REPORT OF ECLAC SUBREGIONAL WORKSHOP
ON
TRADE IN SERVICES

St. John's, Antigua and Barbuda
10-12 March 1987
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REPORT OF ECLAC SUBREGIONAL WORKSHOP
ON
TRADE IN SERVICES

INTRODUCTION

1. This report summarizes the presentations and discussions of the Subregional Workshop on Trade in Services, held at the Jolly Beach Hotel, in St. John's, Antigua and Barbuda, from 10-12 March 1987.

2. The workshop was convened by the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), Subregional Headquarters for the Caribbean, with support from the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), and the Organisation of Eastern Caribbean States (OECS).

Opening session

3. The feature address was given by the Hon. Lester Bird, Deputy Prime Minister and Minister for Foreign Affairs, Government of Antigua and Barbuda. Other addresses were given by Mr. Swinburne Lestradre, Director, Economic Affairs Secretariat, Organisation of Eastern Caribbean States (OECS), and Mr. Wilfred Whittingham, Deputy Director, Economic Commission for Latin America and the Caribbean (UNECLAC), Port-of-Spain. The Opening Session was chaired by Mr. St. George Joiner, Economic Affairs Officer (Trade), ECLAC, Port-of-Spain, and Co-ordinator of the Workshop. The text of the address of the Deputy Prime Minister is appended to the report. (See Annex I).
Objectives of the workshop

4. Development objectives
   a) to provide Caribbean countries with an opportunity to undertake a detailed re-examination of their national economies and to evaluate the economic and social significance of the services sector to national and subregional economic growth and development;
   b) to assist countries in the subregion in developing a joint position with respect to the deliberations on services in international fora.

5. Immediate objectives
   a) to examine the role of trade in services and its impact on the national economies of the Caribbean countries;
   b) to enhance the capacity of governments to formulate policies that will strengthen their external trade sectors;
   c) to establish mechanisms for increased co-operation and for joint co-ordinated activities at the subregional level; and
   d) to provide a training opportunity for public and private sector personnel in the services industry.

Participants

6. Given the objectives of the workshop, it was necessary to ensure the participation of high-level policy-making personnel from both the public and private sectors. Consequently, participants were invited from ministries of finance and international trade, planning divisions, financial institutions, insurance companies, shipping and other maritime related companies, and appropriate national, subregional and international agencies.

7. A list of participating countries, organizations and individuals is given in Annex II.

Structure of the workshop

8. The programme of the workshop is given in Annex III and the list of documents in Annex V.
Introductory remarks

9. The Chairman of the opening session, Mr. St. George Joiner, ECLAC, on behalf of the Secretary General of the United Nations, the Administrator of the United Nations Development Programme (UNDP), the Secretary General of the United Nations Conference on Trade and Development (UNCTAD), and the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), welcomed the Deputy Prime Minister of Antigua and Barbuda, the Hon. Lester Bird, the Director, Economic Affairs Secretariat, Organisation of Eastern Caribbean States (OECS), Mr. Swinburne Lestrade, the consultants, participants from both the public and private sectors and representatives from regional and international organizations. Mr. Joiner thanked the Government of Antigua and Barbuda for their kind assistance in enabling the workshop to be held in their country. He also expressed gratitude to the OECS for collaborating closely with ECLAC in organizing the workshop and to UNDP and UNCTAD for their financial and technical support. He then introduced the first speaker Mr. Swinburne Lestrade (OECS).

10. Mr. Lestrade welcomed the opportunity which the workshop provided for institutional collaboration between ECLAC and the OECS. ECLAC, he said, was one of the institutions with which the OECS had developed an effective collaborative relationship over the past few years. In that regard, he paid tribute to the useful work that had been carried out by Mr. Silbourne Clarke, UN ECLAC/CDCC-OECS Co-ordinator.

11. In referring to the services issue, Mr. Lestrade noted that by making the services a focal point of its attention, ECLAC had found itself a niche of important and unexplored territory, an area where technical examination of the issues from a Caribbean perspective was very much needed, yet one where practically no work was being carried out on a continuing and coherent basis. For that, he added, ECLAC was to be applauded.
12. Mr. Lestrade then focused on the importance of the services sector to the economies of Caribbean states. Policy-makers needed to be sensitized at a more basic level to the services issue and they could be assisted by an attempt to demonstrate ways in which the interests of Caribbean countries could be affected by the course of international economic negotiations. It was important, Mr. Lestrade added, that the workshop, particularly for the OECS countries, attempted to advise policy-makers on the potential that various service industries might hold for their growth prospects, the extent to which serious effort should be put into targetting the growth of particular service industries and the pitfalls that might attend strategies for the development of those industries. The programme for the workshop suggested that the above expectations could be satisfied.

13. The Deputy Director of the Economic Commission for Latin America and the Caribbean (ECLAC), Subregional Headquarters for the Caribbean, Mr. Wilfred Whittingham, noted that the ECLAC work programme on international trade and finance focused on countertrade, trade finance, trade in services with specific attention given to trade promotion and trade information. He said that most of the English-speaking Caribbean countries were classified as producers of primary goods yet their services sector had made a significant contribution to their economies over the years. Caribbean countries, he noted, had not developed to international standards the kind of services that were exportable.

14. Mr. Whittingham informed participants that the decision to include trade in services in the work programme of ECLAC came about because of a general preoccupation in the General Agreement on Tariffs and Trade (GATT) with the services question. He noted that recent studies had confirmed that the services component of external trade transactions contributed significantly to economic growth and development at the national, regional and international levels. He also pointed out that as a result of all those developments, the ECLAC Subregional Headquarters for the Caribbean undertook a systematic analysis of the potential of the services sector in the Caribbean.
15. In concluding, Mr. Whittingham outlined the structure and objectives of the workshop and highlighted the main features of others planned. He said that the workshop on transportation, insurance and financial services would be followed by one on technology, management consultancy and engineering services, telematics and transborder data flows. That workshop would be held in collaboration with CARICOM. The third workshop would be on real estate services, tourism and educational services, subject to the availability of funds.

16. The feature address was given by The Honourable Lester Bird, Deputy Prime Minister and Minister for Foreign Affairs, Government of Antigua and Barbuda. He drew attention to the scarcity of information on services and their contribution to economic development. He also regretted "the apparent retreat of intellectual forces in the Caribbean from the forefront of Caribbean planning and creativity". Mr. Bird then called for a resurgence of Caribbean intellectual forces to the forefront in formulating a common Caribbean position on the question of trade in services.

17. The Deputy Prime Minister also called for the rapid computerization of activities in the Caribbean so that the subregion would not be caught lagging behind in the future. He alluded to the differences of views between the developed and developing countries on the services question and to the notion held by some governments that a trade-off between goods and services might well be in the offering. He also noted that the OECS countries were still to agree on accession to GATT.

18. The Deputy Prime Minister then proposed the insertion of three items on the future agenda for Caribbean governments. They were:

   a) that governments understand better the contribution of services to the development process in their countries;
   b) that OECS member governments undertake national studies on services in collaboration with ECLAC and the OECS secretariats; and
   c) that Caribbean governments urgently establish a team of experts who would undertake the preparation of the subregion's position in the GATT Multilateral Trade Negotiations.
Review of regional and international developments on trade in services

19. The first working session of the workshop considered a review of recent regional and international developments on trade in services.

20. Mr. Miguel Rodriguez-Mendoza, Latin American Economic System (SELA), presented a paper on "The United States, Latin America and the International Debate on Trade in Services". The presentation reviewed the debate that had taken place so far in GATT, and then continued with a discussion of United States objectives and strategies in the services sector. That was followed by an analysis of the importance of the sector to the United States economy. Finally, the presentation considered Latin America's position on services, evaluated the significance of the sector for the region and proposed courses of action to be taken in international negotiations.

21. Mr. Rodriguez-Mendoza noted that the United States made its interests known on services in the late 1970s. From then on, spurred by a number of private interest groups, the United States raised the issue at an OECD ministerial meeting on services in 1981. The Declaration adopted by that ministerial meeting included a section on services. The United States was supported by Japan, the United Kingdom and the Federal Republic of Germany. Since then, many more industrialized countries had supported the United States. The developing countries initially were opposed to the United States' proposal but there had been some weakening in their collective position. Meanwhile, a number of national studies on services had been submitted to GATT. During 1984 and 1985 preparatory work was done and in 1986, in Punta del Este (15-21 September 1986), the Uruguay round was launched. It was agreed there to include services in the negotiations but to accord it different treatment to the protocol on goods.

22. After the above review, Mr. Rodriguez-Mendoza then evaluated the significance of the services sector for the United States economy. The United States, he noted, was the main exporter of services. In 1980 its service exports amounted to US$35 billion. The United States wanted to expand that export base by eliminating restrictions limiting the operations of United States companies in third countries. To understand United States objectives better, one had to examine the Trade and Tariff Act of 1984.
That act contained provisions on trade in goods, services, technology, investment and the protection of intellectual property - subjects which the United States had presented at GATT in 1982. The United States options other than the negotiations within GATT included unilateral action against countries that had restrictive trade practices in services and the conclusion of bilateral treaties on services.

23. For the Latin American region, Mr. Rodriguez-Mendoza said that the services sector was also very important. Services provided employment for 40 per cent of the labour force in the region and contributed about 60 per cent to regional Gross National Product (GNP). What countries in the region needed to do was to combine resources to prepare adequately for the negotiations. That would serve to off-set the trend towards bilateralism, leading to the granting of concessions in lieu of multilateral efforts and co-ordination among all countries.

24. The next speaker was Mr. Manuel Agosín of the United Nations Center of Transnational Corporations (UNCTC) who presented a paper on "Transnational Corporations in the Service Sector, including Transborder Data Flows". In it, Mr. Agosín took up definitional and statistical problems related to services and discussed, inter alia, the difficulties related to foreign direct investment. He then proceeded to discuss the growing importance of services in foreign direct investment in both the developed market economies and the developing countries. In the developed market economies, a substantial shift towards services in the sectoral composition of investment abroad had taken place. That shift had been especially noticeable in the United States, United Kingdom, Japan and the Federal Republic of Germany. Statistics on the composition of investment in services by industry were scarce. They also differed greatly in their coverage. In developing countries that were hosts to foreign direct investment in services, the poverty of statistics and their method of compilation and presentation made it difficult for broad trends in foreign direct investment in services to be assessed. Nonetheless he said that some broad conclusions could be drawn.
25. Transnational service corporations had been expanding their activities particularly in the areas of banking (notably off-shore banking) and insurance. On the relative importance of foreign direct investment and trade in delivering services to foreign markets, Mr. Agosin cited a report of the Centre which indicated that based on United States data, foreign direct investment was considerably more important than trade. In 1982, United States exports of private non-factor services amounted to $32 billion compared to $183 billion of sales to United States affiliates abroad.

26. Finally, Mr. Agosin reviewed developments in the data services industry and then considered some policy issues, indicating the role of the United Nations Centre on Transnational Corporations.

27. Mr. H.G. Rohlehr (CARICOM) presented the next paper: "A Review of Activities Lending Towards the Development of the Services Sector in the CARICOM Economies". He described the events in GATT and UNCTAD in the services area. With respect to UNCTAD, he informed the workshop that Jamaica, Barbados and Trinidad and Tobago had indicated to UNCTAD their intention to undertake national studies on services and had requested assistance. The CARICOM States, Mr. Rohlehr added, were generally opposed to the inclusion of services in the new round of GATT. To assist them in the GATT negotiations, national studies would have to be undertaken. Mr. Rohlehr then reviewed what he called the "methodology" for undertaking national studies.

28. Details on the national seminar held in Jamaica in June 1986 were given and special mention was made of CARICOM's work on services. Some of the recommendations of the Jamaica seminar were also reviewed. Those recommendations, he added, were later endorsed by the CARICOM Common Market Council at its twenty-eighth meeting.

29. Finally, Mr. Rohlehr referred to activities planned by CARICOM for 1987. They included, inter alia, the organization of a workshop in May/June on management and engineering consultancy services and information systems services.
30. In the discussions following the presentation of the reviews, a number of questions were asked and comments made by participants. Because of restrictions on the length of the report, only a few would be reported on. One question was on the definition of trade in services. In response, Mr. Rodriguez-Mendoza (SELA) said that while the GATT negotiating group on services decided to consider this question, no formal definition had emerged. He said that developing countries should attempt to offer their own definitions. In replying to another question on whether trade in services had been restricted to non-factor services, Mr. Agosin (UNCTC) informed participants that that was not so. He added that the inclusion of factor services in the GATT negotiations could have unfavourable repercussions.

