GENERAL
LC/CAR/G.774
12 January 2004
ORIGINAL: ENGLISH

REPORT OF THE MEETING ON THE FREE TRADE AREA OF THE AMERICAS: SELECTED ISSUES, PROSPECTS AND IMPLICATIONS FOR SUBREGIONAL GROUPINGS

Table of contents

REPORT OF THE MEETING ON THE FREE TRADE AREA OF THE AMERICAS: SELECTED ISSUES, PROSPECTS **AND IMPLICATIONS FOR SUBREGIONAL GROUPINGS**

Introduction

The Economic Commission for Latin America and the Caribbean (ECLAC) convened a two-day meeting on the Free Trade Area of the Americas: Selected issues, prospects and implications for subregional groupings on 17-18 November 2003. The meeting was co-sponsored by the Association of Caribbean States (ACS).

The purpose of the meeting was to analyze key issues pertaining to the conformation of the Free Trade Area of the Americas (FTAA).

The FTAA negotiations, which are expected to be completed in the year 2005, involve 34 countries with significant differences in size, population, economic structure, economic performance, stability and welfare. Member countries also belong to different regional groupings with heterogeneous degrees of integration and external orientation. Countries exhibit no other common denominator than that of belonging to the Americas in the broadest sense of the term and to have, to some varying extent, their external sectors closely linked to the United States economy.

The FTAA negotiation process is part of a global tendency towards the adoption of unilateral liberalization policies. Outward oriented policies will expose the productive sectors of small economies' to external competition. A greater degree of external exposure accompanied by the appropriate regulation and legislation may enhance the productivity and efficiency of dynamic economic sectors. But it may also result in inevitable output and employment losses in other areas of economic activity. Moreover, as the extension of time periods to comply with multilateral trade rules are exhausted and trade restrictions are progressively phased out, small economies will eventually see, with a few exceptions, most of their trade preferences erode.

However, trade liberalization could also be viewed from another angle - as an opportunity for countries to analyze their export performance and export strategies and ultimately reposition their productive potential to compete in the world economy.

The expert group meeting placed emphasis on the English-speaking Caribbean considered the perspective of the non-English speaking Caribbean as well as that of other regions such as Central America. In particular, as the attached agenda indicates, the meeting addressed:

- The effects and implications of the FTAA for regional subgroupings;
- Export promotion policies: Strategies, instruments and impact;
- The analysis of selected key exporting sectors;
- The use of a trade database to assess the evolving performance of regional free trade agreements.

Agenda item 1:
Welcome and opening remarks

Welcome and opening remarks were delivered by the ECLAC representative, Mr. Esteban Pérez; the Secretary-General of the ACS, Dr. Norman Girvan; the Chairman of the ACS Special Committee on Trade Development, His Excellency Carlos Isidro Echeverría, Ambassador of the Republic of Costa Rica in Trinidad and Tobago; and by the main advisor to the Minister of Trade and Industry, Mr. Kenneth Valley.

Dr. Norman Girvan highlighted the importance of the collaboration between the ACS and ECLAC. He also analyzed some of the key concerns regarding the effects and implications of the FTAA for smaller economies, and emphasized how the ACS had paid attention to the special and differential treatment needs of smaller States in the Greater Caribbean, as 21 countries of the ACS were considered small. In particular, Dr. Girvan made reference to the manner in which it had been incorporated and applied in the World Trade Organization (WTO) and how it could be applied within the context of the Free Trade Area of the Americas. Dr. Girvan referred to a research paper elaborated at the request of the ACS by a group of researchers of the University of the West Indies (UWI) on specific provisions on Small and Preferential Treatment that could be incorporated in the FTAA.

Ambassador Echeverría mentioned the importance of trade as an engine of growth and development to the proliferation of regional and bilateral free trade agreements and re-emphasized the benefits of well-administered free trade. However, countries needed to adjust to reap the benefits of the FTAA and to be able to sustain these benefits. In the opinion of the Ambassador, the growing number of free trade agreements was part of the process of liberalisation and globalization. Caribbean Community (CARICOM) economies were also undergoing a process of external liberalisation and international integration as evidenced by the recent free trade agreement between CARICOM and Costa Rica, which had yet to enter into force.

The representative of the Ministry of Trade and Industry, noted the importance of the FTAA for Trinidad and Tobago and how it could positively affect the economic and social well-being of the country. She urged participants to take stock of the globalization and trade liberalization processes of their States. She also asserted that free trade and regional free trade agreements had winners and losers among countries and within countries and that a regional free trade agreement such as the FTAA should include mechanisms to avoid excessive losses and gains. She indicated that smaller economies were at a disadvantage since they were denied the benefits of development through economies of scale. She also reasserted the crucial importance of special and differential treatment as a guiding principle for the smaller economies in the negotiations of the FTAA. Countries must also enhance their competitiveness through the equipment of a workforce, the restructuring of the workforce, and the strengthening of the national entrepreneurial class.

The representative of ECLAC thanked the ACS for endorsing the meeting and making it a reality. The ACS had collaborated in organizing the expert group meeting and drafting its programme, thereby demonstrating its commitment to the event and to the efforts undertaken by ECLAC within the region (to ECLAC's mandate).

He noted that the meeting had assembled leading experts from the Caribbean and Latin America region and experts from the government, private sector, regional and international organizations and the diplomatic corps and that its purpose was to deepen the understanding of key conceptual and practical issues of the FTAA. He urged all participants to speak and to voice their comments, thoughts and questions at the personal rather than the institutional level.

