet the growing needs of the community.] In the late 1940s tourism began to provide new growth opportunities for service industries. Manufacturing on

a modest scale was concentrated in soap, rum, sugar, cooking oil, aerated drinks and later in beer, garments, etc.

The private sector retained a significant role in the economy; it still contributes to 60% of the GDP. It encompasses individuals and firms in commerce, banking, insurance, hotels, restaurants, manufacturing, agriculture, service industries. With the advent of the Bishop government, the private sector began to be pressured and financially squeezed. The state immersed itself in the ownership and management of numerous enterprises and began to control exports and imports through appointments to commodity boards (bananas, nutmeg and cocoa). The growers themselves who owned these cooperatives no longer managed them. Also, through the Marketing and Import Board, the state established a monopoly in the importation of sugar, rice, cement, powdered milk and fertilizer and later added control over all industrial inputs. Some of these goods were procured from communist countries. The private sector distributed these goods through normal wholesale and retail channels, but prices were fixed and profit margins have been exceptionally thin. Further, corporate, personal and other tax rates were raised to levels which prohibited new long term investment and drained the private sector of working capital resources.

From small farmers to the larger commercial and industrial companies, the private sector is in difficult financial straits. Yet, their outlook toward the future is positive. The Grenada Chamber of Commerce, which represents most of the key sectors, is a strong and unified force within the community. Its leadership is among the best in the Caribbean.

The Chamber has outlined a strategy for development which centers on tourism and agriculture--tourism because it offers the greatest short run potential for rapid expansion of the economy and largest increases in productive employment; agriculture because of its contribution toward growth, development and employment in the longer term. One of the key elements in this strategy is a reversal of past government policies which discouraged investment and created parastatal corporations to operate in all key sectors.

Specifically, the Chamber recommends that the banana, cocoa and nutmeg associations be immediately returned to cooperative management and control; that the hotels owned by Grenada Resorts Corporation be sold to the private sector; that the Grenada Agro-Industrial Plant, Fish Processing Plant, and the Sugar Factory be sold to private firms; that television and

radio be operated privately; and that Marketing and Import Board operations be limited to the distribution of local fruits and vegetables, not imported commodities. Priority concerns in infrastructure include: completion of the airport at Point Salines; primary road repair and maintenance as well as construction of feeder roads; improvements in the supply and distribution of water and in the generation and distribution of electricity (critical for tourism); and investment in more reliable communications systems.

INFRASTRUCTURE

Background: Principal elements of the basic service and support systems essential to the viability and growth of the Grenadian economy include transportation, (roads, ports, airports, water and sewage, communications and electricity.

Deterioration and neglect characterize the entire infrastructural underpinning of the Grenadian economy. Damage resulting from the rescue mission appears minor contrasted to what occurred from years of poor maintenance, inadequate recurrent expenditure and insufficient long-term capital improvement. Virtually all systems are operating at or above capacity. Such conditions constrain expansion in all productive sectors. Future private sector investment must be accompanied by substantial rehabilitation and expansion of essential public services.

Transportation: Grenada's internal transportation needs are met by road services, while two seaports and currently one airport provide the support facilities and services for international trade and tourism.

- Roads: The 600 mile road network consists of 200 miles of primary roads, 150 miles of secondary roads and 250 miles of tertiary roads. Approximately 300 miles (or 50 percent) are paved. Potholes and washouts are ubiquitous.

- Ports: The chief port is St. George's. It is rated as an excellent harbor facility but operations are restricted by wharf space (800' length and a 30' draft alongside), limited warehousing and cold storage facilities, and loading/unloading equipment (maximum crane capacity - 20 tons). A small port facility exists at Grenville, the second largest town, but caters mainly to inter-island trade in agricultural produce and livestock with Trinidad/Tobago and the island of Carriacou and suffers from a narrow reef-bound entrance.

- Airports: There is presently one commercial airport situated in the north-east at Pearls about six miles from Grenville. The Airport has a runway of 5,300 ft. and no night landing facilities. It is served by the regional airline, LIAT. The Point Salines Airport, due to the complexity of issues associated with it, is discussed in a separate section.

Water and Sewage: There are presently 23 water supply systems with a total supply and treatment capacity of 5.5 million gallons per day (G.D.P.) and a storage capacity of 1.8 million gallons. The systems are not interconnected and water service disruption normally occurs during breakdown of maintenance. While Grenada is comparatively well endowed with water resources, the present system of recovery/catchment, transmission and distribution are woefully inadequate and require major rehabilitation. Problems of insufficient supply and leakage remain particularly serious in St. George's and the important tourist development area south of the city. Supplies to these areas are intermittent. The general lack of metering and a self-financing water tariff rate structure makes management and operation of the water system a complex issue. Water prices enjoy a substantial subsidy and the current "average rental value" system of assessing charges discourages water consumption patterns.

Sewage problems compound those of the water system. The only public sewage system on the island has been in existence since 1938 and serves about 40 percent of the St. George's urban area. The remainder of the population uses pit latrines and septic tanks. St. George's discharges untreated sewage, via a lift station, directly into the ocean. If the lift station does not work due to mechanical or electrical failure, raw sewage can be deposited in the interior harbour. In the past, occasional beach pollution has resulted at the premier Grand Anse beach.

Telecommunications: The Grenada telephone system consists of four exchanges on the island itself and one exchange on Carriacou. The facilities on Carriacou and those at St. David and St. George's remain intact and operational. Those at Morne Rouge suffered some military related damage which US forces are now repairing. The Westerhall exchange was completely destroyed and its replacement is still under consideration. Major damage was sustained by the International Cable and Wireless system. Temporary services have been restored, but longer term operational requirements and capacity will be the subject of a technical study.

Electricity: Electricity services in Grenada are presently inadequate. The total installed capacity is 8.4 megawatts (MW) but the aged and poor condition of the seven diesel generators limits the firm capacity to about 4.0 MW which is less than the estimated peak demand of 4.8 MW. Power outages are a common feature throughout Grenada. In the important tourist development area south of St. George's there is also a problem of low voltage. Provisions have been made to install 2 new 1.8 MW generators over the next few months. Temporary mobile generators presently in Grenada should provide some relief until commissioning of the larger units.

Key Findings: Infrastructure and utilities will be a formidable constraint to economic growth and business development in both the short and medium term. A history of neglect and deterioration cannot be offset by the "crash" rehabilitation program currently sponsored by joint DOD/AID forces. At best an equilibrium might be reached by inducing restraint on demand and repairing services to a point of full capacity operation. This situation cannot be maintained for long. New demand for services resulting from population growth and/or new investment cannot be met without substantial capital improvements in infrastructure. While roads essentially remain passable, the damage to transport equipment and agricultural produce has reduced economic efficiency and competitiveness. Port facilities remain inadequate for major export expansion.

Recommendations

Short-term - Rehabilitate existing public service system sufficiently to meet minimal consumer demands. Repair arterial road network to facilitate movement of essential supplies, commerce and produce.