31. Another participant asked about the specific disadvantages to Caribbean states if they did not participate in the GATT negotiations on trade in services. Mr. Rohlehr (CARICOM) replied that CARICOM member states had not taken any decision on trade in services. He said that it was not in their interest to hastily adopt a position since the lack of specific information on the subject made it difficult to consider the advantages and disadvantages of the sector. He warned that there was no necessity to accede to the demands and requirements of the industrialized countries.

Transport services

32. The second session of the workshop examined the role of transport services and its relevance to the Caribbean.

33. The first paper was presented by Mr. Richard Smithies, Air Transport Economist, International Civil Aviation Organization (ICAO), on "Air Transport Services in the Caribbean: The Developmental Aspect". In it, Mr. Smithies considered air transportation as it affected the island economies of the Caribbean. Initially, he outlined the problems of island developing countries, referring, in particular, to the work of UNCTAD at its Fifth Conference in Manila in 1979. Then, he examined the issues of trade, transport and development, looking at air transport as a major developmental tool.
34. Particular importance was given to air transportation and tourism as it affected the Caribbean countries. Figures were given for total receipts of the tourism sector in several countries. The competitiveness of Caribbean tourist destinations was vitally influenced, he added, by the price and quality of air transportation. Mr. Smithies went on to say that since travel from outside the region represented about 94 per cent of total foreign arrivals, it was evident that that traffic constituted an important revenue base to justify improvement of air transport facilities.

35. On the issue of foreign trade, Mr. Smithies gave some data on the volume of trade moved by air. Between 1980 and 1984 exports by air from the Caribbean rose from 34,290 tonnes valued at US$445 million to 59,515 tonnes worth US$905 million. During the same period, imports declined from 65,166 tonnes worth US$977 million to 62,035 tonnes valued at US$823 million. On a related issue, he referred to the role that air transport had played in the development of non-traditional export industries - the so-called "off-shore" assembly plants (garment refinishing, manufacture of electronic components, watches etc.). He added that air transport had helped to open up markets for sea-food and agricultural produce (tomatoes, pumpkins, yams, peppers etc.).

36. Mr. Smithies then considered air transport between the OECS states, between OECS member states and North America and between OECS member states and other Caribbean points. Reference was made to "hubbing" and to how such a development would influence the frequency and pattern of air services between OECS states and points in both the Eastern Caribbean and North America - a development that would improve overall the transport opportunities of the OECS states.

37. The second paper was by Mr. Larry Burkhalter, Economic Affairs Officer (Transport), UN ECLAC Headquarters, Santiago, Chile, on "Caribbean Short-Sea Transport: Its Role, Challenges and Opportunities". In it, he presented data on trade flows and port statistics. He also discussed problems faced by short-sea operators and the countries they served. He defined Caribbean short-sea transport as those services encompassing trade between countries and their counterparts on the east and gulf coasts of
North America, the northeast coast of South America and the east coast of Mexico. He said that approximately 50 per cent of all Caribbean imports and exports were transported by short-sea vessels. He further stated that economic growth in the Caribbean had been propelled by the use of maritime transport as evidenced by the high ratios of exports and imports to total Gross Domestic Product (GDP) which were 72.4 per cent and 68.2 per cent respectively as compared to 11.6 per cent and 11.1 per cent for all Latin American countries. He suggested that the short-sea trade in the region was heavier on the North American end and quite dispersed on the Caribbean side. As a consequence, that dispersion had had an important impact on short-sea vessel operations.

38. Mr. Burkhalter noted that there were many challenges facing the Caribbean short-sea vessel operators such as imbalances in cargo flows, the efficiency and cost of port services, excess of short-sea transport capacity and problems associated with modern short-sea transport technologies. He added that the excess capacity problem could be solved by the creation of conferences and the introduction of appropriate domestic maritime legislation. He presented various alternative systems which would enable Caribbean countries to identify, evaluate and utilize new short-sea transport techniques. He suggested that as tugs-and-barges had proven to be an energy efficient system with inherent flexibility as regards cargoes, port facilities, water depths required and methods of organization and operation, they would appear suited to Caribbean short-sea needs. However, he warned that careful consideration must be given to any system chosen to replace the deep-sea vessel.

39. Mr. Burkhalter said that countries with minimal trade flows and locational disadvantages suffer the real risk of being caught in a trade/transport vacuum resulting in reduced levels of economic activity. Governments so affected might wish to consider the establishment of inter-island feeder services between their countries and the larger Caribbean ports, using sail-assisted vessels. He further stated that the growth in the levels of protectionism had affected maritime transport and, as a result, the growth of economic activity in many countries had been severely hampered.
40. Ms. Heather James, Organisation of Eastern Caribbean States (OECS), presented the third paper on transport on behalf of Mr. George Goodwin, Senior Economist, Sector Policy and Planning, Economic Affairs Secretariat, OECS. In his paper, "Feeder Services in the OECS - Experience and Perspectives", Mr. Goodwin said that shipping services in the OECS had traditionally enjoyed a mix of services, both feeder and direct. However, he added, the small size of the economies of those countries and their narrow production base had resulted in small volumes of cargoes being made available for export, thereby prohibiting the economical use of ocean-going vessels.

41. Mr. Goodwin said that while the United Kingdom and Western Europe remained the main trading areas for exports from the OECS countries, there had been a shift to the North American continent as the primary source for imports. However, he noted that the mode of transport to those markets had not changed over the years. A small vessel feeder services was available to the smaller OECS ports from the larger ports north and south of those islands. In that way, the OECS was, at present, served with both liner and feeder services.

42. Mr. Goodwin then examined the situation of direct and feeder services for general and refrigerated cargoes. It appeared, he said, that there was no direct container service from North America to the OECS subregion, while the intra-Caribbean service was both infrequent and inadequate. He added that there had not been any study that considered the cost/benefit ratio of operating feeder services in that subregion. There were conflicting trends affecting short-to-medium-term delivery of shipping services in the subregion. He noted that while Caribbean states had developed costly infrastructural services, including expensive deep-water harbours, they had not attracted sufficient operators to make those operations beneficial to them, nor had they enacted legislation to control them.

43. In conclusion, Mr. Goodwin suggested that WISCO must be made a viable entity in the subregion. A feeder service based on the liner's operation might be needed in order to ensure an efficient service to the OECS states. The OECS states might need to examine their own approaches to
shipping in general. They would have to address the issue of regulations for shipping lines and cargo carriage. They would also have to examine port costs and port operations with a view to effecting greater economies through cost-cutting measures and steamlining of operations in the same way as the shipping companies were doing.

44. The next paper was presented by Mr. Sherman Thomas, General Manager of WISCO and Consultant to ECLAC. Mr. Thomas' paper was on "Transhipment and Port Related Facilities in the Caribbean". In it, he examined the factors which best lent themselves to the development of transhipment centres in the Caribbean, outlining the problems which were inherent in the functioning of such centres. He then referred to the main geographic characteristics to be considered in choosing a location to develop transhipment activity. They included proximity of the transhipment centre to final destinations as well as proximity to supply sources. Other factors were economic such as the commercial, industrial and trading structures of the source and the destination of countries which were served by the transhipment arrangement.

45. On the question of competition, Mr. Thomas noted that while the subregion as a whole was excellent for the development of transhipment facilities, the small size of the islands tended to limit the extent to which a viable transhipment centre, in any one island, could be developed. In addition to the economic size of the subregion which was a difficulty, there had been intense and uneconomic competition among ports. The larger islands had established transhipment centres because of their level of domestic cargo imports, the success of the marketing of the activities of their ports, and their ability to promote their ports and the port-related facilities that they offered.

46. Mr. Thomas examined the effects of the current slump in world shipping in both the liner and bulk trades and their impact on transhipment activities in the Caribbean. One consequence of the slump was that the liner market had a weaker charter factor in the region. As a result, there was an opening for easy entry and exit of speculators into the trades, with serious disruption in organized liner schedules. For that reason, there had been a reduction in operator earnings caused by lower freight rates for both bulk and liner cargoes.
47. In concluding, Mr. Thomas said that the present state of the shipping industry, the size of the Caribbean general cargo market, the high cost of investment in port and port-related facilities and other related factors involved in operating such centres made it uneconomical for Caribbean ports to compete with the established centres of Miami and San Juan, Puerto Rico. He proposed that CDCC consider a unified approach to the development of transhipment centres in the region.

48. The next speaker was Captain W.B. Rial, Maritime Safety Adviser, International Maritime Organization (IMO). In his paper "The Role of Maritime Safety and Related Services in Maritime Transportation", he considered the relationship between the commercial and safety aspects of maritime transportation. He noted the developments that had taken place and he recounted the difficulties which impeded the proper implementation of maritime safety services in the Caribbean.

49. Captain Rial then discussed the issue of maritime safety equipment and later he outlined the causes of maritime pollution and their effects on the marine environment and the tourist industry in the Caribbean. He said that while the major pollutant continued to be oil spills or seepage from ships, there were other forms of pollutants in the subregion. He suggested that governments take action on the various international conventions dealing with marine pollution.

50. Captain Rial further said that the Caribbean had given a low priority to maritime safety and as such there was need for the establishment and implementation of maritime safety aspects in the development of regional shipping. However, he indicated that some countries had taken steps to introduce a Merchant Shipping Act, modelled after the CARICOM "Model Maritime Code". Nevertheless, he stressed, there was the need for the Caribbean to accede to the various international conventions relating to maritime safety and to enact legislative measures so as to enforce and monitor those standards established in the conventions.

51. Reference was then made to the question of ship registration. An explanation was given of the administrative, legal and commercial aspects of ship registration. In that regard, Captain Rial referred to the issue of "flags of convenience vessels" and the operations of "open registries",
noting the work of UNCTAD in those areas. He said that the Caribbean still had a long way to go regarding the evolution of the region's position on ship registration.

52. In conclusion, Captail Rial reviewed the various maritime safety services that were to be provided by government and the private sector. These ranged from legal to marine insurance services. He then made reference to the need for training and regional co-operation on maritime matters.

53. The presentations on transport services were followed by a discussion among participants. One participant noted the need for a ferry service in the subregion to transport passengers as well as cargo. Mr. Burkhalter replied that it was not feasible to mix passenger and general cargo, given the type of vessels presently used, the costs involved in carrying passengers and the general accommodation at ports. He added that if it were possible to take passengers, a lot would depend on the supply and demand factors and the type of passengers travelling. He further added that accommodating passengers on small vessels created problems for ship operators as additional facilities had to be provided.

54. In response to a similar comment on passenger transportation, Mr. S. Thomas, WISCO, referred to the benefits which could be derived from such a service. He informed the workshop that WISCO had operated a passenger service at one time and that CARICOM had requested WISCO to consider its reintroduction to supplement air transportation. However, no firm decision had yet been taken. Mr. Thomas agreed with the view that such a service could boost intra-CARICOM tourism and at the same time offer certain facilities to the "huckster" traders.

55. Another issue was raised in respect of unfair transportation practices of foreign carriers in the subregion. Mr. Burkhalter informed the workshop that the subregional carriers stood to lose out in competition with foreign carriers since the volume of cargo transported by the former was small. He suggested that subregional carriers should endeavour to reduce their rates if they were to become competitive.
56. On a more general note, participants from the OECS countries identified omissions and errors in the data presented by Mr. Burkhalter and Mr. Thomas. The data, they said, did not present an accurate account of the port facilities and cargo movements in the subregion. Both presenters indicated that there was some difficulty in obtaining current data and said that an effort should be made to supply the relevant information to ECLAC, Port-of-Spain.

57. One participant asked about the types of facilities that could be provided to assist in the development of the outer islands in the subregion. Mr. Thomas replied that some transport facilities already existed. However, they were not profitable.