He stated that the meeting would focus on the following six areas:

- The macroeconomic context for free trade agreements;
- Issues, effects and implications of the FTAA;
- The experience of subregional groupings with free trade agreements (The case of Central America);
- Export promotion policies: Strategies, instruments and impact;
- The linkages between free trade agreements, export promotion and sectoral policies;
- The use of a trade database to assess the evolving performance of regional free trade agreements.

The first area analysed the initial conditions and how these could shape the outcome of free trade arrangements.

The second examined some of the main issues, effects and implications of the FTAA for Caribbean CARICOM economies. It also considered, when relevant and for comparison purposes, the cases of non-independent territories. The document excluded speculative or normative analyses and focused instead on those variables, and aspects which could be derived or ascertained from the existing empirical evidence. This involved examining, among others, the patterns of intra and extraregional trade in goods and services, and market access conditions for the major export products of CARICOM. It also meant examining the relationship between imports and tariffs and determining the extent to which CARICOM Caribbean governments were dependent on trade taxes and how import liberalisation would affect them.

The third focused on the long-term relationship between export performance and economic growth in three Central American countries during 1950-1999. The econometric results supported the view that the external sector had been a key determinant on these countries' long-term rate of economic expansion. It also suggested that the trade liberalization episodes implemented since the mid-1980s have been associated with very different impacts on these countries' long-term rates of economic expansion. The implications of these results for trade liberalization strategies and the possible impact of a Free Trade Agreement of Central America with the United States were then examined.

The fourth area centered on the analysis and assessment export promotion policies in the case of CARICOM Caribbean economies. It sought to answer three questions: what were the objectives? what were the instruments? and what was the impact?

Following this line of analysis, the fifth area linked export promotion to sectoral policies using three examples, tourism, information technology and the petroleum industry. The first two were regional studies. The third focused on Trinidad and Tobago.

The last issue to be addressed in the meeting was the development of instruments that could help to analyze and monitor the development and impact of free trade agreements. To this end, the programme contemplated the presentation of ECLAC's Caribbean Trade Database which incorporated the export and import of commodities from a set of Caribbean countries to and from the world countries at the individual level and grouped by region and preferential trading arrangements. The database included a series of indicators to gauge the trade competitiveness of countries and products.

The ECLAC representative expressed his wish that the expert group meeting would shed additional light on the kinds of analysis that would deepen an understanding of free trade agreements and allow a faster and more informed policy decision-making process. Finally, he indicated that it could help to broaden the public awareness surrounding fundamental issues that countries and, in particular, smaller economies faced in their negotiations of free trade agreements. Greater familiarity with these was a further step leading to the analysis and evaluation of the resources committed to the development of accurate social and economic data and analysis, which was a key public good.

Agenda item 2: Procedural matters

The meeting coordinator briefly outlined the role of the working groups and asked participants to introduce themselves and indicate the organizations and institutions that they represented.

Agenda item 3: Adoption of agenda and organization of work

The agenda was adopted by participants.

Agenda item 4: Introduction and presentation of the macroeconomic context for regional free trade agreements by ECLAC

The representative of ECLAC made a presentation on the Macroeconomic Context for Regional Free Trade Agreements, which comprised four parts. The first included the rationale for taking into account the macroeconomic conditions in the analysis of free trade agreements. The second part dealt with the stylised macroeconomic facts of Caribbean countries. The third part focused on the institutional configuration and its implications for free trade agreements. The fourth part centred on the implications of macroeconomic conditions for free trade agreements. The main justification for the analysis of macroeconomic conditions was that trade was inevitably linked with the macroeconomy. They constituted an organic whole. As a result the initial conditions might, in fact, determine the extent to which a free trade agreement might benefit a participating member.

The main stylised facts included low and volatile growth; impending macroeconomic balances in some of the countries considered; the stagnation of domestic investment and the increase of foreign direct investment as a percentage of GDP and the increase in the debt levels especially in the case of the economies of the Organisation of Eastern Caribbean States (OECS). Finally the institutional configuration could also play an important role in the determination of the initial conditions. In the particular case of the Caribbean countries, the government played a crucial role in their economic and social life and even in some countries determined not only fiscal policy but also the conduct of monetary policy.

The main implications of the relationship between macroeconomics and trade was that free trade agreements could not pay attention only to trade issues but should also consider the state of the macroeconomy. More specifically, the need for the analysis of the interrelationship between trade and finance was highlighted. The analysis should address a key issue. That is, finance would obviously facilitate the development of trade but should finance and liquidity precede trade? Was trade ultimately a liquidity issue?

Participants noted that perhaps the indicators of macroeconomic performance should back the process of preferential trading arrangements and asked whether there was a need for new institutions to deal directly with the problems of liquidity. It was also pointed out that inter-temporal comparisons of macroeconomic variables were subject to severe limitations. As an example, the economic performance of the Caribbean in the past two decades relative to its performance in the 1950s reflected the current macroeconomic constraints. Thus, the choice of years of selection might significantly influence the results of the analysis. Finally, participants pointed out that in the last decade, Central America was able to diversify its exports relative to the Caribbean. The analysis of trade and macroeconomics should be able to explain why some countries were able to diversify exports and become successful exporters and others were not.

Agenda item 5:
Presentation of ECLAC paper on
The implications of the FTAA for regional subgroupings: The case of CARICOM

Mr. Esteban Pérez presented the ECLAC paper: The implications of the FTAA for regional subgroupings: The case of CARICOM.