- Long-term -
- a. Road Reconstruction
 - b. Expansion of telephone services
 - c. Renovation and expansion of water catchment, transmission and distribution facilities.
 - d. Construction of sewage treatment and disposal systems for major population areas and extension of pit latrine program for rural areas.
 - e. Increase electricity generating capacity and explore alternative sources of energy, e.g., hydropower.

POINT SALINES AIRPORT

It is recommended that the USG undertake an economic feasibility study of the facilities begun at the airport (including necessary infrastructure support). There is some indication that the operating costs would be prohibitive, e.g. \$10 million per year. Others argue that a scaled down facility may be important for tourism and other business development.

III. KEY SECTORS

TOURISM

Background: Tourism is the second leading element in the private sector of the Grenadian economy. It generates important spinoffs especially for labor intensive small business such as crafts, tour operators, taxis and restaurants. Three types of tourists visit Grenada: hotel stayovers, cruise ship passengers and yacht crews. In recent years, most visitors have come from regional markets (mostly Trinidad) and Grenadians resident abroad. Americans account for 80 percent of the cruise ship passengers. Grenada's tourism industry has been in serious decline since 1973.

By October of this year, hotel occupancy had declined to 20 percent, most yachts had switched ports to other islands, and only a few cruise ships called. After the rescue mission, the remaining cruise ships have cancelled and hotel guests now consist mainly of USG and news media personnel.

Key Findings

- Tourism Organization: Government of Grenada - The Ministry now consists of a single employee, who is a capable analyst, but lacks marketing expertise. Grenada Resorts is broke, poorly staffed and had many of its facilities damaged in the fighting. Tourism development policy must be revised quickly, especially to remove tax and regulatory impediments to rebuilding the tourism physical plant.

- Private Sector - Hotel and tour operators have little cash and no bank credit is available to adequately renovate and operate their facilities. The Grenada hotel owners and tour operators are capable and eager to rebuild their industry. They have specific proposals and are pressing for early cooperation with a reconstituted GOG tourism authority.

- Airport Service - Pearls Airport has long been inadequate. Daylight-only operations make it exceedingly difficult for North Americans to visit without an overnight stay in Barbados.

- Roads: Tourists who brave the landing at Pearls will certainly be discouraged by the hour long, pot-hole plagued road trip to St. Georges. Other key roads linking tourist attractions are equally egregious.

- Water: Present water service in key hotels is inadequate and needs to be restored by early 1984.

- Staff: Hotels and tour operators now have only minimal staff, inadequately trained.

- Principal Attractions: The Grand Anse Beach at St. George's is the primary draw for both stayover and cruise ship visitors. However, it currently lacks adequate support facilities (especially dressing facilities, shops, bars and restaurants). Other problems such as sewage and trash removal will have to be addressed soon. The town of St. George's remains very attractive with adequate shops, restaurants and picturesque walking tours. Tours to other attractions are arduous because of poor road conditions. Key attractions, all of which need some development work, include the quaint rum distillery, volcanic lake and the colonial forts in St. George's.

- Outlook for Restarting Tourism: The overriding requirement is the departure of combat troops and a return to a normal security situation, staffed only by police. Even with that accomplished, prospects differ for each type of tourism.

- Hotels: In recent years 75 percent of hotel occupants have been booked by international tour operators. These wholesale firms make bookings one year in advance, consequently, the 1984 season is lost to package tours. USG and news media personnel are currently the sole occupants of Grenada hotels. Continued uncertainty over their departure makes it impossible for hoteliers to accept reservations from individual clients. Once rooms are available, operators may be able to salvage part of 1984 by direct mail invitations to past customers.

- Cruise Ships: It is important that cruise ship visits be restarted quickly because of spinoff employment. Port visits will also affect the 1985 season since 50 percent of Grenada's stayover hotel guests have previously visited by ship. Land

support for cruise ship visits will be spartan but adequate as soon as troops depart. Foreign government-owned ships may be induced to resume visits as early as January 1984. Privately operated vessels are likely to be slower to call, awaiting the reawakening of consumer demand, most of which is generated by travel wholesalers.

- Yacht Visits: Yacht tourism could be reactivated almost immediately. The marina needs minimal working capital to rehire staff and clean up facilities but it could begin to serve yachts quickly.

Recommendations:

General:

Short-Term: Start to rebuild Grenada's tourism image abroad by:

- Interviews with U.S. tourism media
- Encourage media and familiarization visits in early January
- Funding for Grenadian representation at key U.S. and European trade fairs (e.g., U.K. Tourism Convention 11/30/83 and Caribbean Tourism Conference - Barbados 12/5/83)

Rebuild Ministry of Tourism:

- Provide staff on interim basis, especially in marketing, with support of U.S. public and private sector organizations.
- Encourage modification of investment code and tax restrictions on foreign participation in tourism especially taxes on corporate and personal income and alien land holdings.

Provide adequate repair to infrastructure:

- Repair roads connecting St. George's and Grand Anse Beach.

Negotiate CBI Tourism Benefits

- As soon as competent GOG tax personnel are identified, initiate negotiations for the bilateral tax information exchange agreement required for CBI tourism tax status.

Longer-Term: Improve tourism facilities (using OAS master plan as a guide)

- Funding for improving Grand Anse Beach: build kiosks for food and craft sales, dressing facilities and security patrols.
- Encourage GOG to sell off Grenada Resorts' properties to the private sector, using Commerce Department, OPIC, and CAIC network to promote investor interests.
- Repair roads leading to tourism attractions outside St. George's.
- Hire permanent Ministry staff and encourage appropriate training through OAS and USG agencies.
- Use Commerce and OPIC facilities to attract new investors. Ultimately to add 1,000 new first class rooms.

Specific Sectors:

Restarting cruise ships:

- Use White House and US agency officials to persuade government and privately owned cruise ships to restart calls in Grenada.
- Initiate a publicity campaign to revive U.S. demand for cruises to Grenada.
- Rebuild taxi fleet by allowing exemptions from the current 160 percent customs duty for auto imports.

Yacht Visits:

- Provide a working capital loans to Marinas to hire staff and renovate facilities.
- Initiate a publicity campaign to yachting media.
- The annual Easter Trinidad to Grenada Regatta should be revived; a prominent U.S. business person also should be asked to organize some form of yachting event.

Hotels:

- As soon as possible, provide hotel operators with firm schedule for withdrawal of U.S. forces to enable them to offer rooms directly to their repeat customers.
- Regularize customs procedure and eliminate excessive searches at Pearls airport.

COMMERCE AND TRADE

Background: Agriculture is the dominant sector in Grenada's economy. Despite price declines in recent years, the country's four major commodities (cocoa, bananas, nutmeg and mace) still account for the largest share of Grenada's export earnings. In contrast, non-traditional exports to regional markets, primarily fresh fruits and garments, have performed well over the last few years. Historically the United Kingdom has been Grenada's principal export market, although trade with other countries of the West Indies has expanded markedly. Exports to the United States remain low.