58. In discussions on air transportation, one participant said that air transport served as a catalyst for the development of trade in the subregion. However, certain factors inhibited its growth. He pointed out that while BWIA was considered the \textit{de facto} carrier of the Caribbean, its growth was affected by bureaucratic difficulties, competition from foreign airlines in respect of air fares, unnecessary overhead costs and difficulties in transferring capital within the subregion. Mr. Smithies, (ICAO), agreed with those observations. He said that the optimum use of the computer and related facilities could help reduce both airline and airport operating costs. He reiterated his proposal for the creation of a 'hub' network to allow for a rapid delivery of cargo and the development of air cargo movements. Mr. Smithies then urged governments to use revenues collected at airports for the improvement of airport infrastructure.

59. Another participant observed that the Caribbean had not kept up with developments in airport transport. He emphasized that users of airports should pay for the services offered in order that revenue could be generated for airport development. He added that a co-ordinated effort should be adopted by CARICOM countries to establish a regional airline and to pool gateways if cargo volume were to be increased. Such a move could create some flexibility in negotiating freight rates among carriers. Another participant raised the issue of "hubbing". "Hubbing" arrangements, he indicated, were governed by bilateral agreements. He called on the developing countries to object to the United States' introduction of
services in GATT because the United States had an advantage in air transport and presently enjoyed traffic rights in most Caribbean countries. On the issue of cargo transportation, he stated that restrictions enacted by regional governments affected the economic movement of short-haul cargoes. Those restrictions had to be lifted. On that point, the discussion on transportation services was concluded.

Insurance services

60. The session on insurance started with a presentation by Mr. C. Denbow, Consultant, on "The Developmental and Legal Aspects of General Insurance in the Caribbean with Special Reference to the OECS Countries". In his statement, Mr. Denbow concentrated on the development of insurance legislation in the member countries of the OECS, the structure of existing markets, the concept of a possible regional insurance company, techniques of governmental supervision of general insurance companies, the legal implications of the operation of insurance intermediaries, the consequences of insolvency of a general insurer and the adequacy of compulsory insurance.

61. Mr. Denbow noted that any significant insurance legislation in the Caribbean was merely 20 years old, beginning with Trinidad in 1966. Other countries subsequently passed a series of 'Insurance Acts' to regulate the industry. They did so out of a realization that the industry was a large source of domestic savings over which local control was essential. Governments used various techniques to achieve local control. They would issue directives or enunciate policies requiring foreign operators in the local market to set up local companies with prescribed local shareholding within a stipulated time. At times, governments had threatened to use their taxing powers. All that allowed for a rapid growth in local insurance companies in Trinidad and Tobago and in Barbados. In the OECS countries, there were a few locally incorporated companies in Antigua and Barbuda, Saint Lucia or Saint Vincent and the Grenadines. Statistics as to the volume of business underwritten was hard to ascertain. The consultant noted that all available evidence indicated that the markets in the OECS countries were dominated by agency operations.
62. On the establishment of a Caribbean regional insurance company
Mr. Denbow noted that the desirability of establishing one was recognized
at a 1975 CARICOM Finance Ministers meeting where the principle of treating
CARICOM insurance companies as local companies for the purpose of national
legislation was accepted and a working party established to investigate
the question of regionalization. Not much happened at that meeting.

63. Mr. Denbow went on to say that it was conceivable to have insurance
companies in the subregion satisfy requirements to register, having satisfied
requirements in their own countries, with an insurance registrar created as
an organ of CARICOM or the OECS and by that registration acquire the status
of a national company in each member state. That system would have
tremendous benefits but for reasons of sovereignty it might be difficult
to implement.

64. On the issue of supervision, Mr. Denbow outlined four ways used
by governments to supervise and control general insurance business in the
OECS countries. They were: (i) submission of audited financial statements;
(ii) surrendering of information or explanations to the supervisory
authorities to enable them to perform their role; (iii) maintenance of a
compulsory level of solvency; (iv) possession of powers to investigate
the affairs of a company if there was reason to suppose that it was in
difficulties. However, because most of the insurance business in the OECS
states was agency business, the role of the supervisor was not very significant.
There was implicit recognition that the OECS countries would have to rely on
outsiders to undertake proper monitoring and regulation of insurance business
in their countries.

65. The consultant then spoke about the issue of solvency. Insolvency,
he noted, was a real problem in the Eastern Caribbean with implications
for the OECS countries. He referred to Trinidad and Tobago where two
companies had closed down because of insolvency. Where such companies
carried business in the OECS countries through local agents, such closures
had an adverse effect on some members of the insuring public in those
countries. An important solution for insolvency was the setting up of a
corporate body through legislation that would compensate private individuals
who had unsatisfied claims against insolvent insurance companies.
66. On compulsory insurance, Mr. Denbow said that apart from workmen's compensation only motor vehicle insurance was compulsory in the Caribbean. The important issue here was the minimum mandatory cover in respect of personal injury liability arising from motor vehicle accidents. There was need in the OECS countries to revise the levels of the minimum mandatory cover in respect of personal injury.

67. Finally on insurance intermediaries, Mr. Denbow noted that in the OECS member countries, brokers and agents had to be registered before they could lawfully operate their businesses. However, no special emphasis was placed on technical skill and competence unlike the situation in Trinidad and Tobago. The OECS countries, he advised, should now consider setting more exacting standards given the fact that a substantial part of general insurance business in their countries was done through locally appointed agents of external insurance companies based in Trinidad and Tobago, Barbados and North America.

68. The second paper on insurance was presented by Mr. Greg L. Christie, Consultant, on "Captive Insurance Companies in the Caribbean - An Analysis". Firstly, he defined the captive insurance company in its pure form as an insurance company wholly owned and whose sole function was the insurance or reinsurance of the whole or part of the risks of its parent and/or its parent affiliates. Mr. Christie then traced the growth of the world captive insurance beginning from the 1920s and 1930s in the United Kingdom and the United States of America to the present. The early captives were on-shore companies. In the 1950s a vibrant surge occurred and captives started to move off-shore particularly to avoid burdensome domestic regulation and high taxation. The world captive population at present estimated at 2,000 was substantially situated in Bermuda, Barbados and Gibraltar. In North America captive companies could be found in Colorado, Tennessee, Vermont and Virginia.

69. Mr. Christie then noted that there had been an emergence of new captive structures. A lot of the changes had come about in capital and stock ownership structures, underwriting and retention policies and ceding and administrative arrangements. Most of the changes were brought about by changes in the United States tax laws and Internal Revenue Service Rulings. He identified the different forms of captives as:
a) **The single parent-owned captive** - this was the captive in its present form. The attitude of the U.S. Internal Revenue Service (IRS) towards the single parent-owned pure captive was that the parent company and the insurance subsidiary were both members of the same economic family. No risk shifting or risk distribution could take place since those who ultimately bore financial losses were the same ones who suffered from the loss. Reference was made to the famous Carnation case of 1977. As a result of that case, United States companies were now liberalizing their captives' restrictive underwriting policies by admitting non-group or third-party risks so as to qualify as bona fide insurers in the eyes of the IRS.

b) **The group captive** - typically, the group captive was composed of either the parents of large unrelated multinationals or the captive parents themselves. Their aim was to underwrite or reinsure certain selected exposures of their shareholders. Group captives enjoyed economies of scale and offered the multinational shareholder protection against the IRS in denying premium deductions.

c) **The association captive** - a captive which was organized by individual members of professional bodies or trade and industry associations to insure the common risks of its constituent members, for example, captives used to write medical malpractice insurance.

d) **Rent-a-captive** - a hybrid captive organized off-shore to provide risk coverage for unrelated companies or associations. The term was used to denote any arrangement whereby an insured obtained the benefit of captive insurance without actually owning the captive.

e) **Agency captive** - similar to the rent-a-captive except that agency captives were initially owned and organized by groups of insurance brokers in order to provide the alternative initial facility for their clients.

f) **Direct writing captive** and the **Reinsurance captive** - the former issued primary policies directly to its insurers whilst the latter reinsured the exposures of its shareholders.
g) The domestic captive and the Offshore captive — a domestic captive was one located in the same country in which its insured risk originated whilst an off-shore captive was one located elsewhere. Any captive type might assume either form even though the majority of them had been organized on an off-shore basis.

70. After describing the above types of captive companies, Mr. Christie went on to analyse the reasons for captive formation. He detailed them as reduced insurance costs, enhanced cash flows and investment income, access to reinsurance markets, personalized coverage, provision of coverage otherwise unavailable, loss control, centralized risk management, freedom of investment and the ability to freely move funds internationally. Tax benefits, he added, were only viewed as an added bonus.

71. In discussing the criteria for the selection of captives, Mr. Christie referred to the three case studies in the document he presented covering Bermuda, Cayman Islands and Barbados. The following criteria was set out: suitable geography, adequate transport and communications facilities, a stable political and economic system, an acceptable legal framework and insurance regulatory system, the availability of management and ancillary services, exemptions from exchange controls and a low or nil tax. He related all of these to captive operations in the Caribbean giving detailed examples of attempts in English-speaking, independent Caribbean countries to encourage the establishment of captives.

72. In conclusion, Mr. Christie looked at the main economic benefits of establishing captives. The most direct benefit was foreign revenues generated exclusively from captive incorporation levels, annual licensing fees and stamp duties. Barbados earned currently Bds.$3,125 in respect of each captive's first year operations and for each subsequent year Bds$2,500. Another direct benefit was the payment for local professional and other services (legal, accounting, banking, management, hotel and directors' services) by captives. An important factor was stressed namely that captive companies so far had very little impact on the domestic insurance markets of the states in which they operated. As to disadvantages, he noted that there were none. The local authorities should only concern themselves with providing and maintaining facilities for the operations of the captives.
Regulatory legislation should neither be too burdensome nor too lax. The conclusion drawn by Mr. Christie was that Caribbean states needing to attract captives must be able to establish relatively comprehensive and competitive captive jurisdictional infrastructures that offered a lot and in a unique way.

73. The third presentation was by Mr. Ricardo Vigil, Chief Maritime Legislation Section, Shipping Division, UNCTAD, on "The UNCTAD alternative: The New Clauses on Hull and Cargo Marine Insurance". Mr. Vigil traced the work of UNCTAD on marine insurance back to the 1960s. Initial steps were taken to establish a work programme on marine insurance at both the first and second conferences of UNCTAD (1964 and 1968). In 1969, the working group on international shipping legislation was created. That body requested UNCTAD to prepare a report which was issued under the title "Legal and Documentary Aspects of the Marine Insurance Contract" (TD/B/C.4/ISL/27 Add.1).

74. The above report, Mr. Vigil noted, became a catalyst for radical changes of the Institute Time Clauses for both hull and cargo marine insurance and also for the abolition of the SG standard form of policy of Lloyds. The working group on international shipping legislation had worked for five years (1979-1984) to finish consideration of two complete sets of clauses - one for hull and another for cargo insurance. By the time all that happened, Lloyds had abandoned the old SG form of Lloyds policy and replaced it with a simpler document. Also, changes had been brought about in the Institute Time Clauses. The UNCTAD Model Clauses had become a landmark.

75. Mr. Vigil then undertook to compare the UNCTAD clauses with the London Institute ones. On the hull clauses he said UNCTAD was critical of the old SG Perils clause, the Inchamaree and Liner negligence clauses. The Perils clause was difficult to comprehend. The enumeration of war risks was considered unnecessary and confusing and the separation of ordinary perils and additional risks made the presentation of perils unnecessarily complicated for an assured wishing to know the extent of his cover. UNCTAD proposed an "All risks minus exceptions" approach. That approach provided
for coverage against all risks for loss or damage to the vessel insured unless the insurer proved one of the exclusions enumerated later in the policy. Also UNCTAD put forward an alternative i.e. the Named Perils clauses which listed all risks covered as well as general exclusions. The Named Perils clauses were divided into two parts: the first part covered loss or damage to vessels and the second covered risks previously covered by the Inchamaree clause combined with the Liner Negligence Clause.

76. On the collision clause of the Institute clauses, UNCTAD's criticism ranged from the way in which cover was established to the complex manner in which they were drafted. UNCTAD proposed the "collision liability clause" which was in line with the New London Institute clause and the "collision contact liability clause" which reflected the American and Continental approach. On the sistership clause, the speaker said that UNCTAD criticized the New Institute clauses because they considered ships under the same management to be "sisters" even though they had different ownership.