The document was divided into seven sections. Following the introduction, the second section described, albeit briefly, the main issues that were found in the Free Trade Areas literature. The third section introduced the FTAA participants highlighting their economic and social disparities. The fourth section centered on the FTAA underlying principles as stated in the most important legal texts. The fifth section focused on the institutional and economic context of CARICOM. This section described the state of progress in the creation of the Single Market and Economy (SME) and the main traits on intraregional trade. The fifth section examined CARICOM's extraregional performance in goods and services in relation to FTTA trade partners. The sixth section analysed the potential effects of tariff reductions focusing on price and government revenue effects. The final reflections were found in the conclusion.

In its conclusion the paper stated that the trade pattern of CARICOM economies was characterized by a rising intraregional trade share and a declining extraregional market share. The gain in the intraregional market had been accompanied by a concentration of trade in a few countries and products. In addition, intraregional trade was dominated by primary commodities and the products that had registered the most significant intraregional growth were highly protected and their supply structure was non-competitive. At the same time that CARICOM countries had gained in intraregional market, share they had registered an important process of divergence in their economies. CARICOM economies had not converged over time and their business cycle was unsynchronized.

CARICOM economies had lost market share in the most important extraregional markets, the United States and Europe. Both external and internal factors explained this trade performance. External factors included greater competition and special and differential trading arrangements that had not met expectations. Internal factors included mainly the lack of clear export policy and strategy and lack of coordination between internal and external policy objectives.

The volume of trade of CARICOM economies with FTAA member States was minor and for the most part concentrated in the larger economies such as Canada, the United States, Mexico, and Venezuela. Central America also turned out to be an important trade partner relative to the other subregional groupings. CARICOM economies registered on average a trade deficit. In spite of the low trading volume and unfavorable trading conditions the import-export similarity indices indicated that there existed the potential for increasing trade between CARICOM and the rest of the FTAA.

In terms of services CARICOM economies had a higher level of specialization than most FTAA groupings. For purposes of comparison within the American hemisphere, the non-independent territories had the highest index of specialization in services. The decomposition of service export by different sub-category showed that travel represented more than three quarters of the total. Yet in spite of a high and increasing level of specialization in services, CARICOM economies lost market share in services, in general, relative to the FTAA countries in the aggregate and in particular in tourism.

Within the FTAA the market access conditions to CARICOM's major trading partner, the United States, was shaped by preferential market access conditions embodied in five different import programmes. Import programmes were important for the smaller economies of CARICOM comprising half of the exports to the United States. However, at the aggregate level the majority of exports to the United States did not enter under any of the special United States import programmes. Nonetheless, under the No Special Import Programme, CARICOM

Caribbean exports entered duty free or with very low duties. The same rules applied in the case of the non-independent territories.

One of the main known effects of the FTAA would be the reduction in tariffs. The empirical evidence presented showed that the reduction in tariffs was unlikely to significantly affect import growth. Rather the reduction in tariffs would force those governments whose equilibrium in the fiscal accounts depended on tariffs to widen the tax base. This would mean a reduction in the amount of tax exemptions and as a result might provoke a conflict between trade integration and the freedom of government to pursue domestic policy objectives.

This inevitable conflict, the impact of the FTAA on intraregional trade flows and firm structure, and the growing awareness that a key issue in trade liberalisation was not import growth but export promotion, might in fact be the most important outcomes of the FTAA. These were also the ones that needed the most significant and pressing attention by CARICOM governments. In the case of non-independent territories the conformation of the FTAA need not affect their export performance as long as they were able to maintain their current market access conditions to the United States.

Participants highlighted the importance of the fact that there was no alternative cost effective way to collect tax revenues. It was largely a problem of the OECS, that of fiscal vulnerability. One participant also asked whether the disparity in actual collection of tax revenues rates and the nominal collection rates meant that that rate should be lowered. In addition concerns were raised in relation to the insignificant correlation between imports and prices which some participants felt to be strong in some economies in particular in the natural base resource economies.

Agenda item 6:
The experience of subregional groupings with free trade agreements:
CARICOM and Central America

Under agenda item 6, Alvaro Sarmiento, Adviser to the Secretary General of the Secretariat of Central American Economic Integration (SIECA) made a presentation on Central American Integration.

The Central American regional integration process, which produced an increase in intraregional trade, was originally guided by the Central American countries' objective to seek the conformation of a Central American Common Market. This objective was adopted in 1960 following a series of attempts to increase the existing level of integration among these economies. These attempts included the formation of a customs and monetary union. Initially as it was delineated, the Central America Common External Market strategy sought to integrate the countries commercially with the long-term view of pursuing the more complex goal of economic integration.

Although Central American countries made some progress especially during the 1980s in the reduction of internal and external trade barriers, commercial integration among its member States remained a distant and, according to some, an unrealistic goal.

Low growth, high levels of indebtedness and the internal situation of Central America shifted the whole integration process to a low gear and, indeed, it became a 'second rank' priority goal. The 1990s saw a renewed impetus to advance towards a Central American unity. It was the product of the efforts of Guatemala and especially El Salvador.

The 1990s push for integration led by El Salvador and Guatemala focused mainly on the implementation of the Central American Common Market tariff parameters. The aim of a more complete commercial and, eventually, economic integration remained on the countries agendas but only, and in most cases, at the formal level. Commercial and economic integration other than the common external tariff became part of the regular political speeches and in many cases the main subject of the Central American heads of government meetings.

The most that this attempt at a deeper level of integration accomplished was the gradual adoption of legal texts aiming at the harmonization of trade legislation among Central American countries to comply with multilateral trade obligations. These legal texts included the Central American Agreement on normalization measures, metrology and proceedings (1999); the agreement of sanitary and phitosanitary measures and proceedings (1999); the Central American agreement on safeguard measures (1996); and the Protocol to the Central American Agreement for the Protection of industrial Property (1999). It also led to the regular computation of convergence indicators.