Principal Grenadian imports have been food and materials related to the construction of the Point Salines airport. The United States has been the major supplier of merchandise to Grenada, with Trinidad and Tobago and the United Kingdom also serving as significant suppliers. Of course, in recent years, trade with Cuba and USSR increased as well.

Key Findings: The principal priority in the trade area is to designate Grenada as a beneficiary country under the CBI. Government policies affecting trade are generally unchanged as the new provisional government is not yet fully operational. However, it is clear there is keen interest in expanding trade and encouraging foreign investment. Negotiations for CBI designation will provide an important opportunity to ensure that GOG policies support private sector expansion.

There appear to be a number of export opportunities in Grenada, both in traditional and non-traditional products, especially if CBI designation is granted. The prospects are good for production of traditional commodities, particularly cocoa, and perhaps bananas (to the U.K.) and minor spices. There is preliminary planning within the government for the development of processing industries using these commodities. In addition, government export promotion activities are at an early stage for handicrafts (in the United Kingdom and West Germany), ready-made garments (in the United Kingdom and the United States) and agro-products (in the United Kingdom, Italy, West Germany, Belgium and Denmark). Longer term potential exists for export industries in furniture, fish products, cut-flowers, and possibly electronic components. On the import side, there is good potential for expanded trade, provided financing is available. There is a growing need in the agriculture sector for fertilizer, seeds and disease control chemicals. There will also be demand for machinery and equipment, spare parts and construction materials. The U.S., Trinidad and U.K. are most likely sources for imports.

Recommendations: Designation of Grenada as a beneficiary country under the CBI is highly desirable. If possible, this should be

accomplished before January 1, 1984. However, U.S. officials should extract firm commitments from Grenadian officials on new policies regarding those criteria where past problems have occurred or ambiguity exists (i.e. intellectual property rights, self help measures and labor).

In order to maximize U.S. business involvement in rebuilding Grenada's economy, appropriate promotion activities should be undertaken by the Department of Commerce, OPIC, and U.S. private sector organizations.

AGRICULTURE

Background: Agriculture is the principal sector in the economy; it employs over one-third of the labor force and contributes to about one-fourth of the GDP. Bananas, cocoa, nutmeg and mace represent about 75% of the sector's contribution to GDP and an equal percentage of merchandise exports, or about \$14 million. Other fruits, spices, sugar cane and rootcrops account for the remaining 25% of GDP.

Grenada has a high percentage of arable land that is uncultivated and land holdings are highly fragmented (about 90% of all holdings are less than five acres). There is little specialization; farmers produce a broad variety of goods. In addition, about 25% of the land under cultivation (or about 3,000 acres) is distributed among 26 state-owned and managed farms.

Banana output has declined in each of the last four years as a consequence of hurricane damage, disease and low productivity. Moko disease, which devastated banana production in 1978, has recurred. Cost of production is estimated at \$.05 per pound at yields of 8.7 tons of saleable fruit per acre.

Under preferential trade arrangements the United Kingdom purchases the annual banana production. Due to depreciation of the pound sterling, however, prices paid to farmers have declined from \$.07 per pound in 1980, \$.06 in 1981 to \$.05 in 1985. Thus, farmers are at best breaking even. Overall production has plummeted from 26,000 tons in 1978 to 9,000 tons in 1983 and land in production has dropped from 5,000 acres in 1978 to 3,200 acres in 1983.

Cocoa is the most important cash crop. Following declines in 1979 and 1980, as a result of heavy rainfall and a hurricane, output recovered by one third in 1981 to reach a five-year peak. However, in 1982 output dropped again by 30 percent as a consequence of unfavorable weather conditions and declining world prices.

Export prices of cocoa declined by 47 percent from 1979 to 1982. Foreign exchange earnings fell from \$10 million in 1979 to \$4 million in 1983.

Grenadian cocoa is of high quality, but productivity is very low. More than half of the trees are past prime with a yield of less than 200 pounds per acre compared with up to 1,000 pounds per acre in some countries. In 1982 Grenada initiated a cocoa rehabilitation program with Canadian assistance aimed at replacing old trees and expanding acreage. Through this program the cocoa association hopes to reach an output level of about 14 million pounds by the late 1980's from an average of 5.5 million pounds at present.

In part because of the high quality, Grenada is able to sell its entire production each year. Many of the sales go to Europe, although last year Grenada sold 800 tons to the U.S. and 500 tons to the U.S.S.R.

Nutmeg is the third major export crop (about one quarter of export value added). Indonesia produces some 70 percent of the world's nutmeg supply, with Grenada providing nearly all of the remaining 30 percent. There are about 7,000 nutmeg growers, thus the crop is a key to employment in Grenada. Production levels have averaged about five million pounds from 1979-1983. Sales, however, have been lower and at this time the Nutmeg Association has about five million pounds in inventory. Sales in 1983 improved due to a one million pound purchase from the U.S.S.R. as part of a five year trade agreement. This arrangement may not continue, however.

Export prices dropped by almost 50 percent between 1980 and early 1983. In 1981 the Grenada Cooperative Nutmeg Association tried to support grower's prices by drawing on its reserves, but in 1982 producers' prices were reduced by almost 40 percent and the Association's reserves had reached a critical level. These low prices have discouraged farmers from harvesting the current crop.

Mace is a by-product of nutmeg, but more perishable. Mace output, which had remained fairly constant between 1978 and 1981, dropped by about one third in 1982. Mace has not faced the same marketing problems as nutmeg and prices have held up well in recent years.

Other Spices - Cloves and cinnamon account for the largest share of the minor spices. Cinnamon production was 50,000 pounds last year and cloves were 100,000 pounds. Cinnamon is sold regionally (it may not be able to compete in world markets

because of high shipping costs). Cloves, however, offer substantial possibilities in world markets due to good prices, excellent quality and high yields. Canada has been the largest buyer.

Domestic Crops consist mainly of sugarcane, mangoes, avocados, coconut, and fruits and vegetables. Trinidad has been the export market for some of these domestic crops (largely fresh fruits and vegetables). Sales in 1982 were estimated at \$1.7 million. The outlook for future trade is uncertain, however, due to Trinidad's currency and visa restrictions.

Institutional Support to the agriculture sector is provided through growers' associations for bananas, cocoa and nutmeg. These associations are statutory bodies, established by law many years ago. Their purpose is to market the export crops and also provide farm inputs such as fertilizer, technical services, pest and disease control work.

The associations are managed by a board of directors (ten members average), of which 6-7 members were to be elected by the growers and 3-4 were to be appointed by the government. Beginning in 1978, however, the government appointed the entire membership. This has caused serious resentment among growers.