77. Turning to the cargo clauses, Mr. Vigil noted that UNCTAD criticized various forms of cover contained in the Old Institute clauses. In turn, it proposed a number of changes which the London market was able to incorporate in their revised "A", "B" and "C" clauses. These corresponded somewhat to the UNCTAD all risks, intermediate and restrictive cover clauses.

78. In closing, Mr. Vigil stressed that the UNCTAD clauses were model clauses. National legislation was necessary in order to adopt them. The clauses would be accepted by the big insurance markets via reinsurance and they had undoubtedly become one of the best "products" coming out of UNCTAD.

79. The President of the Academy of Insurance of Trinidad and Tobago, Mr. B. Doyle, made reference to a number of points raised in the above presentations. First, he noted that legislation in the OECS member countries in respect of compulsory insurance (i.e. The Motor Vehicle Third Party Risk Act) was inadequate. Present liability limits of EC$2,000-$10,000 were very low and did not reflect the present economic conditions of the OECS
countries. The law, he added, needed to be reviewed and property damage be included in it. On employers liability, he noted that "workmen's compensation, although written into the statute books, was not law. Employees were not given any insurance coverage". Mr. Doyle felt that such a practice was not in keeping with the prevailing social climate in the Caribbean. United Kingdom legislation was good on the matter and attempts should be made to examine its applicability in the subregion. The President of the Academy then went on to refer to CARICOM's efforts in 1975 at promoting regional insurance. Those efforts failed because governments looked at insurance companies as sources of tax revenue and offered little or no supervision of their activities.

80. Referring to the issue of captive insurance, he said that governments should consider setting up captives to insure their properties, notably buildings and other fixed assets. On marine insurance, he advocated the policy of buying imports F.O.B. instead of C.I.F. Insurance cover could then be locally supplied. That practice was effectively being used by Singapore.

81. The General Manager of WISCO, Mr. S. Thomas, responded positively to Mr. Doyle's suggestion on F.O.B. purchases, but he added that there were difficulties in altering the regions terms of shipment. Mrs. C. Francis, Consultant, raised a question on captives. She wondered why, in spite of fiscal reforms in The Bahamas, captive companies were not returning. The answer given by Mr. Christie was that the imposition of a one per cent tax and other regulatory legislation forced the captives away. Mr. Christie agreed with the suggestion that captives be set up to insure government property. He cited Barbados as an example where all government properties were insured by the Barbados National Insurance Company thus enabling government to enjoy a tailor-made policy. The company was able to go into the open market and reinsure the greater part of its risks. That was in keeping with the activities of most captives who would reinsure a reasonable amount of their risks. Mr. Doyle made a further point on captives. He said that they were formed to move funds out of a country. Mr. Christie disagreed but acknowledged that the practice was only resorted to by multinational corporations.
82. In response to a remark on the desirability of allowing insurance companies in the subregion (e.g. Barbados or Trinidad and Tobago) to take up the agency business in the OECS countries, Mr. Denbow said that the OECS governments would have to pass legislation to give effect to that proposal. Such legislation would provide for the present United Kingdom and North American companies to divest themselves of their operations in the OECS. Companies in countries like Trinidad and Tobago would then have to decide whether it was worth going through the bureaucratic 'red tape' to assume a greater prominence in the local OECS markets. On marine insurance, a question was asked as to why it was necessary to have the UNCTAD clauses as purely model clauses and not as a convention that could be incorporated into national legislation. Mr. Vigil replied that that course of action was not a wise one. Developing countries had a significant input into the drafting of the model clauses. It was necessary to have the clauses tested in the market first. The experience gained could then be used to make modifications. The major markets, he felt, would use the clauses.

83. One participant raised doubts on the recommendation of Mr. Christie that Caribbean governments should encourage legislatively and otherwise the setting up of captive insurance companies in their territories. The analysis presented by the consultant did not take into account the fiscal advantages that multinational corporations that set up captives enjoyed. Mr. Christie disagreed. He felt the economic benefits to host countries in having captives were large enough to worth the trouble of attracting them. To attract them countries must match or improve on what present havens were offering. The discussion on insurance was thus concluded.

Financial services

84. The final session of the workshop considered issues relating to financial services in the English-speaking Caribbean subregion.

85. The first paper of this session, presented by Mr. Conrad V. Smikle, Consultant to ECLAC, was entitled "A Study of Capital Markets and Caribbean Trade". In his presentation, he indicated that the main objectives of the study were: to determine the level of development of Caribbean capital markets and the extent to which those markets facilitated trade, to identify
impediments to the development of incipient capital markets and to provide data and other information that would assist in policy formulation in respect of the development of capital markets and Caribbean trade. He stated that in an effort to achieve those objectives, attempt had been made to analyse the specific operations of the financial institutions in the domestic capital markets of the English-speaking Caribbean and also to consider the general aspects of international capital markets.

86. He observed that the present deteriorating economic situation in the Caribbean countries was evident in the increasing levels of inflation and unemployment as well as in lower growth rates. He added that the Caribbean region's balance-of-payments situation worsened in the past three years, reflecting the external dependency of the economies of countries in the subregion. Consequently, most governments had to introduce stringent fiscal and monetary policies to correct their payments imbalances. The net effect of those measures, he said, was the dramatic decline in intraregional trade and a decrease in capital inflows, resulting in an inability of Caribbean states to diversify their production base.

87. In spite of the rapidly deteriorating levels of exports, Mr. Smikle noted, the region possessed certain advantages for expanding intraregional trade. He expressed the view that given the subregion's combined population size and protection by way of CARICOM's Common External Tariff and Rules of Origin criteria, exporters were provided with an opportunity for significant market expansion. Added to that was the fact that countries in the subregion had no difficulty in settling trading accounts amongst themselves. He then went on to analyse the marketing opportunities provided by the CBI, Lomé III, the Generalised System of Preferences (GSP) and the Caribbean market.

88. On capital markets in the Caribbean, Mr. Smikle noted that they were at varying stages of development. Membership of the markets included a variety of public and private financial institutions. He noted that generally, capital development in the Caribbean was financed largely from loans with little or no equity. As a consequence, wider use would have to be made of the stock market as a mobilizer of equity capital as was presently
the case in Jamaica. He expressed the view that the development of an efficient capital market in the subregion was inhibited by a lack of expertise on the part of financial managers and corporate decision-makers. He felt also that the rigid investment and taxation policies, in addition to the lack of reliable information and shortage of foreign exchange, acted as a deterrent to investment and equity participation.

89. Mr. Smikle noted that there was a diversity of trade financing facilities in the subregion. One of those facilities, the lines of credit, had become a very important instrument in the financing of trade. He added that the instrument was used as a means of circumventing the existing shortage of foreign exchange to pay for imports. He indicated that the provision of special funds by multilateral development institutions offered an important financing facility of trade. He stated that those funds were administered through various agencies and schemes, providing financing mainly for exports of capital and intermediate goods. The Inter-American Development Bank re-discounting facility, export development funds, various export credit and guarantee schemes and other such facilities fell under that kind of activity.

90. Mr. Smikle said that the dominant institutions engaged in trade financing in the region were the central and commercial banks. Insurance companies and pension funds were hardly involved as funds from them tended to be invested in relatively risk-free ventures. The central banks presently administered a number of trade financing programmes such as export credit and guarantee schemes. Commercial and merchant banks offered support for trade financing in the form of overdrafts and short-term credits, though at the highest level of prevailing interest rates.

91. In concluding his presentation, Mr. Smikle made a number of recommendations which he felt would assist in the development of capital markets in the subregion. Among them was the need for each country to establish, where none existed, a vibrant stock exchange for the purpose of generating trade and venture capital. He added that there should be an on-going regional education programme related to equity financing, co-ordinated by the Caribbean Development Bank (CDB) for financial managers
from the region's financial institutions. He recommended that member states review their taxation policies in such a way as to foster the development of the domestic capital markets. He further suggested that a comprehensive survey be undertaken to identify the list of products which offered a comparative advantage to producers. Finally, he expressed the need for the interfacing of relevant financial institutions in order to ensure that trade information was readily available to users in the region.

92. The second paper entitled "Off-shore Banking in the Bahamas" was presented by Mrs. Carlene Francis, Director of Research, Central Bank of The Bahamas. She discussed firstly, the external and internal factors which accounted for the emergence and development of The Bahamas as a major off-shore banking centre. She said that the principal external reason was the implementation of various policy measures by the U.S. Government and the Federal Reserve Board to restrict capital exports in an attempt to correct a persistent balance-of-payments problem. As a result of those measures, the major banks were forced to resort to the Euro-dollar market through their branches nominally located in London. The small and medium-sized banks found it costly to operate in London so they turned to The Bahamas as an alternative site for their off-shore activities.

93. Mrs. Francis added that The Bahamas was attractive because of its stable environment and location in the same time zone as New York. More importantly, the country's tax haven status was particularly appealing. The country also offered liberal legal and licensing provisions for the registration of banks, strict laws for maintaining bank secrecy, a well developed air and telecommunications link with important world financial centres, and a liberal foreign exchange regime.

94. Mrs. Francis then examined the structure of the banking system in the country. An important characteristic of that structure was that some institutions dealt simultaneously in the domestic and international markets, some exclusively off-shore and others solely domestic. Information was then given on the size and structure of banks and trust companies in the country. The off-shore banking sector was still dominated by US banks. There had been a shift in their operations from merely administrative and accounting operations towards more functional ones.
95. An examination of the role of the Central Bank with reference to its relationship with the strictly off-shore banks and the treatment of off-shore banks vis-à-vis domestic banking operations was also undertaken. The question as to whether it was possible to separate the domestic economy from the operations of the off-shore banks was considered. The Central Bank had successfully segregated domestic banking business from off-shore activities through exchange control arrangements which designated off-shore banks as "non-resident", allowing them to operate without restrictions in the international market. The Bank's approval was necessary for any Bahamian dollar transactions. If there was excess liquidity in the system, domestic "resident banks" could not deposit such excess funds with off-shore banks.

96. Mrs. Francis further stated that the pure off-shore banks operated free of monetary controls and burdensome reporting requirements. The absence of an implicit tax on off-shore deposits, owing to exemption from reserve requirements and the virtual freedom from foreign exchange controls, allowed the market to determine the structure of deposits and lending rates. Those characteristics, she said, advantageously allowed the local authorities to have an indication as to what the appropriate level of interest rates should be to attract deposits and to keep the cost of financing both public and private sector projects at a reasonable level.

97. Mrs. Francis then discussed reporting requirements. The pure off-shore banks were not required to report to the Central Bank on a regular basis. Since 1983, all banking institutions, domestic and off-shore, were required to submit a semi-annual geographical breakdown of their external assets and liabilities. Off-shore banks had to provide the Central Bank with an annual report, including audited accounts. For banks dealing in both the domestic and off-shore markets, there were stringent exchange controls and more frequent and extensive reporting requirements. Restrictions relating to the switching of funds into and out of Bahamian dollars were very important. The reason for that was, inter alia, the prevention of speculation in Bahamian dollars.
98. Mrs. Francis then discussed the benefits of off-shore banking to The Bahamas. Benefits had been mainly in the area of employment and foreign exchange earnings. Preliminary findings from a recent study showed that off-shore activity had generated 1,036 jobs in 1985 or 33.9 per cent of total employment in the financial sector. The foreign exchange benefit, she noted, came from expenditures on government fees, salaries, staff training, utilities, construction and maintenance. For instance, salaries rose from US$19.4 million in 1973 to US$70.2 million in 1985. The real cost to The Bahamas economy for all the above-mentioned benefits was minimal.

99. In the final segment of her presentation, Mrs. Francis referred to the recent attacks in the United States on off-shore banking centres and tax havens. There was concern about the relationship of off-shore banking to criminal figures. The Central Bank was of the view that illegal transactions would best be dealt with through proper supervision of banking activity and not by the removal of bank secrecy. On the growth of International Banking Facilities (IBFs) in the United States, she reiterated the view that their emergence would not significantly damage the attractiveness of The Bahamas as a reputable and successful off-shore centre.

100. The third speaker, Mr. Jasper A. Scotland, Senior Manager, Corporate Policy and Planning, Caribbean Development Bank, presented a paper on "Export Credit Facilities: Their Global and Regional Significance for Caribbean Trade".