The Central American Common External Tariff was perfected between 1992 and 1996. It consisted of a tariff floor (0 %) for capital goods and a ceiling applied to final consumer goods (15%). It also distinguished between inputs and final goods. All Central American countries adopted, with different tariff reduction calendars, the parameters of the Central American Common Market (0% and 15%). The last Central American country to adopt it was Honduras in 2001.

The Common External Tariff has a number of exceptions, most of them contained under the so-called list A. Presently the list A includes two products, sugar cane and coffee not roasted, whose trade restrictions apply to all Central American countries and a series of bilateral restrictions.

Other exceptions not included in list A but agreed upon by the Central American countries included tires, footwear, and textiles and apparel. The push for intraregional free trade was accompanied by regulations concerning safeguard clauses and rules of origin. Most of these were eliminated because they were used as a means of targeting the development of specific firms and industries. In addition, Central American countries had a tendency to impose *ad hoc* trade restrictions often as a result of political retaliation or pressure and political lobby of a specific group of producers pertaining to a given activity. Central American countries decided to

---

[1] Joaquín Chamorro was the editor a well known Nicaraguan free press daily.

periodically publish these restrictions as an attempt to increase the transparency of the Central American integration process.

More recently, the discourse on integration changed its focus towards a Customs Union and not a Common Market. However, in spite of the adoption of similar tariff parameters and the adoption of a more realistic integration goal, the Customs Unions, not all tariff items have been harmonized. According to SIECA (2003) 77% of all tariff lines had in fact been harmonized. This corresponded to Part I of the Central American Tariff Schedule. Parts II and III do not have the same tariff code, nomenclature and import tariff.

SIECA's presentation was followed by a paper jointly written by Esteban Pérez and Juan Carlos Moreno on: 'The long-run relationship between export performance and economic growth in Central America: implications for trade liberalization and free trade agreements.'

This paper analyzed the long-run relationship between export performance and economic growth in three Central American countries, Costa Rica, El Salvador and Guatemala during 1950-1999, (i.e. the recent years 2000-2002 of slowdown in the world economy were excluded). The cointegration analysis supported the view that the external sector had been a key determinant on these countries' long-run rate of economic expansion. It also suggested that the trade liberalization episodes implemented since the mid-1980s had been associated with a very different impact on these countries' long-run rates of economic expansion. The implications of these results for trade liberalization strategies and the possible impact of a Free Trade Agreement of Central America with the United States were then considered.

The paper examined the relationship between export performance and economic growth using a balance-of-payments growth constrained model. Briefly, the approach stated that a country's economic growth was essentially determined by two factors: (a) the effect on the rest of the world's income-elasticity for the country's exports; and (b) the country's income-elasticity of imports. The balance-of-payments model had important implications for trade negotiations and the trade liberalization proposals that could ensue from these negotiations. In particular, it stated that tariff and non-tariff barriers to foreign trade would bring about an improvement in the country's economic growth potential if the boost to its export sector more than compensated any slowdown in its "non-export" sector.

The important issue, from a policy perspective, was how to ensure that trade agreements and trade liberalization could promote economic growth. On this matter the econometric results presented indicated that Central American countries' long-term growth potential could be improved by changing the composition of their tradable output mix towards goods for which the world's -and perhaps their local economies- demand was highly elastic to income. Thus, they should ensure that trade negotiations became a vehicle to strategize policies that improved their technological prowess, innovative skills and scientific capacities.

As the paper showed, the structural differences in the three Central American economies' response to trade liberalization processes had significant implications for the impact that a FTAA might have on the tendency to converge in their growth paths. In fact, it showed that, jointly with other factors, in the last two decades (when trade liberalization was initially put in place and implemented) the expansion of the United States demand had a tendency to increase the gap between Costa Rica and the other countries in the region. These results suggested that an exogenous expansion of external demand might lead to an intensification of regional divergence in economic growth in Central America. Such a conclusion might imply that the Free Trade Agreement, per se, might not be sufficient to ensure such convergence and a faster rate of economic growth in Central America.

The discussion following both presentations focused on the power relationships in trade negotiations and in particular on the fact that larger and industrialized economies could reap greater benefits than smaller economies from free trade agreements. It was also pointed out that free trade agreements and their provisions should respond to the trade needs of the member States. Participants also noted that the presentation by SIECA seemed to indicate that there was a private sector push in the Central American Common External Market and a government response to increase the market access for companies and that it would be interesting to know how the government and private sector were able to synchronize their efforts.

Agenda item 7:
Presentation of ECLAC paper on export promotion, objectives, instruments and impact: The case of CARICOM

Esteban Perez presented the ECLAC paper on export promotion, objectives, instruments and impact. The case of CARICOM.

This document described, analyzed and assessed export promotion policies in the case of CARICOM Caribbean economies. The document is was divided into six sections. Following the introduction, the first section provided the context for export promotion policies by analyzing how size and geography could shape export promotion efforts and their outcome. The second section focused on CARICOM Caribbean economies' export promotion objectives. The argument in this section was that smaller economies pursued three types of export promotion objectives. These were to secure markets, to maximize foreign exchange earnings, and to promote product recognition. Securing markets, which was analyzed at the national and regional levels, involved niche-market production for non-traditional products and preferential market access for traditional products. The exception to the rule was Guyana that had managed to create an ethnic niche-market for its agricultural products. The section also argued that smaller economies did not pursue, with a few exceptions, export diversification.

The third section examined the institutional setting and instruments for export promotion policies. For historical reasons and also due to the constraints imposed by small size, the government rather than the private sector was the major export promotion agent. The instruments for export promotion included the Common External Tariff, fiscal incentives, government capital expenditure, export financing schemes and trade diplomacy.