Key Findings: Of most concern, because of the impact on employment and foreign exchange earnings, are nutmeg, bananas, cocoa and the fresh fruit and vegetable trade. Principal problems in the sector include:

-- Infrastructure: Domestic and export markets are seriously limited by the deplorable condition of primary and feeder roads and the shipping facilities. These infrastructural shortcomings cause high transport costs, unreliable service and damaged produce. The result is that small growers cannot specialize and businessmen are unwilling to invest in processing or packaging operations which could add value and improve export earnings.

-- Commodities: The Nutmeg Association has 14 months inventory (5 million pounds, estimated value at \$7 million) in storage due to low world market prices. Also primary markets in Poland have been lost due to balance of payment problems there. The trade agreement with USSR for one million pounds per year for the next five years is not likely to be honored in 1984 because of the rescue mission. Production continues to exceed demand causing further financial pressure on the Association and its bankers.

In recent years, banana production has fallen, due largely to some disease problems and the high cost of imported fertilizers. Yields are low. Geest, the U.K. banana company indicated that it could market up to twice the 1982 production.

-- Government Policy: The principal issue is state ownership and management of farms and processing operations. This has led to an unhealthy business climate which has discouraged needed investment. The state farms which control much of the best land have been low yielding and poorly managed. Grenada Agro Industries, the fruit processing facility, suffers from management turnover, poor quality control, an inappropriate product line and lack of a marketing strategy.

-- Trade Restrictions: Small traders have developed a thriving business in fruits and vegetable sales to Trinidad. However, business has suffered due to recent trade restrictions, visa limitations requiring transit via Barbados and most importantly Trinidad's currency controls. Trade with Guyana may also be hindered in the future due to diplomatic differences over the U.S. rescue mission.

-- Institutional Weaknesses: The Ministry of Agriculture is weak. Research and extension are poor, even with international donor support. The commodity associations have suffered under five years of government control and management. The associations need management and technical advice so they can strengthen their groups and deliver better services to their members.

Recommendations: The principal near term requirement is the sale of nutmeg stock as either a spice or a processed oil. Traditional markets in Europe are slack and U.S. demand prefers the milder Indonesian product. Consequently, countertrade management may be the only means to export the nutmeg surplus. Investment and joint venture opportunities should be promoted to develop a nutmeg oil plant, a cocoa fermentary, packaging of other minor spices and privatization of Grenada Agro Industries, the state owned fruit processing plant.

The new CBI Agribusiness Council of the USDA as well as US Cooperative Associations could be important in rebuilding the managerial and technical capacities of the commodity boards. This would have the additional advantage of strengthening democratic institutions of major importance to the country's small farmers.

INDUSTRY

Background: The traditional business of Grenada is trading. Local manufacturing is small, accounting for three percent of GDP, and concentrated in agribusiness and garments. Only a few highly capable managers remain because past government pressure on the private sector forced substantial emigration. All companies are cash short and bank credit is virtually non-existent. Labor is largely unskilled but trainable with wages averaging \$7 a day. Unions that have been devastated and are currently being reconstituted.

Key Findings:

- Agri-Business: The Caribbean Agro Industries feed mill could be a model for developing Grenada industry. It is very profitable with state-of-the-art equipment, capable management and a joint venture with a major U.S. company. Grenada Agro Industries (GOG owned) produces jam and jellies for domestic and CARICOM markets. The processing plant has severe quality control problems. "The products crawl," to quote one source. There is a critical need for competent management in both production and marketing.

- Garments: Until recently, there were five textile assembly operations in Grenada. Most were simply passing through products made in the Far East, with little value added. All production has been exported to Trinidad. However, Trinidad is now strictly enforcing rules of origin restrictions which prohibit most Grenada exports. Only one plant is operating at present.

- Others: A new joint venture soft drink bottling plant is being developed with a Trinidad company. Delivery of equipment has been delayed due to restrictions imposed by Argentina on export credit insurance of the previous Government.

Recommendations:

- o Assist GOG in developing a new labor code that complies with CBI criteria but does not damage cost competitiveness of Grenada labor for light manufacturing.
- o Encourage GOG to reduce the current effective corporate income tax rate of 85 percent.

- o Identify best prospect Grenadian business ventures and utilize Commerce, OPIC and other networks to find matching U.S. interest, especially for garment industry.

BANKING AND CREDIT

Background: Simply put, the commercial banks have no cash to lend. Other sources of credit, such as insurance companies, are also dry. The central government developed an insatiable appetite for funds and went to the commercial banking sector for relief. According to the recent IMF report, in March 1983 the net credit extended by the commercial banking system to the public sector amounted to roughly 35 percent of total deposits. This percentage was only about 14 percent at the end of 1981. A good chunk (US\$4.3 billion) of the recent increase in the public sector's indebtedness to the commercial banks results from a 1982 increase from 10 percent to 20 percent of "statutory deposits" a requirement that is much like a reserve requirement except that it is collected by the central government, not by a Central Bank. (Grenada, like the other small islands utilizes the Eastern Caribbean Currency Authority for its currency.) Additional credit was extended to the government in the form of purchases of government paper, overdrafts and commercial loans.

While commercial bankers all complained about lack of liquidity and were confident there was unfulfilled loan demand from the productive sectors, they were modest in their projections when pressed for specifics. The consensus appeared to be that US\$8 million, on the outside, was the most that could be loaned over the next 12-18 months. Most of this will go for working capital, as demands on longer term investment capital will necessarily await further proof of economic and political stability and sound project formulation by businessmen who have recently operated with short-term horizons.

Key Findings:

- The Bishop government extracted far too much money from the domestic commercial banking and credit sector for use on its various infrastructure projects and its army.
- There is a critical need for liquidity in the commercial banking sector, but the dollar amount is not high (US\$8 million).

- Lowering the statutory deposit rate from 20 percent to 10 percent and immediately refunding the difference to the banks would provide the liquidity the banks need.
- The government is also indebted to local merchants. If the government were to reduce these debts, it would likely improve the availability of supplier credits within the private sector.

Recommendation: The commercial banks need funds. Mechanisms for correcting this situation need further study to see how one could best channel U.S. assistance, while maintaining some control to ensure that its use benefits domestic investment.

LABOR

Background: Organized labor in Grenada is in serious disarray. Of the seven trade unions, only four now have anything resembling leadership. The umbrella organization, the Trade Union Congress (TUC), has none of its original leadership left. The devastation of the labor movement's leadership occurred in two phases, the first being October 19 when TUC leaders were executed along with Bishop. The second phase followed the rescue mission when some of the most radical leaders were rounded up under the authority of the Governor General.

Only two, perhaps three, of the unions have in the past functioned in a manner that can be considered democratic. The American Institute for Free Labor Development (AIFLD) maintained close contact with these groups during the Bishop years and is on the scene now. The leadership of other unions was radical in the extreme, composed of thugs and highly polished, Soviet Bloc-trained polemicists. The private sector, as a result, is highly suspicious of organized labor in general. The incoming Advisory Council member responsible for labor has little experience in the field.