101. Mr. Scotland began his presentation by defining export credit facilities. He said that the term referred to institutional arrangements through which the export of goods and tradeable services were encouraged and facilitated. Export credit facilities were financial facilities for export promotion and development. He noted three kinds of facilities: export credits or export financing, export credit guarantees and export credit insurance. Often the three elements would go together. Very often, he added, one of them was sufficient to induce and support export trade.
102. Mr. Scotland then went on to survey the historical evolution of export credit facilities, first, in the western industrialized countries and then in the developing world. Currently, all industrialized countries operated one or another form of export financing schemes, export credit guarantee schemes and export insurance schemes such as those operated by the UK Export Credit Guarantee Department (ECGD) and the US Export-Import Bank. There were standard features in all schemes: they dealt almost exclusively in capital goods, provided guarantee and/or insurance against commercial and political risks, recognized two categories of overseas buyers, private and government, and subsidized interest charges.

103. Mr. Scotland traced the rapid growth in export finance since World War II. Western industrialized countries, members of the Organisation for Economic Co-operation and Development (OECD), formed a club, comprising officials dealing with credit matters (i.e. the International Arrangement on Guidelines for Officially Supported Export Credit – known otherwise as the OECD CONSENSUS). That body was responsible for determining the maximum length of credit, minimum permissible interest rates and minimum downpayments on export credit contracts. Mr. Scotland then gave some figures on the growth and volume of export credit business in the western industrialized countries. Turning to the developing countries, he said that a number of them, notably the Newly Industrialized Countries (NICs), had set up export credit facilities for the purpose of export development and market penetration.

104. Mr. Scotland then focused on Caribbean export credit facilities. He described in detail the operations of Jamaica's EXIM Bank, Barbados' Export Finance Guarantee Facility, Trinidad and Tobago's Export Development Corporation and the OECS' incipient Export Guarantee Scheme. He noted that there was no serious export credit facility in The Bahamas. For completeness, Mr. Scotland gave some information on the operations of four regional schemes: the Islamic Development Bank, the Inter-American Development Bank, SAFICO (Andean Trade Financing System) and BLADEX (BANCO LATINO AMERICANO DE EXPORTACIONES).

105. Mr. Scotland then discussed the proposed Caribbean Regional Trade Credit Facility. He said that the facility would become operational by 1 July 1987 under the ageis of the Caribbean Development Bank (CDB). He
added that the facility would have "special funds to provide short-term credit to governments, commercial banks and central banks to assist the development of trade in specific goods". However, he warned that the establishment of such a facility in the Caribbean could be an exercise in futility if the proper steps were not taken to ensure sufficient conditions for the expansion of Caribbean trade. He said that a critical issue was the size or potential size of all export credit operations in the Caribbean region and the capacity of such a market to utilize the general principles of insurance. He suggested that producers in the Caribbean make use of those facilities not only to identify 'non-traditional' products, but also to ensure that quality goods were produced at a price that was cost-competitive.

106. In conclusion, he listed some of the measures and mechanisms which needed to be adopted to ensure an efficient operation of the export credit facilities. They included fiscal incentives, the development of commercial and export-oriented motivation, the establishment of design centres, the development of marketing skills and training in a variety of those skills.

107. The next presentation was by Mr. H.G. Rohlehr, Chief, Industry Technology and Tourism Section, CARICOM Secretariat. His paper was on "Financial Services under CBI, CARIBCAN and LOME III". In it, Mr. Rohlehr said that neither CBI nor CARIBCAN addressed the issue of development and trade in services. Lomé III had provisions that dealt with the development of both trade and services for ACP countries. (Articles 95-100). Articles 96, 97 and 98 made provision for the development of trade in services, especially tourism, in the context of ACP/EEC trade, intra-ACP trade and interregional trade. Specific areas of tourism support were: development, rehabilitation and maintenance of tourism facilities, training in tourism planning and development, marketing, research and development and data processing. There were also provisions on trade insurance and trade credit institutions.

108. The CARICOM Secretariat's representative noted that the Caribbean had not started to capitalize on the services provisions in Lomé III. The CARICOM Secretariat had, however, begun to do so and had approached the EEC/EDF for support.
109. The last paper on financial services entitled "Contractual and Terminal Marketing Methods for Commodities of Export Interest to the Caribbean"; was prepared by Ms. Janet Farouk of UNCTAD and presented to Mr. St. George Joiner, ECLAC.

110. In her paper, Ms. Farouk focused on the marketing arrangements for the major non-petroleum commodity exports of the Caribbean region namely bananas, bauxite/alumina, fish, spices and sugar. She described the arrangements and then discussed the available marketing services relevant to the commodities exported by the region. On bananas, she said that historical factors greatly influenced the trade with the United Kingdom. The trade with the Windward Islands was through Geest Industries Limited, a UK-based firm with a highly integrated marketing structure. For Jamaica, the Jamaica Marketing Company handled all exports to the United Kingdom in association with Fyffes Limited, a subsidiary of United Brands, and the Jamaica Banana Producers Association. For bauxite/alumina, the paper stated that the marketing services were closely related to the structure of ownership of the mine or refinery. When a foreign company was involved in production, the parent company's services were used and sales were usually intrafirm transactions. Where there was state ownership of all or part of the enterprise, as in Jamaica and Guyana, independent marketing services had to be developed.

111. Turning to fish, it was noted that most fish caught in the subregion was for local consumption rather than for export. Guyana, however, had an important export volume of crustaceans, mainly shrimps. Most of the produce was sold on a spot basis or through ad hoc arrangements. Spices were sold through principal agents in developed countries. For Europe, the agents were based in The Netherlands while in North America, direct sales were made to grinders. Sugar was sold under the auspices of the Lomé Convention which provided guaranteed access to each country with a quota limit at a price related to the European sugar price. The United States and Canada also provided a degree of guaranteed access and guaranteed prices.

112. Ms. Farouk then discussed the main marketing services available in respect of the commodity exports of the Caribbean. The major exchanges, she said, were located in New York and London. They traded in physical
commodities and in standard commodity futures contracts. Most producers were not members of those exchanges so they had to use agents. Details on how the exchanges worked were then given. Later on Ms. Farouk described the operations of other marketing arrangements such as long-term contracts, countertrade, use of trading houses in major importing countries and direct marketing channels. She noted the use that Caribbean governments had made of them and then concluded that the development of independent marketing services had important financial and/or manpower implications. Since Caribbean countries were small suppliers of individual commodities on world markets, the development of such services would have to be seen in the perspective of costs relative to the use of existing channels. Co-ordination at the regional level, it was added, might be essential.

113. These presentations were followed by a discussion among participants and a number of questions were addressed to Mrs. C. Francis. One referred to the extent of the influence of external factors in the setting up of off-shore banks in The Bahamas. She replied that whilst those factors were important they were not predominant. The Bahamas' internal economic and political structures were very attractive. In reply to questions on monetary policy, she noted that the rate of inflation was relatively high because of the openness of the economy, particularly to imported goods and not because of inadequate monetary policies. Interest rates were low because liquidity was high. The excess liquidity in the domestic banking system was used to hold short-term government financial instruments and to increase domestic bank reserves with the Central Bank.

114. Mr. Smikle responded to a number of statements and questions as well. On development banks in the region, he acknowledged that they were money losers but stressed that they remained viable entities. He noted the remarks on the operations of export credit institutions in the region and said that in general the institutions worked well. One participant said that little use was made of trade credits and that because of the contraction of intra-Caribbean trade, comparative advantage principles would have to govern the production of goods in the region. The consultant agreed but reiterated the need for local resources and skills to be used first to expand Caribbean intraregional trade and then to target external markets. The Caribbean Basin Initiative (CBI), he added, offered opportunities, not benefits.
115. Another participant questioned the accuracy of some of the data presented in Mr. Smikle's report. Mr. Smikle took note of that concern. In response to a query from the same participant on problems of expanding regional trade, given the similarity of goods produced and the smallness of markets in the region, the consultant said that the regional markets were large enough and that semi-processed goods could be traded.

116. A comment was made on a possible role for development banks. It was suggested that they should offer non-traditional financial services such as providing credit checks on importers and developing marketing strategies for Caribbean exporters. In response to a participant who had advocated the establishment of a Caribbean stock exchange instead of national ones, the consultant explained that he had proposed national ones for ease of management.

117. Mr. Scotland responded to comments on the establishment of the Regional Trade Credit Facility (RTCF). He allayed fears about duplication and about the fact that the present decline in intra-CARICOM trade would affect the viability of the RTCF. Mr. Rohlehr answered questions on the differences between CBI, CARIBCAN and LOME III; the first two offered one-way, non-negotiable facilities whilst the third was historically an open arrangement arrived at through negotiations. In addition, Lomé III funded technical co-operation programmes and facilitated trade.

118. A number of comments were made on Ms. Farouk's paper. Two important ones were, firstly, on fishing, about which it was generally agreed that there should be more development programmes, and secondly, on the use of air transport for the marketing of agricultural products. There was also agreement on the need for subregional co-operation in the use of international marketing services. The session on financial services was thus concluded.

Closing session

119. The closing session of the workshop was devoted to a consideration of proposals contained in the statement of the Deputy Prime Minister of Antigua and Barbuda, The Honourable L. Bird.
120. A number of comments were made by participants and representatives of regional and international organizations. One participant suggested that the issue of services be considered at the next OECS Economic Affairs Committee meeting. Another, echoing the proposal of the Deputy Prime Minister urged that assistance be given to countries in the subregion in the preparation of national studies on services prior to the next round of the GATT negotiations. A warning was sounded that Caribbean countries had to be careful in handling the uncertainties that surrounded the decision to have services negotiated in GATT. The same speaker, in referring to the proposal of the Deputy Prime Minister on the establishment of a Caribbean specialist group to assist governments prepare for the GATT negotiations, said that sectoral specialists should be included in that group.

121. Other speakers supported the Deputy Prime Minister's statement on the need for greater application of modern technologies, particularly information systems technologies, to solving problems in the subregion. There were calls for unity within the Caribbean group and the need for a joint, co-ordinated approach to the negotiations on services. Some speakers reiterated the importance of transport and financial services and urged that close attention be paid to developments in those sectors because of rapid changes in technology and the process of deregulation in some major industrialized countries.

122. In his closing remarks, the Deputy Director of ECLAC expressed his appreciation to the Government of Antigua and Barbuda for hosting the workshop. He indicated that participants would be returning to their various countries armed with a lot of valuable information on the services sector. Such information could, he added, assist in the preparation of their country's as well as the subregion's position on services at the GATT negotiations. He thanked participants, representatives from the various regional and international organizations and individuals and organizations in Antigua and Barbuda, for their contribution to the success of the workshop. The workshop was thus concluded.
Questionnaire evaluation

123. In order to assess the effectiveness of the workshop, an evaluation questionnaire was prepared and distributed to participants during the workshop. A copy of the questionnaire is contained in Annex IV. The questionnaire requested information on the following: personal background, evaluation of the organization and conduct of the sessions, coverage of topics presented, composition of the panel and the quality of discussions. The questionnaire also attempted to collect data on the shortcomings of the presentations and sought information on the expectations of the participants and the benefits which they would derive from the workshop.

124. Information gathered from the questionnaire revealed that participants were drawn from the senior levels of both the public and private sectors. They reported that the organization and presentation of the sessions were good and that the coverage of the topics was comprehensive. They also indicated that both the composition of panelists and the quality of the discussions were of a high calibre. The workshop, they reported, provided much needed information on services and offered a unique training opportunity on the issues involved in the preparation of national studies and the evolution of country positions for the GATT negotiations on services. The workshop explored "quite adequately the possibilities and deficiencies of 'Trade in Services' in the region".

125. Most participants noted that the discussions had served to stimulate interest in services and had allowed them to become aware of the concerns of Caribbean states and other developing countries on services. They felt that that would assist them and other senior government officials in the formulation of a joint position at international negotiations.

126. A number of participants were concerned that most of the working papers were not circulated to them prior to the workshop. It was observed that such action would have ensured that all participants would have had the opportunity to take a more active part in the discussions. Explanation of this had been given at the beginning of the workshop. It was stressed that it was important for governments to respond early to invitations so that documentation for prospective participants could be sent in good time. Overall, the responses of participants indicated that the design and implementation of the workshop was timely and useful.
Annex I

ADDRESS BY

HONOURABLE MR. LESTER B. BIRD

DEPUTY PRIME MINISTER AND MINISTER OF FOREIGN AFFAIRS
ECONOMIC DEVELOPMENT, TOURISM AND ENERGY
ANTIGUA AND BARBUDA

TO

ECLAC SUBREGIONAL WORKSHOP

ON

TRADE IN SERVICES

ON

TUESDAY, 10 MARCH 1987

AT

JOLLY BEACH HOTEL

ANTIGUA
MR. CHAIRMAN, DISTINGUISHED PARTICIPANTS IN THE WORKSHOP, LADIES AND GENTLEMEN.

THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN AND THE ECONOMIC AFFAIRS DIVISION OF THE ORGANIZATION OF EASTERN CARIBBEAN STATES HAVE CONJOINED TO DO A GREAT GOOD FOR THE COUNTRIES OF THE EASTERN CARIBBEAN BY ORGANIZING THIS WORKSHOP ON TRADE IN SERVICES. FOR THERE IS NO DOUBT THAT TRADE IN SERVICES IS A VITALLY IMPORTANT ELEMENT IN OUR ECONOMIES - MUCH MORE IMPORTANT THAN IS REALIZED. YET, INSUFFICIENT INFORMATION EXISTS ON THE PRECISE CONTRIBUTION THAT TRADE IN SERVICES MAKES TO OUR ECONOMIC DEVELOPMENT AND EVEN LESS INFORMATION IS AVAILABLE ON HOW THE CARIBBEAN COULD UTILIZE THE POTENTIAL AVAILABLE, THROUGH TRADE IN SERVICES, TO FURTHER ADVANCE ITS GROWTH AND PROSPERITY.

IN THE COURSE OF THIS STATEMENT, I WILL RETURN TO THE OPPORTUNITIES WHICH EXIST FOR THE CARIBBEAN THROUGH TRADE IN SERVICES. BUT FIRST, I WISH TO LAMENT THE FACT THAT, IN ADDRESSING THIS QUESTION OF TRADE IN SERVICES, THE CARIBBEAN IS ONCE AGAIN RESPONDING TO PRESSURES THAT ABOUND IN THE INTERNATIONAL COMMUNITY; WE ARE NOT INITIATING ACTIONS WHICH WE RECOGNIZE AS FURTHERING OUR OWN INTERESTS. IN THIS CONTEXT, WHAT I AM REALLY LAMENTING IS THE APPARENT RETREAT OF INTELLECTUAL FORCES IN THE CARIBBEAN FROM THE FOREFRONT OF CARIBBEAN PLANNING AND CREATIVITY. THE NEW IDEAS AND BOLD INITIATIVES, WHICH CHARACTERISED CARIBBEAN THINKING IN THE LATE 60'S AND EARLY 70'S, SEEM TO HAVE BECOME BLUNTED AND DULL; NO MORE IS THE CARIBBEAN PLAYING A LEADING ROLE IN INTERNATIONAL NEGOTIATIONS FOR THE DEVELOPING COUNTRIES AS WE DID IN THE ACP-EEC NEGOTIATIONS. WE MUST ASK OURSELVES WHY THIS IS SO. WE MUST CONSIDER THE ROLE OF OUR UNIVERSITIES AND OUR INSTITUTES FOR RESEARCH AND WE MUST ASK WHAT HAS HAPPENED TO EXTINGUISH THE CREATIVE LIGHTS WHICH BURNED SO BRIGHTLY A DECADE AGO.

I SUSPECT THE BLAME FOR MUCH OF THIS INTELLECTUAL MALAISE WILL REST WITH CARIBBEAN GOVERNMENTS WHICH HAVE NOT CONTRIBUTED SUFFICIENTLY TO OUR INSTITUTIONS OF HIGHER EDUCATION AND WHICH HAVE CONTRIBUTED EVEN LESS TO THE RESEARCH AND STUDIES WHICH ARE NECESSARY FOR FORWARD PLANNING. BUT SOME CULPABILITY MUST ALSOlie WITH OUR INSTITUTIONS THEMSELVES FOR WHILE THEY ARE THE CUSTODIANS OF OUR COUNTRIES' BRAINPOWER, IN TERMS OF OUR YOUTH,
THEY HAVE NOT ADAPTED ENOUGH TO THE TECHNOLOGICAL REVOLUTION WHICH HAS TRANSFORMED ECONOMIC ACTIVITY BOTH WITHIN STATES AND BETWEEN STATES; PARTICULARLY IN THE AREA OF SERVICES.

THIS IS A MATTER WHICH CARIBBEAN GOVERNMENTS MUST ADDRESS IF OUR COUNTRIES ARE NOT TO BE LEFT BEHIND IN A TECHNOLOGICAL RACE IN WHICH WE ARE ALREADY LAGGING FAR BEHIND. UNLESS THE CARIBBEAN CAN CATCH UP RAPIDLY WITH THE REST OF THE WORLD IN TELEMATICS, INFORMATICS AND THE USE OF COMPUTERS GENERALLY, EVERY SECTOR OF OUR ECONOMY WILL SUFFER AND OUR COUNTRIES, ALREADY DISADVANTAGED, WILL FACE DECLINING ECONOMIC PROSPECTS.

BUT, I STARTED THIS PRESENTATION BY MAKING THE OBSERVATION THAT IN ADDRESSING THE QUESTION OF TRADE IN SERVICES, THE CARIBBEAN WAS, ONCE AGAIN, RESPONDING TO EXTERNAL PRESSURES RATHER THAN INITIATING ACTION WHICH WOULD FURTHER OUR INTERESTS. I SHOULD EXPLAIN WHAT I MEAN BY THIS.

OVER THE PAST FIVE YEARS, THE UNITED STATES OF AMERICA HAS PERSISTENTLY SOUGHT THE EXTENSION OF COVERAGE OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) TO INCLUDE TRADE IN SERVICES. IN SEEKING GATT COVERAGE FOR TRADE IN SERVICES, THE UNITED STATES IS ADDRESSING ITS OWN SELF-INTEREST, FOR IT IS EXPERIENCING DECLINING COMPETITIVENESS IN AGRICULTURE AND MANUFACTURING, BUT IT ENjoYS A COMPARATIVE ADVANTAGE IN SERVICES. THE UNITED STATES CLEARLY BELIEVES THAT THEY COULD BENEFIT SIGNIFICANTLY FROM MULTILATERAL ACTION WHICH REDUCES THE BARRIERS TO TRADE IN SERVICES.

SOME DEVELOPING COUNTRIES, NOTABLY BRAZIL AND INDIA, HAVE TAKEN THE VIEW THAT TRADE IN SERVICES HAS NO PLACE IN THE GATT. INDEED, THE BRAZILIANS HAVE TENDED TO REGARD ATTEMPTS TO NEGOTIATE ON TRADE IN SERVICES AS EFFORTS TO COMPROMISE THE SOVEREIGN RIGHTS TO STATES TO EQUATE THE PRIVILEGES OF FOREIGN COMPANIES WITH THE RIGHTS OF NATIONAL ENTITIES. IN THIS CONNECTION, THE BRAZILIANS HAVE STATED THAT "IN THE EXERCISE OF THEIR SOVEREIGN RIGHT TO REGULATE THE SERVICES SECTORS, GOVERNMENTS TAKE ACTION ESSENTIAL FOR THE PROMOTION OF VITAL NATIONAL POLICY OBJECTIVES." "SUCH ACTIONS", SAY THE BRAZILIANS, "ARE BY DEFINITION LEGITIMATE AND CANNOT BE SUBMITTED TO INTERNATIONAL SCRUTINY".
LET US LOOK AT EXAMPLES OF WHAT THE UNITED STATES WANTS IN TERMS OF LIBERALIZATION OF TRADE IN SERVICES. SPECIFICALLY, LET US TAKE THE EASTERN CARIBBEAN. THE AMERICANS SAY THAT IF THEY ALLOW THEIR PEOPLE TO COME AS TOURISTS TO YOUR COUNTRY AND SPEND UNLIMITED SUMS OF MONEY, THEN EQUALLY THERE SHOULD BE NO RESTRICTION PLACED ON THE SUM OF NEGOTIABLE CURRENCY WHICH YOUR PEOPLE SPEND DURING VISITS TO THE UNITED STATES. YOU WOULD REALIZE THAT FOR SMALL ISLAND ECONOMIES, SUCH AS OURS, WHICH COULD BE SUBJECT TO SEVERE BALANCE-OF-PAYMENTS DIFFICULTIES IN PARTICULAR CIRCUMSTANCES, SUCH A REQUIREMENT WOULD BE IMPOSSIBLE TO FULFILL. YET, IF WE DID NOT FULFILL IT, THE U.S. WOULD THEN BE IN A POSITION TO APPLY SIMILAR RESTRICTIONS ON THEIR PEOPLE WHO VISIT THE CARIBBEAN AS TOURISTS. I NEED HARDLY TELL YOU THAT THE EFFECT ON OUR ECONOMIES COULD BE DISASTROUS.

YOU ARE ALSO AWARE THAT IN ALL OF THE OECS COUNTRIES, OUR GOVERNMENTS OPERATE A POLICY OF POSITIVE DISCRIMINATION, IN CERTAIN CIRCUMSTANCES, IN FAVOUR OF OUR INDIGENOUS COMPANIES OVER FOREIGN COMPANIES. WE DO SO IN RELATION TO INFANT INDUSTRIES TO WHICH WE WANT TO GIVE PROTECTION IN ORDER THAT THEY COULD SURVIVE AND FLOURISH. THE UNITED STATES ARGUES THAT IN RETURN FOR AMERICAN INVESTMENT, THEIR COMPANIES SHOULD RECEIVE TREATMENT EQUAL TO THAT WHICH IS GIVEN TO LOCAL COMPANIES. THEY CLAIM THAT TO GIVE OUR LOCAL COMPANIES GREATER BENEFITS THAN WE GIVE TO THEIR INVESTORS IS A BARRIER TO TRADE IN SERVICES.

IT WAS ALSO FELT BY SOME GOVERNMENTS THAT THE UNITED STATES, SUPPORTED BY THE EEC, JAPAN AND CANADA, WANTED TO ESTABLISH A PREMISE OF TRADE-OFFS BETWEEN TRADE IN SERVICES AND TRADE IN GOODS. THIS WAS RESISTED FROM THE OUTSET, BUT WHILE A RETREAT WAS CALLED BY THE UNITED STATES AND OTHERS, THEY HAVE NOT SURRENDERED THE POINT OF TRADE-OFFS AND IT IS BOUND TO BE ADVANCED AGAIN IN THE GATT NEGOTIATIONS.

BASED ON THESE EXAMPLES WHICH I HAVE JUST GIVEN, THE RELUCTANCE OF DEVELOPING COUNTRIES, AS ARTICULATED BY BRAZIL AND INDIA, TO ENTER MULTILATERAL NEGOTIATIONS ON TRADE IN SERVICES SHOULD BE OBVIOUS TO EVERYONE IN THIS ROOM. YET, WE ARE NOT GOING TO BE ABLE TO AVOID THOSE NEGOTIATIONS
AND, SPECIFICALLY, WE ARE NOT GOING TO BE ABLE TO AVOID THEM IN THE GATT. FOR AT A MINISTERIAL SESSION OF THE CONTRACTING PARTIES TO THE GATT HELD IN PUNTA DEL ESTE IN SEPTEMBER LAST YEAR, IT WAS AGREED TO ESTABLISH TWO GROUPS TO PREPARE THE GROUNDWORK FOR THE NEXT ROUND OF GATT NEGOTIATIONS. ONE GROUP IS CONCERNED WITH GOODS AND THE OTHER WITH SERVICES AND BOTH HAVE BEGUN THEIR WORK IN GENEVA, THOUGH IT IS IMPORTANT TO MENTION THAT THE GROUP ON SERVICES HAS A NARROW BRIEF.

I AM REALISTIC ENOUGH, HOWEVER, TO STATE THAT I HAVE NO DOUBT THAT DESPITE THE NARROW TERMS OF REFERENCE GIVEN TO THE GROUP ON THE NEGOTIATION OF SERVICES, TRADE IN SERVICES WILL FEATURE PROMINENTLY IN THE NEXT ROUND OF GATT NEGOTIATIONS. FOR, IT WILL BE DIFFICULT, IF NOT IMPOSSIBLE, FOR DEVELOPING COUNTRIES TO HALT, LET ALONE ROLL BACK, THE PROPELLING FORCES OF THE LARGE AND POWERFUL COUNTRIES WHICH ARE DETERMINED TO INCLUDE TRADE IN SERVICES IN THE NEGOTIATIONS.