The fourth section analysed the implications and impact of export promotion policies. It maintained that CARICOM Caribbean economies had lost market share in the goods market for their major extraregional markets and had gained market share at the intraregional level. In the services sector and in particular in tourism, CARICOM Caribbean States had also lost market share to the lower costs producers such as the Dominican Republic, Puerto Rico and Mexico.

The paper concluded by stating that export promotion policies were to a great extent shaped by the specificities of smaller economies. The objectives of export promotion policies included mainly securing extra-and intraregional markets for their export products, and the promotion of export activities that attracted foreign direct investment and foreign exchange earnings. The instruments of export promotion were guided by the government and comprised fiscal incentives, government capital expenditure, and trade negotiations. At the intraregional level the main export promotion tool was the common external tariff.

The analysis of export performance showed that the export promotion objectives had been, at most, partially fulfilled. CARICOM Caribbean economies were still struggling to capture market niches. More important, these economies had, for the most part, lost market share in the United States and Europe, in spite of preferential market access conditions. Contrarily the intra-regional market had expanded significantly.

Foreign direct investment flows, which helped to soften the consequent balance of payments constraint, had not necessarily been wholly beneficial to the development of these countries' economies. Indeed, the evidence showed that while foreign direct investment had increased, domestic investment had stagnated. In this sense, it could be hypothesized that foreign direct investment rather than being a complement to domestic investment had in fact displaced it.

Export promotion tools met with mixed levels of success. The Common External Tariff jointly with the Chaguaramas Revised Treaty rules of origin managed to promote intraregional trade but at the same time maintained an inefficient structure of trade. Government capital expenditure faced an important management constraint, while fiscal incentives proved to be a costly alternative, representing in some cases 5 % of GDP. Trade diplomacy faced the challenge of defining with precision the rational for asymmetric treatment.

The ongoing process of globalization and broader regional integration would reduce CARICOM countries' flexibility and narrow the economic and political leverage for export promotion policies. Most important, the tariff reduction that would accompany greater regional integration would force countries to widen the tax base thus reducing the scope for fiscal incentives and in general for discretionary economic policy.

A presentation was then made by the representative of the Jamaica Promotions Corporation (JAMPRO) on the Jamaican Experience in export promotion. JAMPRO included 800 registered exporters in Jamaica with 60 small-and medium-sized enterprises as core clients, and had registered US$6 million in exports from core clients and US$16 million in local sales from core clients. The role of JAMPRO had changed over time. In 1995 it was an Economic Development Agency with 390 employees; in 1998, its focus was export development and investment promotion and the number of employees was downsized to 100; and in 2003, it focused on supporting investment and trade and the number of employees was further reduced to 75.

JAMPRO attempted to provide: (i) access to market research; (ii) diagnostic services; (iii) business plan development, packaging and presentations; (iv) strategic marketing advice; (v) enterprise development services; (vi) trade policy advocacy; (vii) export-related information services; (viii) policy management services; (ix) facilitation of trade show participation; (x) production support; and (xi) funding assistance. Jamaica still needed to develop its competitiveness potential and exhibit a pattern of export growth that did not necessarily coincide with the growth in world trade. The development of Jamaica's competitiveness required the coordination of programmes and that of programmes and institutions. The desired strategy could combine several elements among which the most important were: (i) aggressive market development for large champion exporters; (ii) the establishment of links between small champion exporters and larger companies; (iii) product development in declining sectors; (iv) the identification of investment opportunities in champion sectors; and (v) efficient import displacement. The current challenges for JAMPRO included the need to justify its existence to tax payers; the management of a trade support network; changing in the perception of export activities and finding foreign exchange earnings investment with employment growth potential.

Participants expressed the need to analyze not only export performance but also import performance in future research. Exports and imports were simply two sides of the same coin. During this session representatives from other export promotion and investment agencies, the Trinidad Development and Investment Corporation (TIDCO) and the Barbados Development and Investment Corporation (BDIC) made short presentations on the activities of both institutions.

TIDCO, which had been in existence for nine years, initially focused on helping companies to develop their export potential. Currently the activities centered on marketing of exports of goods and services. The export promoting tools included trade fairs, missions, websites and export directories. TIDCO also helped to facilitate the development of exports through a series of trade agreements and administrated domestic investment and the policy of fiscal incentives.

Besides providing export facilitation services, which included export market research, market identification, market development, and marketing support the BDIC offered an Export Grant Incentives Scheme (EGIS). The EGIS was oriented to firms, which had the potential to generate foreign exchange from exporting, and which had an export development or marketing plan. The EGIS was a reimbursable grant scheme and supported a variety of export activities at different stages of their development ranging from marketing studies to sales missions. The EGIS offered two refund categories. The first one provided export assistance equivalent to 50% of direct costs of each approved export promotion activity. The second addressed exporters involved in BIDC-sponsored projects to non-CARICOM countries, first time exporters and small businesses and provided grants up to a maximum of 75% of the direct cost of each corresponding approved activity.

The BDIC operated with 209 companies. Only 23% of the total showed a real export potential. The export assistance provided by EGIS was far from being significant enough to shape and facilitate the export success of the member companies.

The BDIC had a design center helping the companies to design a corporate image for international marketing and this received a good response from Barbados firms. The services provided by BDIC were free and companies received an 80% rebate on their foreign trips to trade missions.