Key Findings:

- The vacuum in the labor movement's leadership is dangerous and should be filled.
- Union membership will seek direction in the absence of leadership, and will be susceptible to radical organizers.
- The new Government has no competence in labor affairs. There is no labor code, no trained personnel.

- Compliance should be achieved with the CBI designation criterion for labor.
- The private sector is wary of the unions but acknowledges the need to quickly fill the leadership vacuum in order to develop a democratic trade union movement.
- Business is concerned that labor policy as evolved by the interim GOG not handicap Grenada's ability to attract light manufacturing industry under CBI.
- AIFLD has had extensive contact with Grenadian labor, and is developing an extensive plan to reorient and train the labor leadership.

Recommendation: -- AIFLD should take the lead in restructuring and training the unions as quickly as possible. Department of Labor CBI specialist should engage the GOG in discussing a new labor code that meets designation criteria.

HEALTH

Background: The state of health and health services in Grenada is similar to that of other Caribbean nations. The population is marginally healthy, services are inadequate, and overall health care should be improved to provide a reliable labor force.

Health care is provided primarily through direct government service systems with only marginal emphasis on the private or not-for-profit sector. Services are based on the World Health Organization/Pan American Health Organization system of primary and preventative care channeled through 33 local health clinics with additional general hospital and mental health facilities.

Direct health care programs are provided by a total of 500-plus trained staff most of whom staff the general hospital and mental health facilities. Health care to the potential work force is provided by community health nurses and circuit-riding physicians.

Key Findings: Some health problems within the physical environment and work force will adversely affect increased private sector investment in Grenada.

- The rescue mission resulted in the departure of 27 Cuban and Eastern Bloc medical personnel, primarily specialists

and technicians. This represented 40 percent of the medical specialists and technicians on the island and in some fields represented 100 percent of the personnel in those specialities.

- Under-nutrition and gastro-intestinal diseases are not serious, but could adversely affect productivity levels. While common throughout the Caribbean, gastro-intestinal diseases serve to reduce the reliability of the local labor force.
- Sewage systems for individual or firm operations are in need of comprehensive rehabilitation.
- Solid waste disposal is confined to two landfill sites, neither of which use layered earth techniques, both of which are poorly sited and are clearly inadequate for any future expansion associated with private investment.

Recommendations:

- Supply medical personnel through recruitment from voluntary agencies, U.S. Public Health Service, U.S. medical community, Peace Corps and appropriate West Indians and Grenadian expatriates.
- Improve current solid waste disposal operation and develop increased solid waste disposal management capability. Physically, the two existing sites should be improved utilizing better sanitary techniques, load disposal planning, and equipment for both collection and disposal. In addition, basic government capacity for solid waste management needs to be significantly upgraded to deal with increased solid waste volume resulting from greater productive investment.
- Provide Sewage treatment, transmission, and pumping facilities in Morne Rouge/Grand Anse area.

EDUCATION

Background: The educational system of Grenada has produced a semi-literate population with little emphasis on technical job skills or basic management capacity. While only 7-10% of the population has had no formal education, 15-30% of the population are functional illiterates residing primarily in the

rural, agricultural areas. For the private sector investor this implies that unskilled, semi-skilled operations are viable, but hi-tech facilities requiring significant technical job skills probably cannot be supported, without extensive training.

Findings:

- The rescue mission has resulted in the departure of 22 Cuban teachers engaged primarily in secondary school education.
- The physical plant of a significant number of primary and secondary schools has deteriorated.
- The lack of sufficient vocational/technical skills schools and/or business management schools inhibits the ability of the local populace to support increased investment.
- Most teachers have had little graduate training beyond general primary school subjects.

Recommendations:

Short Term:

- Teachers from other Caribbean countries could be utilized in secondary schools to replace departed teachers.
- A labor-intensive program of school maintenance would increase utilization of existing educational facilities.
- Upgrade the quality of teachers in both primary and secondary schools. Better designed in-service training programs can be utilized to upgrade teachers' skills.

Long-Term:

- Peace Corps should continue discussions with interim government to establish a program in Grenada. Special emphasis would be placed on health, education and agriculture.
- Encourage the development of a second vocational/technical skills school. There are currently three times the number of applicants (341) as there are slots (120) for training. A skills center could provide a technical base for supporting private sector investment.
- Encourage the expansion of additional secondary school facilities. Secondary school education should be mandatory in order to produce a trained, employable work force.

IV. BUSINESS OPPORTUNITIES

Background: The Team concentrated on potential opportunities in agro-industry, tourism and light manufacturing. The objective was to determine those areas where USG agencies and the US private sector could be of maximum benefit to the Grenadian private sector.

Key Findings: A number of serious economic constraints affecting the private sector currently exist which, if not immediately addressed, will hinder Grenada's ability to attract both domestic and foreign investment. In the areas of infrastructure, roads, electric, water, harbor and airport facilities will require both short term "fixes" and more importantly, long range solutions.

The problems affecting the financial community include interest rate ceilings and deposit requirements imposed by the GOG, which when combined with extensive government borrowings, have contributed to a severe liquidity crisis. Available capital has been further eroded by the imposition of personal and corporate rates that stifle savings and reinvestment in new plant and equipment. There is almost no long term capital or mortgage finance for hotel rehabilitation. Finally, there are problems of labor productivity and training, inadequate marketing skills, lack of economies of scale, and scarcity of middle-management.

Yet, despite these overwhelming problems, the team found a vibrant, determined, enthusiastic private sector, which asked only for capital, not donor handouts. The Chamber of Commerce is actively working on short and long term plans to revitalize the private sector. These plans will be presented to the interim GOG. In addition, the private sector displayed a considerable interest in US government programs that support business development. They see a business development mission as an opportunity to meet potential partners and as a vehicle to assist in the formation of policy inputs to the GOG.

Recommendations:

Short-Term

- Business Development Mission in December
- Investigate projects
 - (a) Rehabilitation of the Grenada Beach Hotel (old Holiday Inn)

- (b) Small scale new hotel project (30-40 rooms) similar to Galleon Beach Hotel in Antigua recently financed by OPIC
 - (c) Possible expansion or rehabilitation of one or two small hotel facilities
 - (d) Poultry project
- Include Grenada in all business development activities of U.S.G. agencies, such as Commerce's Caribbean Basin Business Information Center
 - invite Chamber officials as keynote speakers for Business Seminars
 - publish report on Grenada business environment in Business America.
 - use active match program to find US companies interested in Grenada opportunities.
 - Increase support of CAIC to the Grenada Chamber of Commerce.
 - Assist CAIC in mounting a business development mission composed exclusively of key Caribbean executives.
 - Engage Commerce Department's Travel and Tourism Administration (TTA) in rebuilding tourism sector through technical and marketing assistance. TTA staff plan to visit Grenada for consultation in December.

