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**REPORT OF THE WORKSHOPS ON  
THE FREE TRADE AREA OF THE AMERICAS,  
COMPETITIVENESS AND STANDARDS**

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# **REPORT OF THE WORKSHOPS ON THE FREE TRADE AREA OF THE AMERICAS, COMPETITIVENESS AND STANDARDS**

## **INTRODUCTION**

The Economic Commission for Latin America and the Caribbean/Caribbean Development and Cooperation Committee (ECLAC/CDCC) organized a series of workshops in the countries of the Organization of Eastern Caribbean States (OECS), to provide information and increase awareness of some of the issues involved in trade liberalization and competition in increasingly open economies. The workshops which were conducted by staff members of the ECLAC Subregional Headquarters for the Caribbean focused on the Free Trade Area of the Americas (FTAA) process, the competitiveness of firms and the issues of standards. Participants in the workshops included representatives from the public and private sectors and the trade unions. The format of the workshops consisted of presentations on the issues of focus followed by discussions. The schedule of the workshops was as follows: Grenada - 18 October 1999; Saint Vincent and the Grenadines - 19 October 1999; Saint Lucia - 20 October 1999; Antigua and Barbuda - 11 November 1999 and St. Kitts and Nevis - 12 November 1999.

This report contains the presentations made at the workshops and summaries of the discussions, which took place in each of the countries. The opening speeches and the list of participants for each workshop are attached as an annex.

## **PRESENTATIONS**

### **I. Integration in the world economy and the Free Trade Area of the Americas**

#### **a. Overview of integration in the world economy**

##### Products and financial markets integration

The world economy has become increasingly integrated through the growing flows of goods, services and capital. World trade has generally grown much faster than world output leading to a rising trade to output ratio. This is a clear indication of advances in products market integration. However, the trade to output ratio may underestimate the extent of market integration because of the increasing share of services in both developed and developing countries' outputs. Although services have become increasingly tradable, most of them are still non-tradable. If this factor is taken into account and trade is measured as a percentage of tradable output, it would constitute a much higher proportion of that output.

Capital flows have also grown fast over recent years, resulting in an increasingly integrated world capital market. The growth of gross capital flows increased significantly in the 1970s and accelerated over the 1980s and the 1990s. Cross border transactions in bonds and equities in the industrial countries were less than 10 per cent of GDP in 1980, but increased strongly to reach 100 per cent of GDP in most cases in 1996. For example, these financial transactions amounted to 151 per cent of the United States GDP in 1996, 229.2 per cent of France's GDP and 435 per cent of Italy's GDP<sup>1</sup>.

Portfolio and foreign direct investment in developed countries also increased rapidly in the 1980s, more than tripling between the first half of the 1980s and the first half of the 1990s. Net private capital flows to developing countries amounted to US\$200 billion in 1996 and changed significantly from being mainly bank loans to being mostly portfolio and foreign direct investment. The average daily turnover of foreign exchange in international markets has grown from US\$200 billion in the 1980s to 1.2 trillion in the mid-1990s, which is equivalent to 85 per cent of all the industrial countries' foreign exchange reserves.

### Factors contributing to world economic integration

The factors contributing to the increasing globalization of the world economy include the widely implemented liberalization of trade and finance and rapid advances in technology. More recently, especially in the 1980s and 1990s, countries around the world liberalized their trade policies by lowering tariffs and eliminating most non-tariff barriers. In addition, they abolished foreign exchange controls and liberalized the capital and current accounts of their balance of payments. This widespread liberalization in trade and finance was reinforced by the successful conclusion of the Uruguay Round of trade negotiations in 1994 and the establishment of the World Trade Organization (WTO) in 1995.

Trade liberalization was also reinforced by the many regional integration arrangements, such as, the Andean Community, Central American Common Market (CACM), the Southern Cone Common Market (MERCOSUR), the Caribbean Community (CARICOM), the European Union (EU), etc., which were revitalized, deepened or established and the many more which are being negotiated, including the FTAA and the Asia Pacific Economic Cooperation (APEC) Forum. Most Caribbean countries have undertaken trade and financial liberalization programmes in the 1980s and 1990s. This liberalization was undertaken both within the Caribbean with the further liberalization of trade and investment in CARICOM and with countries outside the Caribbean, with the restructuring and the lowering of the CARICOM Common External Tariff (CET) in the 1990s.

Technological progress, especially information technology, has had positive effects not only on the movement of capital around the world, but also on the internationalization of production. These developments improved the ease with which capital was transferred around the world and made it easier for firms to more efficiently run their production in many parts of the globe.

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<sup>1</sup> IMF, World Economic Outlook, 1997

### Effects of increased integration in the world economy

The opening up of the economies in both developed and developing countries increased trade and competition around the world with generally positive outcomes on efficiency. The increase in capital flows allowed for the diversification of investment and the movement of capital towards savings-deficient countries. The internationalization of production encouraged increased investment around the world, including the developing countries, resulting in increased employment and income in these countries and creating opportunities for the upgrading of management and technical skills.