Agenda item 8:
The linkages between Free Trade Agreements and export promotion and sectoral policies: The Caribbean case

Agenda item 8 included the presentation of three papers dealing with policies in three important export sectors: information technology, tourism, and the petroleum sectors. The presentations were articulated around three issues: the evolution of policies; the objectives and the impact. The presentation on the information technology sector was delivered by Dr. Lester Henry of the University of the West Indies (UWI). The tourism sector was presented by ECLAC. Michael Z. John, Head, Strategic Planning, Petroleum Company of Trinidad and Tobago (PETROTRIN) made the presentation on the petroleum sector.

Sectoral policies: Information and communications technology. Trends, policies and impact, 1985-2002

This paper examined the trends, policies and impact of the Information and Communication Technologies (ICT) sector in the Caribbean. This issue was important because the adoption, use and proliferation of ICTs could contribute to enhancing economic growth, reducing the income gap between rich and poor, and hence, impacting positively on poverty reduction. Some even went further and argued that the successful adoption of ICTs would result in developing countries "leapfrogging" more advanced countries in certain areas. The ICT sector could be defined as "a combination of manufacturing and services industries that capture, transmit and display data and information electronically". This was the definition agreed upon by the Organization for Economic Cooperation (OECD) countries since 1998. In the Caribbean, the major emphasis was on the services aspect of this definition since, in most cases, the manufacturing sector in terms of ICTs, was very small.

There was widespread acknowledgement throughout the Caribbean that the use and enhancement of ICTs could have a positive impact on development in the region, and in many ways, was a necessary step toward moving to developed country status. In this regard, Section 2 examined the ongoing debate of the impact of ICT on growth and its potential for poverty reduction. In Section 3, a review of the main developments and trends in ICT policies in the region was presented. An analysis of issues in measuring the impacts and implementation of the ICT policies was done in Section 4. Section 5 concluded with a brief summary.

---

[2] OECD (2002, p19) (www.oecd.org/sti/measuring-infoeconomy)

[3] These are standard World Tourism Organisation definitions.

Caribbean tourism, trends, policies and impact, 1985-2002

This paper provided an overview of the structure and performance of the Caribbean tourism sector. Importantly, it evaluated the role of policies and strategies as they impact and on the growth and competitiveness of the sector. Although the paper was not definitive on the subject, it provided some initial work on aspects of the industry that were not the typical focus of research. These included industrial structure, evaluated in terms of size, concentration, economies of scale and scope, competition and market types, for example, oligopoly. Further the paper, examined the concept of clusters as it applied to the industry and the possibility of promoting virtuous cycles of technology, information and innovation spill-over from these clusters.

Following the introduction, the paper was divided into nine sections. Section 1 presented an overview of recent trends and developments in the sector. Section 2 evaluated the forces driving changes in demand in the sector including demand in the stay-over, cruise and yachting subsectors. Section 3 focused on the structure of the industry. Section 4 assessed the development of clusters in the industry and how they contributed to competitiveness. Section 5 evaluated the extent and critical role of linkages-backward and forward in the industry. Crucially, section 6 examined the policies and strategies that policy makers had implemented to drive growth and reform in the sector. Reflecting its growing importance, section 7 analysed the role of information and communication technology as a catalyst for change in the sector. Section 8 provided some policy recommendations for fostering a dynamic, competitive and sustainable sector with greater domestic ownership and welfare. The final comments and reflections were found in the conclusion.

The petroleum sector: The case of Trinidad and Tobago. Trends, policies and impact, 1985-2002

This study reviewed energy policy in Trinidad and Tobago over the period 1985-2002, a period of declining economic performance, structural adjustment and eventual recovery premised on gas-based industrial development. The purpose of the study was to examine developments in the oil and gas sector under successive governments during the period. It outlined the policy goals and instruments used to implement the stated policies. It concluded with a discussion of the impact on various sectors.

The discussions that followed the presentations focused on the role of the information communications as a tool to facilitate trade and to reduce poverty; the liberalisation of energy;

[4] See, H. W. Armstrong and R. Read Microstates and Subnational Regions: Mutual Industrial Policy Lessons. International Regional Science Review 2, 1: 117-147 (January 2003).
[5] Tourism is in fact one the most liberalised sectors under the General Agreement on Trade in Services (GATS).
[6] See, WTO. Trade Policy Review. OECS-WTO Members Report by the Secretariat. WT/TPR/S/85. 2001. The GATS commitments by OECS countries included bounding market access for the development of hotels exceeding 50 rooms. Some restrictions were applied to commercial presence. St. Vincent and the Grenadines was the only member state having made commitments with respect to travel agencies, tour operators, and tourist service guides.

and the Caribbean pipeline. Participants also pointed out the challenges faced by the tourism sector including the need to upgrade the customer services, infrastructure and the need to lower costs.

Agenda item 9:
Presentation of the ECLAC Trade Database

The last item on the agenda was the presentation of the Caribbean trade database, which was a software programme designed to analyze trade flows between Caribbean countries and the rest of the world and also among Caribbean countries. The database was developed by the ECLAC Subregional Headquarters for the Caribbean and funded by the Government of the Kingdom of the Netherlands and included data for most of the countries from 1995 to 2001 and provided a series of indicators to gauge the performance of exports and imports and evaluated competitiveness. Since it was a database in the process of construction, not all of the trade and competitiveness indicators were available.

Participants agreed that the trade database constituted a significant step forward for the Caribbean region and that it should be actively publicized among Caribbean countries to make it available to governments so that it became a widely used tool of analysis.