Longer-Term

- OPIC/Eastern Caribbean Investment Mission (September 1984) - to include Grenada.
- Business Projects to be investigated:
 - Nutmeg oil project
 - Ornamental plants and leather leaf fern
 - Hot sauce production
 - Expanded production of cloves
 - Renovate rum distillery as tourism attraction
 - Yacht Marina (renovate and expand)

- - Possible sale of GOG enterprises
 - Grenada Agro-Industries
 - Grenada Resorts Corp.
- Textile subcontract manufacturing
- Develop lobster industry

Inter-agency Team Members

Jay F. Morris (team leader)	Agency for International Development
J. Peter Bittner	Agency for International Development
Jay Dehmlow	State Department
Luis Del Rio	Peace Corps
James S. Holtaway	Agency for International Development
Michael McKone	Overseas Private Investment Corporation
William Merkin	Office of the U.S. Trade Representative
Martin Schor	Overseas Private Investment Corporation
Lawrence Theriot	Commerce Department

CBI DESIGNATION OF GRENADA

Following is a preliminary review of the position of Grenada with respect to the designation criteria contained in the CBI legislation:

- 212(b)1 Grenada is not a communist country.
- 212(b)2 There is no history of expropriation or nationalization in Grenada. There is no bilateral treaty governing the settlement of expropriation disputes between the U.S. and Grenada. This is an area which should be explored with the provisional government.
- 212(b)3 There is no history of the Government of Grenada failing to honor an arbitration award. The country is not a signatory to any conventions dealing with arbitration. This is an area which should be explored with the provisional government.
- 212(b)4 Grenada does not provide reverse preferences to any other developed country. It is accorded preferential access to the market of the European Community as a signatory of the Lome Agreement.
- 212(b)5 No publicly-owned entity is engaged in the broadcast of copyrighted material without the consent of the copyright holder. Commitment should be sought from provisional government.
- 212(b)6 There is no history of bilateral dealings with Grenada on narcotics.
- 212(b)7 Grenada is party to an extradition treaty with the U.S.
- 212(c)1 The Government is extremely interested in obtaining CBI designation.
- 212(c)2 Grenada's economic condition warrants designation. The island is heavily dependent on agriculture as its main foreign exchange earner. The per capita income of the island is about \$870.
- 212(c)3 Grenada is a member of the Caribbean Common Market (CARICOM) and offers preferential market access to other CARICOM members. However, the U.S. is a principal supplier of imports to Grenada. It enjoys equitable access to Grenada's markets.
- 212(c)4 Grenada is not a signatory to the GATT, but the agreement is considered to apply to them on the basis of statements of the country made to the United Nations at the time of its independence.

- 212(c)5 Like virtually all Caribbean Basin countries, Grenada offers tax holidays to firms, local and foreign, which are assembling for the export market. In addition, under the terms of both the CARICOM and the Organization of Eastern Caribbean States (OECS) charters, certain industries have been allocated to specific islands. That allocation has rarely been honored. There are no performance requirements enforced by the Government of Grenada.
- 212(c)6 Grenada is a member of CARICOM and OECS. Both organizations were created to foster regional economic cooperation and to improve trade and investment conditions. While neither has been markedly successful, the recent re-awakening of CARICOM may result in some beneficial changes to the regional trading environment.
- 212(c)7 The previous Government of Grenada concentrated its developmental efforts on infrastructure. This resulted in the decline of the agriculture sector and tourism. In addition, there was virtually no new foreign investment in the private sector in the country since 1979. The new provisional government should be asked to address the following:
- (1) signing the GATT agreement in its own right;
 - (2) improving its investment code to make it more attractive to foreign investors and less of a tax burden;
 - (3) reduction of the government's role in the private sector; and
 - (4) the elimination or reduction in the restrictions on the repatriation of capital.
- 212(c)8 Workers in Grenada enjoy the right to organize and bargain collectively. Work place conditions need to be monitored.
- 212(c)9 Virtually no information is available on the practices of the Government of Grenada with respect to Intellectual Property. This should be explored fully with the provisional government.
- 212(c)10 There is no known private rebroadcasting of U.S. copyrighted material going on in Grenada. Commitments should be sought from the provisional government.
- 212(c)11 We have no reason to believe that the Government of Grenada will not fully cooperate in the administration of this law.

KEY CONTACTS IN GRENADAPrivate Sector

<u>Name</u>	<u>Title/Position</u>	<u>Organization/Firm</u>
Richard Menezes	President	Chamber of Commerce
Geoffrey Thompson	Vice President	Chamber of Commerce
Geoffrey Comissionong	General Manager	Barclays Bank
Gullian Thompson	Executive Director	Grenada Hotel
Richard Grey	Owner	Cinnamon Hill Hotel
Royster Hopkins	Owner	Blue Horizons Hotel
Barbara Stein	Owner	Secret Harbor Hotel
Chester Hinkson	Manager	Bank of Nova Scotia
George Williams	Director	Westhall Estate Ltd (Rum Distillery)
William Otway	Grenada Representative	L.I.A.T.
Andre Cherman	General Manager	Grenada Beach Hotel

Public Sector

<u>Name</u>	<u>Title/Position</u>	<u>Ministry/Organization</u>
Lauriston Wilson	Director General	Finance
Terry More	Director General	Planning
Hyacinth McMillan	unknown	Planning
Anthony Boatswain	unknown	Industry
Algernon Antoine	unknown	Trade
Aldwyn Ferguson	Deputy General Manager	Marketing & Import Board
Michael Kirtin	unknown	Sugar/Rum Industry
Jayne Belfon	Director	Tourism
Robin Smith	Director	Pt. Salines Airport

Public Sector

<u>Name</u>	<u>Title/Position</u>	<u>Ministry/Organization</u>
Robin Renwick	Director	Nutmeg Growers Asso.
Robert Ferguson	Director	Minor Spices Asso.
Lloyd Benjamin	Local Representative	GEEST Company
Norbert Arnold	Director	Cocoa Association
Morris Mathlin	Manager	Grenada Bank of Commerce
Michael Archibald	Manager	National Commercial Bank

International Community

<u>Name</u>	<u>Title/Position</u>	<u>Organization</u>
Norberto Ambros	Director Grenada Office	OAS
Samuel Singh	Deputy Director Industry Division	Caribbean Development Bank
Thomas Gatcliffe	President	Caribbean Association of Industry & Trade (CAIC)
Patterson Thompson	Director	CAIC

Statement on Grenada by Chamber of Commerce

S O C I A L P R O B L E M S

There are many social problems which must be immediately addressed. All aspects of employment, Education, Health, Housing, Cultural, Social and Sporting activities must be carefully examined. In this respect our recommendations are:-

- (A) EMPLOYMENT: All existing non-political programmes and projects should be continued with the objective of maximizing local labour content. These and new projects are identified subsequently.
- (B) EDUCATION:
1. There is an immediate need for additional skilled teachers. Local personnel should be fully utilized and augmented from abroad. Additionally, teacher training programmes, both local and overseas, must be examined, improved and expanded.
 2. Skills training and technical schools allowing for attendance by working persons must be expanded and improved. Special emphasis must be given to equipment, training aids and other facilities.
 3. Existing island-wide sport facilities must be improved and provision made for their continued maintenance. Consideration should also be given to the construction of a National Sports facility in the near future. There is also an urgent need for coaches, staff training and scholarships in the various disciplines.
 4. A thorough review must be made of the existing Day-Care programme with particular reference to facilities, staffing, pre-school learning aids, sanitation and nutrition.
 5. Programmes for adult literacy and CXC/CCE qualifications should be examined, continued and expanded.
 6. Existing school feeding programmes should be examined and expanded where necessary.
 7. Encouragement should be given to the development of Youth and Civil organizations through the provision of training and financing.
 8. The system for truant control must be made more effective.