MR. CHAIRMAN, DISTINGUISHED PARTICIPANTS IN THE WORKSHOP, YOU WILL PERHAPS BETTER UNDERSTAND NOW WHY, AT THE OUTSET OF THIS PRESENTATION, I EXPRESSED SUCH GREAT CONCERN ABOUT THE WITHDRAWAL OF THE CARIBBEAN'S INTELLECTUAL FORCES FROM THE FOREFRONT OF CARIBBEAN PLANNING AND WHY I LAMENTED THE INSUFFICIENCY OF RESEARCH BY OUR INSTITUTIONS OF HIGHER LEARNING. FOR, IN THIS PARTICULAR AREA OF TRADE IN SERVICES, THERE IS MUCH THAT WE NEED TO CORRECT, MUCH MORE THAT WE DON'T KNOW AND EVEN MORE THAT WE NEED TO DO IF WE ARE TO PROTECT OUR OWN INTERESTS IN THE GATT NEGOTIATIONS. WE WILL BE UNABLE TO NEGOTIATE IN OUR INTEREST UNLESS THERE IS A BODY OF KNOWLEDGE AND EMPIRICAL DATA ON WHICH WE CAN MAKE SOUND DECISIONS.

I AM ALMOST ASHAMED TO TELL YOU THAT ONE OF THE FIRST DECISIONS WE IN THE OECS HAVE TO MAKE IS VERY FUNDAMENTAL; IT IS TO AGREE TO ACCEDE TO THE GATT. NOT ONE OF THE OECS MEMBERS IS A CONTRACTING PARTY TO GATT AND WE WOULD BE UNABLE TO PARTICIPATE IN THE FORTHCOMING NEGOTIATIONS UNLESS WE INFORM THE GATT SECRETARIAT BY 30 APRIL 1987, THAT IT IS OUR INTENTION TO ACCEDE TO THE AGREEMENT. I WOULD TAKE THIS OPPORTUNITY TO PUBLICLY URGE ALL OECS COUNTRIES TO GIVE URGENT CONSIDERATION TO ACCESSION TO GATT AND TO EXPLORE WAYS IN WHICH, IN COLLABORATION WITH OUR SISTER-STATES IN CARICOM, WE COULD PROTECT OUR NATIONAL AND REGIONAL INTERESTS.
I would also urge you, the participants in this workshop both from the public and private sectors, to raise this matter with your governments and in our own councils to ensure that the OECS is given the quality of representation which we will desperately require to protect our national rights.

For Antigua and Barbuda's part, we have already taken advice from the legal counsellor to the GATT on the steps to accede to the agreement and we have advised the Secretariat of our intention to accede.

Mr. Chairman, I want to turn in a moment to a number of issues which relate to this question of trade in services, particularly I would like to deal with the opportunities which are available to the Caribbean. But, first, I believe that we should attempt to define precisely what is meant by trade in services and to understand the benefits which services bring to our economies.

The service sector accounts for the largest share of gross domestic product (GDP) in most countries. According to a study undertaken by the UN Conference on Trade and Development (UNCTAD), the service sector accounts for 40 percent of GDP in least developed countries and for 67 percent in the developed market-economy countries. In the OECS countries, and certainly in those which, like Antigua and Barbuda, are heavily dependent on tourism, the service sector contributes at least 60 percent to our GDP.

On the other side of the coin, developed-market economy countries are by far both the largest producer and the largest consumer of traded services. But here is the rub: the balance in traded services in favour of developed market economy countries shifted from one point five billion dollar deficit in 1970 to a thirteen billion dollar surplus in 1980. Further, the deficit in traded services for developing countries in the same period rose from three billion to forty-nine billion dollars.

A very significant factor in this large surplus in traded services for the developed-market-economies, particularly the United States is the technological revolution which has occurred in the world and the fact that they are in the forefront of its development. This is why I said earlier that unless the Caribbean comes to terms quickly with its own inadequacies
IN THIS AREA AND BEGINS, ON A RAPID BASIS, TO REVOLUTIONISE ITS APPROACH TO TELEMATICS AND INFORMATICS IN EDUCATION AND IN INDUSTRY, WE WILL NEVER CATCH UP WITH THE DEVELOPED COUNTRIES AND WE WILL ALWAYS BEND OUR KNEES TO THEIR SUPERIOR POWER AT THE EXPENSE OF OUR NATIONAL INTERESTS.

I WILL STATE THIS AS AN INDISPUTABLE FACT THAT THE CARIBBEAN COUNTRY WHICH CAN INCULCATE COMPUTER LEARNING THROUGHOUT ITS EDUCATION SYSTEM AND WHICH CAN RAPIDLY INTRODUCE IT IN INDUSTRY WILL SURPASS ITS SISTER-STATES IN DEVELOPMENT. FOR ANTIGUA AND BARBUDA'S PART, I INTEND TO RECOMMEND TO CABINET THAT WE ALLOW DUTY-FREE ENTRY FOR COMPUTERS, INCLUDING PERSONAL COMPUTERS. THERE IS LITTLE DOUBT THAT IT IS ESSENTIAL FOR GOVERNMENTS TO BEGIN TO PLAY A POSITIVE ROLE IN THE ENCOURAGEMENT OF TECHNOLOGICAL ADVANCE IN OUR COUNTRIES.

I HAVE TALKED OF THE ROLE THAT THE SERVICE SECTOR PLAYS IN OUR ECONOMY AND I HAVE MENTIONED TOURISM IN THIS CONTEXT. BUT THE SERVICE SECTOR EMBRACES MUCH MORE THAN TOURISM; IT INCLUDES BANKING, INSURANCE, SHIPPING, AIR TRANSPORTATION AND FOREIGN INVESTMENT JUST TO NAME A FEW. I DO NOT INTEND TO DISCUSS EACH OF THEM FOR THIS IS THE PURPOSE OF THE WORKSHOP AND THOSE WHO WILL LEAD THE DISCUSSION ON EACH OF THESE SUBJECTS, ARE FAR BETTER QUALIFIED THAN I AM TO DO SO. BUT, I WOULD MENTION THAT, SERVICES ARE INTERLINKED WITH THE REST OF THE ECONOMY AND, IN THIS CONNECTION, MANUFACTURERS, WHO DO NOT TAKE ADVANTAGE OF THE MOST RECENT COMMUNICATION FACILITIES OR TECHNOLOGICAL INNOVATIONS, WILL BECOME UNCOMPETITIVE; SO TOO WILL AGRICULTURISTS. SIMILARLY, THE SERVICE SECTOR ITSELF - BANKING, INSURANCE AND SO ON - WILL NOT KEEP PACE WITH THEIR FOREIGN COMPETITORS UNLESS THEY GEAR THEMSELVES TO THE INTRODUCTION AND USE OF MODERN TECHNOLOGY AND COMMUNICATIONS.

I WOULD URGE THOSE OF YOU, IN THE PRIVATE SECTOR, TO GIVE URGENT ATTENTION TO THIS VITAL NEED.

I BELIEVE THAT WE HAVE ALREADY LOST MANY OPPORTUNITIES FOR PROMOTING OUR DEVELOPMENT THROUGH TRADE IN SERVICES. IF WE LOOK AT COUNTRIES SUCH AS SWITZERLAND, WE WILL RECOGNIZE THAT THEY HAVE NOT BECOME WEALTHY BY TRADE IN GOODS, FOR APART FROM WATCHES AND CUCKOO CLOCKS THE SWISS ARE NOT KNOWN
FOR THEIR GREAT EXPORTS. BUT THEY ARE INTERNATIONALLY FAMOUS FOR SERVICES, PARTICULARLY BANKING.

WHERE SWITZERLAND HAS LED, MANY OF OUR COUNTRIES WHICH ARE POOR IN NATURAL RESOURCES, COULD FOLLOW. WE IN THE CARIBBEAN, ARE BLESSED WITH ALERT POPULATIONS, CAPABLE OF LEARNING SKILLS QUICKLY AND WITH A SOLID FOUNDATION IN EDUCATION. RECENTLY BARBADOS BENEFITTED FROM A UNIQUE SERVICE INDUSTRY - THEY STARTED PRODUCING COMPUTER PRINT OUTS FOR A LARGE U.S. AIRLINE. BARBADOS HAS GAINED JOBS FOR A SIZEABLE NUMBER OF PEOPLE AND IT DID SO ON THE BASIS OF THE SOUND EDUCATION OF ITS PEOPLE AND THEIR QUICK ADAPTABILITY. THIS AGAIN POINTS THE WAY IN WHICH THE CARIBBEAN COULD MAXIMISE ITS ADVANTAGES IN TRADE IN SERVICES WHICH WOULD PROMOTE DEVELOPMENT.

MR. CHAIRMAN, I WOULD LIKE TO END MY PRESENTATION BY DOING TWO THINGS: THE FIRST IS TO IDENTIFY SOME OF THE TASKS WHICH I BELIEVE FACE GOVERNMENTS IN THE EASTERN CARIBBEAN AND THE OTHER IS TO OUTLINE WHAT I CONSIDER SHOULD BE ELEMENTS IN THE CARIBBEAN APPROACH TO THE FORTHCOMING NEGOTIATIONS ON TRADE IN SERVICES.

ONE OF THE FIRST TASKS WHICH FACES CARIBBEAN GOVERNMENTS IS TO BETTER UNDERSTAND THE CONTRIBUTION OF SERVICES TO THE DEVELOPMENT PROCESS OF THEIR COUNTRIES. FOR INSTANCE, IN ITS RECENT STUDY OF SERVICES AND THE DEVELOPMENT PROCESS, UNCTAD POINTS OUT THAT "ANY SERIOUS ATTEMPT TO ANALYSE THE CONTRIBUTION OF SERVICES TO GROWTH AND DEVELOPMENT MUST SOMEHOW OVERCOME THE PROBLEMS ARISING FROM THE INADEQUACY OF STATISTICS, ESPECIALLY THE LACK OF DISAGGREGATION IN NATIONAL ACCOUNTS". UNCTAD MAKES THE POINT THAT THE MOST DYNAMIC SERVICES ARE LUMPED TOGETHER IN THE "FINANCING, INSURANCE, REAL ESTATE AND BUSINESS SERVICES" CATEGORY WHICH CONSTITUTES A BASKET ITEM.

OBVIOUSLY, WE NEED TO ADJUST OUR ACCOUNTING METHODS TO GIVE EACH OF THESE SERVICES DUE ATTENTION AND TO MEASURE ITS CONTRIBUTION ON AN INDIVIDUAL BASIS. FURTHER, WE HAVE TO BEGIN TO COMPUTE OUR ACTUAL TRADE IN SERVICES ON AN INDIVIDUAL BASIS SO THAT WE KNOW WHICH SERVICES CONTRIBUTE WHAT AND WHERE ARE OUR GREATER MARKETS.
IN ORDER TO GAIN THIS BETTER APPRECIATION OF THE ROLE OF SERVICES IN OUR ECONOMIES, NATIONAL STUDIES ARE IMPERATIVE FOR EVERY CARIBBEAN COUNTRY. FOR IT IS ONLY THROUGH SUCH NATIONAL STUDIES THAT WE WILL BE FULLY ABLE TO IDENTIFY AREAS WHICH NEED CORRECTING AND OTHERS WHICH HAVE THE POTENTIAL FOR DEVELOPMENT. I WOULD PROPOSE THAT THIS WORKSHOP MIGHT CONSIDER PROPOSING TO OECS GOVERNMENTS THAT NATIONAL STUDIES BE UNDERTAKEN AS SOON AS POSSIBLE BY THE OECS SECRETARIAT IN ASSOCIATION WITH ECLAC.

SUCH NATIONAL STUDIES WILL ALSO HELP TO ADVISE OUR NEGOTIATING POSITION ON TRADE IN SERVICES DURING THE NEXT GATT ROUND; INDEED, WITHOUT THIS INFORMATION, IT WOULD REALLY BE POINTLESS TO EVEN CONSIDER PARTICIPATING IN THE NEGOTIATIONS.