Summary and conclusion

Concluding remarks were delivered by His Excellency Juan Carlos Echeverría, Ambassador of Costa Rica, Mr. Luis Noriega on behalf of the ACS and Esteban Pérez on behalf of ECLAC. The speakers thanked participants for their attendance and contributions. They all agreed that the expert group meeting had provided many excellent ideas for future research on the FTAA, export promotion policies and regional integration. In concluding, Esteban Perez expressed the hope that participants would continue to collaborate with ECLAC in implementing the research agenda.

List of participants

Jeanine-Marie Dupigny, Manager, Trade and Investment, Tourism and Industrial Development Company of Trinidad and Tobago Ltd. (TIDCO), 64-70 Park Plaza, St. Vincent Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-3981 Ext. 27; Fax: (868) 625-3977; E-Mail: jdupigny@tidco.co.tt

His Excellency Ambassador Carlos Isidro Echeverria, Chairman of Trade Development, ACS Committee, Embassy of Costa Rica, 3rd Floor, SAGICOR Financial Centre, 16 Queen's Park West, Port-of-Spain, Trinidad and Tobago. Phone: (868) 628-0652/53; Fax: (868) 622-4862; E-Mail: emticatt@trinidad.net.

Tracy Evans, Lecturer, Institute of International Relations, University of the West Indies, St. Augustine Campus, St. Augustine, Trinidad and Tobgao. Tel: (868) 662-2002/2011 Ext. 3237, Cell: 682-4287; Fax: (868) 663-9685; E-Mail: tevans@fss.uwi.tt. or tevans@diplomacy.edu

Kevin Finch, Economist, Central Bank of Trinidad and Tobago, Eric Williams Complex, Independence Square, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-4835; Fax: (868) 625-8895; E-Mail: kfinch@central-bank@org.tt.

Marie Freckleton, Lecturer, Department of Economics, University of the West Indies, Mona Campus, Kingston 7, Jamaica. Phone: (876) 977-1188; Fax: (876) 977-1483; E-Mail: marie.freckleton@uwimona.edu.jm

Janet Furlonge, Senior Trade and Investment Officer, Tourism and Industrial Development Company of Trinidad and Tobago Ltd. (TIDCO), Level 4 Park Plaza Building, 64-70 St. Vincent Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-3981 Ext. 41; Fax: (868) 625-3977; E-Mail: jfurlonge@tidco.co.tt.

Professor Norman Girvan, Secretary General, Association of Caribbean States (ACS), 5-7 Sweet Briar Road, St. Clair, Port-of-Spain, Trinidad and Tobago. Phone: (868) 622-9575; Fax: (868) 622-1653; E-Mail: ngirvan@acs-aec.org.

Anthony Peter Gonzales, Director, WTO Affairs, Caribbean Regional Negotiating Machinery (CRNM), 3rd Floor, The Mutual Building, Hastings Main Road, Hastings, Christ Church, Barbados. Phone: (868) 632-1362; Fax: (868) 632-7829; E-Mail: agonzalv@wow.net

Reena Gopaul, Export Promotion Officer, Tourism and Industrial Development Company of Trinidad and Tobago Ltd. (TIDCO), 64-70 St. Vincent Street, Level 4 Park Plaza, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-3981 Ext. 45; Fax: (868) 625-3977; E-Mail: rgopaul@tidco.co.tt.

Michael Z. John, Head, Strategic Planning, Petroleum Company of Trinidad and Tobago (PETROTRIN), PETROTRIN Administration Building, Pointe-a-Pierre, Trinidad and Tobago. Phone: (868) 658-3941; Fax: (868) 658-5210; E-Mail: Michael.John@petrotrin.com

Giselle Mark-Green, Senior Economic Development Officer, Tourism and Industrial Development Company of Trinidad and Tobago Ltd. (TIDCO), 10-14 Phillips Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-3981 Ext. 30; Fax: (868) 625-3977; E-Mail: gmark@tidco.co.tt.

Juan Carlos Martinez Piva, Association of Caribbean States (ACS), 5-7 Sweet Briar Road, St. Clair, Port-of-Spain, Trinidad and Tobago. Phone: (868) 622-9575; Fax: (868) 622-1653; E-Mail: jmartinez@acs-aec.org.

His Excellency Mr. Lorne T. McDonnough, High Commissioner of Jamaica to Trinidad and Tobago, High Commission of Jamaica, 3 Newbold Street, St. Clair, Trinidad and Tobago. Phone: (868) 622-4995-7; Fax: (868)622-9043; E-Mail: jhctnt@tstt.net.tt.

Anna Mohammed, Director of Marketing, , S. M. Jaleel & Co. Ltd., Biljah Extension Road, 9 Endeavour Industrial Estate, Uriah Butler Highway, Trinidad and Tobago. Phone: (868) 665-6425/7 Ext3117; Fax: (868) 665-6046; E-Mail: anna@chubbysd.com

Terrence Ian Nivet, Marketing Director, Trinidad Salt Co. Ltd., P. O. Bag 238, 1st Avenue South, Chaguaramas, Trinidad and Tobago. Phone: (868) 634-4343/4358/4381; Fax: (868) 634-4460; E-Mail: tscltd@tstt.net.tt.

Luis Alberto Noreiga, Director, Association of Caribbean States (ACS), 5-7 Sweet Briar Road, St. Clair, Port-of-Spain, Trinidad and Tobago. Phone: (868) 622-9575; Fax: (868) 622-1653; E-Mail: lnoriega@acs-aec.org.