(C) HEALTH:

The nation's health facilities and services are grossly inadequate. We propose that the following be examined, expanded and updated.

1. Hospitals and Health Clinics
2. Laboratories and Diagnostic Facilities
3. Dental Services
4. Personnel recruitment and training
5. Preventive medicine programmes

6. Public Health, i.e. Vector Control. Garbage Disposal, Solid Waste management and Sewerage treatment.

7. Nutrition Education.

We also strongly recommend the relocation of Richmond Hill institution and the General Hospital. Intensive Care facilities are needed for Grenada and Carriacou. A fully equipped mobile health clinic to ensure medical examination of all school children annually.

- (D) CULTURE: There is a need to further the development of indigenous culture. An essential element in this regard is the establishment of a centre for the visual and performing arts and the provision of instructors equipment and materials.
- (E) HOUSING: Low cost housing programmes should be continued but with provision for financing erection on personal property. The existing house repair programme should be expanded.

E C O N O M Y

Economic development of the nation has been heavily influenced by ideological considerations. Regressive laws and policies have stifled the growth and development of the country as part of a deliberate plan to eliminate the Private Sector. Drastic corrective action and assistance are needed immediately in the following areas:-

- (a) Infrastructure
- (b) Agriculture
- (c) Tourism
- (d) Commerce and Industry
- (e) State and Parastatal bodies

INFRASTRUCTURE

- (1) Point Salines International Airport: The contribution of this facility to Tourism, Agriculture, Industry and Employment generation cannot be over stated. Consequently, we consider it imperative that this airport be made operational by 1 October 1984.
- (2) Electricity: National productivity and industrial development cannot be increased without guaranteed 24-hour electrical supply island-wide. Alternative sources should be speedily identified and exploited. Special attention should be given to hydro-electrical potential.
- (3) WATER: The health of the nation and the development of Tourism and Industry are dependent on the provision of pipe-borne water at all times. Existing programmes for harnessing and treating water should be accelerated to coincide with phased development. Consideration should be given to the development of micro-dams for irrigation for off-season agricultural use and fish farming.
- (4) TELEPHONES: Immediate consideration should be given to the advisability of continuing with the introduction of the cross-bar system taking into account the future dependence for parts and personnel training from the G.D.R. An alternative Digital System should be examined.
- (5) ROADS: The island's roads are in a state of total disrepair. Immediate steps must be taken to repair and reconstruct main roads, secondary roads and feeder roads. The Carenage sea defence and road projects should be completed.

124

- (6) CENTRAL GARAGE: This project should be re-examined with view to getting it back on stream as quickly as possible.
- (7) PORT DEVELOPMENT PROJECT: The Port Development Project should be completed as scheduled.
- (8) PUBLIC TRANSPORT SERVICE: Public transportation should be organized to provide for:
 - (a) Scheduled service on all routes.
 - (b) Evening and nights service.
 - (c) Rationalization of fare structures.
- (9) RADIO AND TELEVISION: The audio visual media should be reinstated with safeguards to prevent party political exploitation. Privatization, if feasible, is preferred.

AGRICULTURE

This has traditionally been the back bone of the economy of the country and is the largest single employer of labor. Over the past years there has been a decline in productivity, effective management, reinvestment and market accessibility. Concurrently, there has been an increase in praedial, larceny, pests, and diseases. Immediate attention should be paid to the following:

- (1) NUTMEG: The loss of traditional markets has resulted in the build up of an unprecedented surplus of stocks. Arrangements for the immediate purchase of all of this stock will put capital into the hands of the farming community. The producer organization (C.C.N.A.) should be returned to the control of the producers. The problem of nutmeg wilt disease should be researched and resolved. Primary processing should be investigated.
- (2) COCOA: The CIDA rehabilitation project should be accelerated. The producer organization (G.C.E.B.) must be returned to the control of the producers. The pest and disease programs should be boosted and primary processing investigated.
- (3) BANANAS: This industry needs to be resuscitated immediately with a view to attaining and passing the production levels of 1968. In this connection the MOKO disease eradication program must be accelerated. The growers association (G.B.C.S.) must be brought under farmers control. The weekly payment year round gives the farmers the cash flow to enable them to pay labor and maintenance costs.

- (4) EXOTIC FRUITS, NUTS, AND ORNAMENTALS: These crops with regional and world-wide market potential should be introduced and aggressively pursued as a means of diversification.
- (5) ANIMAL PRODUCTION: Large and small stock should be increased to meet local needs. The development of the existing genetic farm should be strengthened.
- (6) FISHERIES: Individually owned small boat fishing should be encouraged as recommended in the Artisanal Fisheries Project. Additionally, aquaculture based on existing technology readily available in the French West Indian Islands and Central America should be introduced.
- (7) FORESTRY: Since the hurricane of 1955, our lush forestry was destroyed and little has been done to restore it due to a lack of expertise, planning, and capital. The reforestation is vital to the preservation of our watershed and future supplies of fresh water for our economic development. This should particularly include the planting of exotic hard woods for economic use. A drying kiln is vital to the development of the exotic hard wood industry.
- (8) STATE FARMS: Serious consideration should be given to the return of state farms to private farmers. This is the most significant means of maximizing the agricultural potential of the island.

TOURISM

Tourism has never recovered from its decline from 1973 and since 1979 has gradually disintegrated completely due to ideology being ranked above economic consideration. As a result of this decline the existing hotel plant is run down. All auxiliary facilities are in an equally parlous condition. This industry has the greatest rapid growth potential for short and long term employment, for net hard currency generation, and economic stimulation. We strongly recommend the following:

- (1) Long term investment and loan capital for rehabilitation and expansion of existing plant and related tourist amenities. Public sector activities in areas affecting the industry must be given immediate fiscal assistance.
- (2) Steps must be made to attract at least two international chains to establish hotels in Grenada. In addition to this, special incentives and funding should be given to local entrepreneurs to establish owner-managed small up-market hotel. An additional 1500 rooms are

required over the next three (3) years to ensure the viability of major airline service.