The effects of increasing integration in the world economy have been uneven, both among countries and within countries. Increased competition in open economies has led to adjustment everywhere with some firms adjusting successfully and prospering, while others were unable to adjust and disappeared under the weight of international competition. The adjustment has had implications for employment and income distribution with those sectors and firms that could adjust, gaining, and those that could not, losing. There are also wide disparities in income among countries.

The fear remains, however, in both developed and developing countries that globalization has nothing but negative effects on their economies and has, in fact, lowered their incomes and employment levels. The developed countries fear competition from low-wage developing countries and developing countries fear competition from highly efficient firms from developed countries. These fears are generally based on the constant changes in production and employment which is brought about by the restructuring process, necessary in increasingly open and interdependent economies.

### Progress towards a single world economy

Despite the growing interdependence in the world economy alluded to earlier, especially in products and financial markets, it is clear that there is a long way to a single world economy. Except for highly homogeneous commodities, such as gold, prices of traded goods vary widely among countries because of the continuing existence of tariffs and non-tariff barriers, transportation and transaction costs. The financial markets are not also as integrated as they are portrayed to be, despite the strong growth of cross-border financial flows. Domestic investment is still largely financed by domestic savings rather than by net capital flows.

## **b. The Free Trade Area of the Americas**

### The origin of the process

At the Summit of the Americas, held in Miami in December 1994, 34 countries of the Western Hemisphere decided to establish a Free Trade Area of the Americas by the year 2005. To give effect to this decision, working groups on relevant trade and investment issues were established, including working groups on market access, investment, services, etc. The main task of these groups was to collect information on trade and investment policies of the participating

countries and the various integration groupings in the Western Hemisphere. A great deal of information was gathered by the various working groups during the period 1995-1998 and that information was systematically stored in a database. At the Fourth Trade Ministerial Meeting held in San Jose, Costa Rica, in March 1998, it was decided to recommend to the heads of State and government the initiation of the negotiations of the FTAA. In fact at the Summit of the Americas, held in Santiago in April 1998, the heads of State and government received and approved the recommendations of the ministers to start the negotiations process.

### The negotiations

To start the negotiations process, the following nine negotiating groups were established:

- The negotiating group on market access to work towards the elimination of tariffs and non-tariff barriers;
- The negotiating group on agriculture to liberalize trade in this sector;
- The negotiating group on investment to establish a fair and transparent investment environment;
- The negotiating group on subsidies, antidumping and countervailing duties, to devise a system of disciplines to prevent the abuse of trade remedies;
- The negotiating group on government procurement to provide access to government purchases in the FTAA;
- The negotiating group on intellectual property rights to ensure the protection of patents, copyrights, geographical locations, etc.;
- The negotiating group on services, with the mandate to progressively liberalize services;
- The negotiating group on competition policy to eliminate all forms of anti-competitive practices in the participating countries; and, finally,
- The negotiating group on dispute settlement with a mandate to establish a fair and transparent dispute settlement mechanism for the FTAA.

In addition to the negotiating groups, a consultative group on smaller economies was created with two main objectives: (a) to follow the FTAA process, keeping under review the concerns and interests of the smaller economies; and (b) to bring to the attention of the Trade Negotiating Committee (TNC) the issues of concern to the smaller economies, and make recommendations to address these issues. A committee of government representatives on civil society and a joint/government private sector committee of experts on e.commerce were also established.

The structure of the negotiations also include a TNC at the vice ministerial level, which has the responsibility of guiding the work of the negotiating groups and deciding on the overall architecture of the agreement establishing the FTAA and institutional issues. The TNC reports to the trade ministerial meeting, which is responsible for the overall oversight and management of the process of negotiations.

The principles adopted to guide the negotiations included the following: the negotiations are to be transparent and the decisions taken by consensus; the final agreement will be consistent with the rules and disciplines of the WTO, in particular, Article 24 of the General Agreement on Tariffs and Trade (GATT), 1994, and Article 5 of the General Agreement on Trade in Services (GATS); participating countries have the option to negotiate individually or as a group; the rights and obligations of the agreement will be shared by all countries, however, measures for special assistance and longer implementation periods may be negotiated, especially for the smaller economies to facilitate adjustment; the different levels of development of the participating countries should be taken into account to ensure the full participation of all the countries<sup>2</sup>.

For the period April 1998-November 1999, all the negotiating groups met on many occasions and gathered and updated, where necessary, the information related to the issues under negotiations. They also prepared annotated outlines in their respective areas of work, which will form the basis for the FTAA agreement. These outlines have been presented at the Fifth Trade Ministerial Meeting in Toronto, Canada, 3- 4 November 1999. That meeting instructed the negotiating groups to prepare draft texts of their respective chapters and requested the TNC to prepare a report for the next meeting scheduled for April 2001 in Argentina.