MR. CHAIRMAN, I TURN NOW TO THE ACTUAL NEGOTIATIONS AND THE CARIBBEAN'S PARTICIPATION IN IT. IT IS MY VIEW THAT IN MUCH THE SAME WAY THAT THE CARIBBEAN NEGOTIATED JOINTLY IN THE ACP-EEC NEGOTIATIONS FOR THE FIRST LOME CONVENTION, WE SHOULD APPROACH THESE NEGOTIATIONS WITH A COMMON VOICE. I AM AWARE THAT THE UN SYSTEM DOES NOT PERMIT FOR JOINT REPRESENTATION, BUT THIS DOES NOT PRECLUDE THE CARIBBEAN FROM MAKING STATEMENTS COLLECTIVELY THROUGH ONE SPOKESMAN WHILE HONOURING OUR OBLIGATIONS TO VOTE INDIVIDUALLY.

THE CARIBBEAN NEEDS TO BE WELL PREPARED FOR THESE NEGOTIATIONS IN ORDER TO PROTECT OUR NATIONAL AND REGIONAL INTERESTS. THIS MEANS THAT THE CARIBBEAN'S BEST RESOURCES SHOULD BE PLACED AT THE DISPOSAL OF THE MINISTERIAL GROUP WHICH WILL PARTICIPATE IN THESE NEGOTIATIONS. TO THIS END, I WOULD CALL ON ALL CARIBBEAN GOVERNMENTS TO AGREE TO SELECT A FIRST CLASS TEAM DRAWN FROM ANY OR ALL OF THE CARIBBEAN COUNTRIES, FROM ANY OR ALL OF THE CARIBBEAN GOVERNMENTS; FROM THE CARICOM AND OECS SECRETARIATS, FROM THE CDB, FROM CARIBBEAN PRIVATE SECTOR ORGANIZATIONS AND FROM OUR ACADEMICS IN OUR UNIVERSITIES AND RESEARCH INSTITUTES. SUCH A TEAM WOULD GUARANTEE A KNOWLEDGEABLE AND CAPABLE APPROACH TO THE ISSUES; SUCH A TEAM WOULD BE EQUAL TO ANY NEGOTIATING GROUP FROM ANY OTHER PART OF THE WORLD; SUCH A TEAM WOULD ENSURE THAT THE INTERESTS OF THE CARIBBEAN PEOPLE ARE EFFECTIVELY PROTECTED AND POWERFULLY ADVANCED.

MR. CHAIRMAN, DISTINGUISHED PARTICIPANTS, THE WORKSHOP IN WHICH YOU ARE ENGAGED COMES AT A VITAL TIME FOR THE CARIBBEAN. THE RESULTS OF WHAT YOU DO HERE, THE MESSAGE WHICH EACH OF YOU TAKE BACK TO HIS OR HER COUNTRY CAN DIRECTLY INFLUENCE THE DEVELOPMENT OF THE CARIBBEAN IN THE FUTURE. FOR THERE
IS NO DOUBT THAT TRADE IN SERVICES IS A DYNAMIC ELEMENT IN THE ECONOMIC LIVELIHOOD OF ALL OUR COUNTRIES; IT IS AN ELEMENT WHICH HOLDS FORTH MUCH PROMISE AND MANY OPPORTUNITIES, IF WE IN THE CARIBBEAN, CAN SUMMON THE BOLDNESS AND VISION TO REALIZE THE promise AND TAKE ADVANTAGE OF THE OPPORTUNITIES. THIS WORKSHOP CAN CONTRIBUTE TO THAT PROCESS; I URGE YOU TO DO SO.

THANK YOU.
**Annex II**

**LIST OF PARTICIPANTS**

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<th>Countries/Organizations</th>
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Day 1

8:30 - 9:45 a.m. Registration

9:50 - 10:00 a.m. Introduction
St. George A. Joiner
ECLAC Office
Port-of-Spain

10:00 - 11:00 a.m. OPENING Address by The Hon. Lester Bird
Deputy Prime Minister and Minister for
Foreign Affairs
Government of Antigua and Barbuda

Address by Director
OECS Economic Affairs Secretariat
S. Lestrange

Address by Deputy Director
ECLAC Office
Port-of-Spain
W. Whittingham

11:00 - 11:20 a.m. COFFEE BREAK

11:20 - 12:30 p.m. Review of recent regional and international developments on trade in services
Panelists
- SELA
Manuel Rodriguez-Mendoza
- CARICOM
Herman Rohlehr
- UNCTC
Manuel Agosin

12:30 - 2:00 p.m. LUNCH

2:00 - 5:00 p.m. TRANSPORT SERVICES

(a) Air transport

Air Transport Services in the Caribbean: The Developmental Aspects
Richard Smithies (ICAO)
TRANSPORT SERVICES (continued)

(b) Maritime transport:
Caribbean Short-Sea Transport,
Its Role, Challenges and
Opportunities
Larry Burkhalter
(ECLAC)

(c) Feeder Services in the OECS
- Experience and Perspectives
George Goodwin
(OECS)

(d) Transhipment and Port-Related
Facilities in the Caribbean
Sherman Thomas
(Consultant)

(e) The Role of Maritime Safety and
Related Services in Maritime
Transportation
Barrie Rial
(IMO)

Discussants
Caribbean Shipping Association
Air Jamaica
WISCO
BWIA
LIAT
CARICOM
UNCTAD
Council of East Caribbean Manufacturers
(Antigua and Barbuda)
Shippers Council of Jamaica

Wednesday, 11 March 1987

Day 2

8:30 - 11:00 a.m. TRANSPORT SERVICES (continued)

11:00 - 11:20 a.m. COFFEE BREAK

11:20 - 12:30 p.m. INSURANCE SERVICES
Panelist

(a) Captive Insurance Companies in the
Caribbean: An Analysis
Greg Christie
(Consultant)
INSURANCE SERVICES (continued)

(b) The UNCTAD Alternative: The New Clauses on Hull and Cargo Marine Insurance
   Ricardo Vigil (UNCTAD)

(c) The Developmental and Legal Aspects of General Insurance in the Caribbean with Special Reference to the OECS Countries
   Claude Denbow (Consultant)

Discussants

- Insurance Association of the Caribbean
- Insurance Academy of Trinidad and Tobago
  - CLICO
  - WISCO
  - LIAT
  - BWIA
  - CAIC
  - Diamond Insurance Company (Antigua)
  - Chamber of Commerce (Antigua)

12:30 – 2:00 p.m. LUNCH

2:00 – 5:00 p.m. INSURANCE SERVICES (continued)

Thursday, 12 March 1987

Day 3

8:30 – 11:00 a.m. FINANCIAL SERVICES

(a) A Study of Capital Markets and Caribbean Trade
   Conrad Smikle (Consultant)

(b) Offshore Banking in The Bahamas
   Carlene Francis (Central Bank of Bahamas)

11:00 – 11:20 a.m. COFFEE BREAK
11:20 - 12:30 p.m.  FINANCIAL SERVICES (continued)  

(c) Export Credit Facilities: Their Global and Regional Significance for Caribbean Trade  
Jasper Scotland  
(CDB) 

(d) A Review of Activities Lending Towards the Development of the Services Sector in the CARICOM Countries  
Herman Rohlehr  
(CARICOM) 

(e) Contractual and Other Marketing Methods for Commodities of Export Interest to the Caribbean  
Janet Farouk  
(UNCTAD) 

12:30 - 2:00 p.m.  LUNCH 

2:00 - 5:00 p.m.  FINANCIAL SERVICES (continued)  

Discussants  
Chamber of Commerce (Antigua)  
Barclays Bank (Antigua) Limited  
CAIC  
Central Bank of Barbados  
East Caribbean Central Bank  
Canadian Imperial Bank of Commerce (Antigua)  
Antigua and Barbuda Development Bank 

5:15 p.m.  CLOSING
Annex IV

EVALUATION QUESTIONNAIRE

TRANSPORTATION, INSURANCE SERVICES AND FINANCIAL SERVICES

This short questionnaire is designed to help us assess the effectiveness of this workshop for the future workshops on Trade in Services. Please answer all questions and answer as accurately as possible.

A. Personal background

1. Name and mailing address:

2. Type of organization you represent: (Please tick one box)

   ☐ Government (specify department) ..........................................

   ☐ Financial institution (specify type) .................................

   ☐ Private sector (indicate activity) .................................

   ☐ Other (please specify) ..................................................

3. Number of years in identified activity .................................

4. Present position: .............................................................
Mark only one box in each question below:

Place any comment you may wish to make in the response area at Section I

B. The organization and presentation of the sessions were:

☐ Excellent
☐ Good
☐ Satisfactory
☐ Poor

C. The coverage of the topics presented was:

☐ Excellent
☐ Adequate
☐ Too detailed
☐ Not detailed enough
☐ Poor

D. The composition of the panelists was:

☐ Adequate
☐ Could have been improved
☐ Other

E. The quality of discussions was:

☐ Adequate
☐ Not enough

F. Are there topics, under the three (3) subject categories, not covered in this workshop that you would have liked to see covered?

☐ Yes
☐ No

Please identify: ..............................................................................................................................................

..................................................................................................................................................

..................................................................................................................................................
G. Describe briefly your expectations of the workshop:

H. What do you see as being the benefits that your country can derive from your attendance at the workshop?

I. Please comment on sections 'D' through 'G'

Please return this Questionnaire to: Economic Affairs Officer (Trade) UN Economic Commission for Latin America and the Caribbean (ECLAC) P.O. Box 1113, Port-of-Spain TRINIDAD AND TOBAGO
Annex V

TITLES OF DOCUMENTS

LC/CAR/1.208 (Sem.1/1): A Study of Capital Markets and Caribbean Trade by Conrad Smikle, Consultant

LC/CAR/L.209 (Sem.1/2): The Developmental and Legal Aspects of General Insurance in the Caribbean with Special Reference to the OECS Countries by Claude Denbow, Consultant

LC/CAR/L.210 (Sem.1/3): Captive Insurance Companies in the Caribbean - An Analysis by Greg Christie, Consultant

LC/CAR/L.211 (Sem.1/4): Transhipment and Port Related Facilities in the Caribbean by Sherman B. Thomas, Consultant

Offshore Banking in The Bahamas
by Carlene Y. Francis, Director of Research
Central Bank of the Bahamas

LC/R.427: Caribbean Short-Sea Transport, Its Role, Challenges and Opportunities
Economic Commission for Latin America and the Caribbean
Santiago, Chile

LC/R.523: Structural Changes in Ocean-Liner Transport and the Challenges facing Latin America and the Caribbean
Economic Commission for Latin America and the Caribbean
Santiago, Chile

E/CEPAL/G.1273: Guidelines for the Evaluation of Transhipment Opportunities: The Case of St. Lucia
Economic Commission for Latin America and the Caribbean
Santiago, Chile

E/C.10/1987/11: Transnational Corporations in the Service Sector, including Transborder Data Flows
Report of the Secretary General
United Nations Centre on Transnational Corporations

The UNCTAD Alternative: The New Clauses on Hull and Cargo Marine Insurance
by Ricardo Vigil, Chief, Maritime Legislation
United Nations Conference on Trade and Development
Contractual and Other Marketing Methods for Commodities of Export Interest to the Caribbean
by Janet Farouk, Economic Affairs Officer (UNCTAD)

Air Transport Services in the Caribbean: The Developmental Aspects
by Richard Smithies, Air Transport Economist
International Civil Aviation Organization
Montreal

The Role of Maritime Safety and Related Services in Maritime Transportation
by Captain W.B. Rial, Maritime Safety Adviser to the Caribbean
International Maritime Organization

The United States, Latin America and the International Debate on Trade in Services
by Miguel Rodriguez-Mendoza, Director of Consultation and Co-ordination
Latin American Economic System (SELA)

A Review of Activities Lending Towards the Development of the Services Sector in the Caricom Countries
by Herman Rohlehr, Chief, Industry, Technology and Tourism Section
Caribbean Community Secretariat

Feeder Services in the OECS - Experience and Perspectives
by George Goodwin, Senior Economist, Sector Policy and Planning
Economic Affairs Secretariat
Organisation of Eastern Caribbean States

Export Credit Facilities: Their Global and Regional Significance for Caribbean Trade
by Jasper A. Scotland, Senior Manager, Corporate Policy and Planning
Caribbean Development Bank