- (3) Very careful attention should be paid to market and market segment selection in addition to the proper zoning and quality of the tourist plant. There are several existing studies to which reference could be made. Fiscal assistance is urgently required for market penetration and rebuilding image in the free market economies, particularly North America. Seventy percent of all Caribbean visitors are from the U.S.A.
- (4) All off shore land and marine attractions should be preserved as national resources, protected, and developed.
- (5) All small properties under the Resort Corporation (G.R.C.) should immediately be returned to private enterprise. Consideration should be given to the larger hotels returning to the private sector or operating under management contracts.
- (6) Resident Tourism: This form of tourism has in the past generated primary and secondary employment and contributed substantially to foreign earnings. This form of tourism, discouraged in the past, should be re-examined.
- (7) Yachting: Grenada was the center of Southern Caribbean Yachting in the past, with as many as 150 yachts based at the Yacht Marina, where formally the best facilities were available. Yachting is now in the same parlous condition as the other tourist facilities. Every effort should be made to restore Grenada as a major yachting center.

COMMERCE AND INDUSTRY

If commerce is to diversify into industry, it must first regain its viability. The regressive policies of the last administration placed a strangle hold on the commercial sector area providing wide employment and a major tax base, and reflects a viability directly related to the economy. A vibrant, forward looking commercial sector has the skills and experts vital to the stimulation and rapid development of the economy. In order to resuscitate the commercial sector the following are recommended:

- (1) Immediate review of all taxes and duties and the contingent short and medium term support for the treasury.
- (2) Close examination of the disposition and liquidity of the commercial banking sector.

- (3) Immediate availability of medium and long term development finance. Traditional lines of credit must be re-established and expanded.
- (4) Creation of an Industrial Development Corporation.
- (5) Review of Investment Code's restrictions incentive.
- (6) Examination of the possibility under the CBI of encouraging the relocation of Far Eastern (Hong Kong) light industry with joint ventures in Grenada.
- (7) Creation of industrial parks and financing of factory shells as one of several means of encouraging light industry.
- (8) Creation of cottage industries to stimulate productive participation island-wide.
- (9) Exploration and exploitation of continental shelf and territorial marine acreage.
- (10) Consideration to be given to the establishment of a free port industrial area in the medium and long term
- (11) Review of the activities of the Grenada Marketing Board with a view to confining their operations to marketing fruit and vegetables and returning all other activities to the private sector.
- (12) Insurance Companies: The compulsory levy presently paid to government should be reallocated as funds available for general long term development of the economy.

STATE & PARASTATAL ENTERPRISES

This sub-sector has greatly proliferated during the last administration. A thorough review should be made of these enterprises, with a view to returning to the private sector all undertakings best suited to their management skills and interests and confining to state management those areas normally reserved in a free enterprise system to the Government of the country.

We recommend the following be removed from state control:-

- (1) Grenada Resorts Cooperation
- (2) Grenada Banana Co-operative Society
- (3) Grenada Co-operative Nutmeg Society
- (4) Grenada Cocoa Association
- (5) Minor Spices Co-operative
- (6) Free West Indian
- (7) Agro Industrial Plant
- (8) Fish Processing Plant
- (9) Grenada Sugar Factory
- (10) Television & Radio (with partial state subsidy)

In addition we recommend the merging of the two (2) state banks - Grenada Bank of Commerce and National Commercial Bank with provision made for public equity participation.

Project Profiles1. Spice Processing

Project Description: Grinding and packaging of nutmeg, mace cinnamon and cloves.

Required U.S. Inputs:

Plant Manager
 Technical Training
 Bottling & Labeling Equipment
 Shipping Boxes & Labels
 Small Truck

Local Inputs:

Nutmeg, mace, cinnamon, clove
 Labor
 Water
 Power

Estimated Costs:*

Land and Building	\$ 75,000
Equipment	100,000
Working Capital	75,000
Contingency (20%)	50,000
Total	<u>\$300,000</u>

2. Integrated Poultry Operation

Project Description: Hatchery, grow-out facility, freezing and/or chilling plant.

Required U.S. Inputs:

Management
 Technical training
 Equipment
 Fertile eggs
 Vehicles
 U.S. feed grains

Local Inputs:

Labor
 Feed (some)
 Land
 Water
 Power

2. Integrated Poultry Operation (continued)

Estimated Project Costs:*

Land & Buildings	\$200,000
Equipment	300,000
Working Capital	100,000
Contingency (20%)	
Total	<u>\$720,000</u>

3. Hotel Renovation

Project Description: Grenada Beach Hotel (formerly Holiday Inn)
184 rooms
100% government owned could be bought,
leased or joint ventured from government.

Requirements: Rooms need rehabilitation
New kitchen
Rehabilitation of public areas
Working capital

Estimated costs:* \$1.5 to \$2.0 million for building recon-
struction, equipment, working capital
and contingency.

4. Cocoa Liqueur

Project Description: Semi-processed liquid chocolate.

Required U.S. Inputs:

Plant Manager
Technical Training
Processing Equipment
Bulk Containers
Fork Lift
Medium Size Truck

Local Inputs:

Cocoa
Labor
Water
Power

Estimated Project Costs*

Land & Buildings	\$100,000
Equipment	300,000
Working Capital	100,000
Contingency (20%)	100,000
Total	<u>\$600,000</u>

41

5. Leather Leaf Fernary or other Cut Flowers

Project Description: Planting, grow-out, harvesting and distribution of shade grown fern for U.S. and European industries.

<u>Required U.S. Input</u>	<u>Local Input</u>
Management	Labor
Technical Training	Land
Equipment	Wood
Plastic Shade Cloth	Water
Fertilizer and Fungicides	Power
Shipping Boxes	
Stock Plants	

Estimated Project Costs:*

Land (5-10 acres)	\$ 25,000
Building (packing shed)	15,000
Shade Cloth (anchors & wire)	100,000
Stock Plants	100,000
Working Capital	100,000
Contingency	60,000
Total	<u>\$ 400,000</u>

6. Essential Oil (from nutmeg)

Project Description: Processed oil as a base for the manufacture of perfume and flavorings.

<u>Required U.S. Inputs:</u>	<u>Local Inputs:</u>
Plant Management	Labor
Technical Training	Land
Equipment	Nutmeg
Bulk Packaging	Water
Package and Shipping Supplies	Power
Small Truck	

Estimated Costs:*

Land & Building	\$ 50,000
Equipment	250,000
Working Capital	75,000
Contingency	75,000
Total	<u>\$ 450,000</u>

7. Small Hotel Expansion: 30-40 additional rooms.

Project Description: Potential local expansion facilities
Cinnamon Hill
Twelve Degrees North
Secret Harbor Inn

Required U.S. Inputs:

Furniture and Fixtures
Electrical and Air Conditioning
Technical Training
Management Training
Marketing and Promotion
Kitchen and Public Areas Equipment

Local Inputs:

Land
Current Facilities
Power
Water
Labor
Local Furnishings
(if available)

Estimated Project Costs:

Costs will vary dramatically depending upon conditions of existing facility.