Natalie Paul-Harry, Export Promotiom Officer, Tourism and Industrial Development Company of Trinidad and Tobago Ltd. (TIDCO), 64-70 St. Vincent Street, Level 4 Park Plaza, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-3991 Ext. 37; Fax: (868) 625-3977; E-Mail: npaulharrry@tidco.co.tt

Xavier Prens, Representative, Netherlands Antilles, Relations Relations, Embassy of the Kingdom of the Netherlands, 69-71 Edward Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-1610; Fax: (868) 625-1704; E-Mail: Xavier.Prens@gov.an

Lincoln Price, Manager, Corporate Affairs, Jamaica Promotions Corporation (JAMPRO), 18 Trafalgar Road, Kingston, Jamaica. Phone: (876) 978-3337 Ext. 2109; Fax: (876) 987-7855; E-Mail: lprice@jamprocorp.com.

Ronald Ramkissoon, Senior Economist, Republic Bank of Trinidad and Tobago Ltd., 9-17 Park Street, Port of Spain, Trinidad and Tobago. Phone: (868)623-1056; Fax: (868)624-1323; E-mail: rramkissoon@republictt.com

William Robinson, Representative, Inter-American Development Bank (IADB), 17 Alexandra Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 622-8800; Fax: (868) 622-6047; E-Mail: billrob@iadb.org.

Antonio F. Romero Gómez, Coordinator for International Trade Negotiations, Permanent Secretariat, Latin American Economic System (SELA), Torre Europa, Piso 4, Avenida Francisco de Miranda, Urbanizacion, Campo Alegre, Caracas 1060, Venezuela. Phone: 58-212-951-2968; Fax: 58-212-951-5292; E-Mail: aromero@sela.org

Indera Sagewan-Alli, c/o Institute of International Relations, University of the West Indies, St. Augustine Campus, St. Augustine, Trinidad and Tobgao. Phone: Fax: (868) 675-3492; E-Mail: inderasagewan@hotmail.com.

Usha Samsundar, Territory Manager, S. M. Jaleel & Co. Ltd., Biljah Extension Road, 9 Endeavour Industrial Estate, Uriah Butler Highway, Trinidad and Tobago. Phone: (868)665-6425/7 Ext3117; Fax: (868)665-6046; E-Mail: usha@chubbysd.com

Garnet Samuel, Economist II, Central Bank of Trinidad and Tobago, Eric Williams Complex, Independence Square, Port-of-Spain, Trinidad and Tobago. Phone: (868) 625-4835; Fax: (868) 625-8895; E-Mail: gsamuel@central-bank.org.tt.

Ramesh Sarabjit, Acting Senior Economist, Ministry of Trade and Industry, Level 14 Riverside Plaza, Besson Street, Port-of -Spain, Trinidad and Tobago. Phone: (868) 623-2931-4; Fax: (868) 624-9594; E-Mail: rsarabjit@tradeind.gov.tt

Álvaro Sarmiento, Asesor del Secretario General, Secretaria de Integracion Economica Centroamericana (SIECA), 4[a] Avenida 10-25, Zona 14, Cuidad de Guatemala, Guatemala. Phone: (502) 368-2151/4; Fax: (502) 368-1071/333-4617; E-Mail: asarmiento@sieca.org.gt.

Susan Singh-Seerattan, Senior Economist, Ministry of Trade and Industry, Level 14 Riverside Plaza, Besson Street, Port-of -Spain, Trinidad and Tobago. Phone: (868) 623-2931-4; Fax: (868) 624-9594; E-Mail: sseerattan@tradeind.gov.tt

Trudy Teelucksingh, Royal Bank of Trinidad and Tobago

Clive Y. Thomas, Director, Institute of Development Studies, University of Guyana, IDS, Turkeyen Campus, P.O. Box 10110, Georgetown, Guyana. Phone: (592) 222-5409; Fax: (592) 222-5551; E-Mail: cythomas@guyana.net.gy.

Sonja Trotman, Manager, Research, Planning and Information Division, Barbados Investment & Development Corporation (BIDC), P. O. Box 1250, Pelican House, Princess Alice Highway, Bridgetown, Barbados. Phone: (246) 427-5350; Fax: (246) 426-7802; E-Mail: strotman@BIDC.ORG.

Sharon-Ann Gopaul-,McNicolls, Advisor to the Minister of Trade and Industry, Ministry of Trade and Industry, Level 14 Riverside Plaza , Besson Street, Port-of-Spain, Trinidad and Tobago. Phone: (868) 623-2931-4; Fax: (868) 627-8488.

Tania Wilson, Trade Analyst, Caribbean Regional Negotiating Machinery (CRNM), 5th Floor Citibank Building, 63 Knutsford Boulevard, Kingston 5, Jamaica. Phone: (876) 754-7989/90; Fax: (876) 754-7988; E-Mail: tania.wilson@crnm.org.

ECLAC system

Lancelot Busby, Economic Affairs Officer. Phone: (868) 623-5595 Ext. 2218; Fax: (868) 623-8485; E-mail: lbusby@eclacpos.org.

Michael Hendrickson, Associate Economic Affairs Officer. Phone: (868) 623-5595 Ext. 2224; Fax: (868) 623-8485; E-mail: mhendrickson@eclacpos.org

Asha Kambon, Social Affairs Officer. Phone: (868) 623-5595 Ext. 2221; Fax: (868) 623-8485; E-Mail: akambon@eclacpos.org

Helen McBain, Economic Affairs Officer. Phone: (868) 623-5595 Ext. 2305; Fax: (868) 623-8485; E-mail: hmcbain@eclacpos.org.

Esteban Perez, Economic Affairs Officer. Phone: (868) 623-5595 Ext. 2304; Fax: (868) 623-8485; E-mail: eperez@eclacpos.org.

Donatus St. Aimee, Economic Affairs Officer. Phone: (868) 623-5595 Ext. 2217; Fax: (868) 623-8485; E-Mail: dstaimee@eclacpos.org