#### Caribbean participation

Caribbean countries have participated actively in the negotiating process for the establishment of the FTAA. The participation of the subregion has mainly taken place through the activities of the Regional Negotiating Mechanism (RNM) and the system of lead negotiators designated for each negotiating group to put forward the Caribbean position. The RNM has also undertaken studies to inform some of the negotiating positions of the subregion and organized training workshops on various aspects of the negotiations. Some countries were designated chairs or vice chairs in the negotiation process. Jamaica and Barbados chaired the Consultative Group on Smaller Economies and the Joint Private Sector Committee on e.commerce, respectively, and Trinidad and Tobago and Barbados served as vice chair for the negotiating groups on competition policy and services.

#### The future of the FTAA process

The future of the process will be influenced by many factors. Some of these, which are positive and which will generally reinforce the ongoing process, include the deepening of integration processes in the hemisphere; the increasingly better understanding among negotiators and their sensitivity to issues of concern to the participating countries; the implementation of business facilitation measures agreed to in the first round of negotiations; and, strangely enough,

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<sup>2</sup> See Ministerial Declaration of San Jose, Summit of the Americas, Fourth Trade Ministerial Meeting, San Jose, Costa Rica, March 19<sup>th</sup>, 1998

the failure to launch a new round of negotiations at the WTO ministerial meeting in Seattle which, it was feared, would have drawn the attention away from the FTAA negotiations .

Other factors which are negative and may impede the process of negotiations include the opposition of some sectors of civil society, that is, business, labour and environment groups to trade liberalization, the negotiations undertaken by some participating countries with other groupings, that is, MERCOSUR-Europe and the lack of fast track authority in the United States. These factors will have contradictory influences on the process and are likely to determine the speed and the comprehensiveness of the eventual agreement.

## **II. Competitiveness of Caribbean producers with emphasis on manufacturers**

There is widespread consensus that in the globalized environment of today, competitive sectors and industries are necessary for growth and employment and development, as a whole. This paper seeks to throw some light on the competitiveness of Caribbean producers. In terms of its layout, competitiveness is first defined, after this the competitiveness of Caribbean producers, especially manufacturers, is briefly assessed. Finally some recommendations to strengthen competitiveness are offered.

### **Competitiveness defined**

The Report of the President's Commission on Industrial Competitiveness (1984) in the United States defined competitiveness as the extent to which a nation can, under free and fair market conditions, produce goods that can gain international market share and increase the real incomes of producers. Although this definition refers to the competitiveness of the nation, it is understood that the nation's firms are the producers that are seeking to gain profitable market share. Firms and industries pursue two broad competitiveness strategies. These are competitiveness based on costs or pricing of the product (price competitiveness) and competitiveness based on product quality, design, innovation and skill intensity and flexibility (quality competitiveness).

### **The competitiveness of Caribbean producers**

The competitiveness of Caribbean producers is largely determined by their ability to produce high quality commodities that are competitively priced and to deliver them in a timely and efficient manner to consumers. The competitiveness of regional producers is, therefore, influenced by microeconomic, macroeconomic, trade and industrial policies. Structural policies, that include infrastructure development, education, training and human capital development and technology change and adaptation are also vital.

At the firm level, **factor productivity** as measured simply by the quantity of outputs (the amount of goods and services produced) per inputs (the quantities of labour, capital and material



resources used to produce the outputs)<sup>3</sup> is probably the most crucial determinant of the ability of Caribbean producers to compete. The absolute levels and growth in productivity of Caribbean agriculture, manufacturing and services has lagged behind that of the High Performing Asian Economies/Newly Industrialized Countries (HPAEs/NICs) and faster growing emerging economies of China, Brazil, Mauritius, etc.

### **Competitiveness indicator for the manufacturing sector of selected countries**

A value indicator of trade competitiveness adopted from Czinkota and Wongtada,<sup>4</sup> was used to provide a basic measure of the competitiveness of the manufacturing sector of selected countries.

$$\text{Competitiveness} = \frac{\text{Export value} - \text{Import value}}{\text{Export value} + \text{Import value}}$$

The values for this indicator range **from +1 to -1**. A competitiveness measure of +1 indicates that the industry only exports and has no imports, while a measure of -1 means that the industry only imports, but does not export. These are unlikely extreme cases. Highly competitive industries would tend to have figures that are closer to +1. Uncompetitive industries tend to have high negative indicators.

All Caribbean countries selected, except Trinidad and Tobago, tend to have relatively high negative indicators, suggesting weak manufacturing competitiveness. For Barbados, the average for the indicator between 1986 and 1996 was -0.627, showing that the balance of trade deficit was over 62 per cent of total manufacturing trade (exports + imports). Meanwhile, the average for Trinidad and Tobago was -0.331, the lowest for Caribbean countries. That is, Trinidad and Tobago's balance of trade deficit in manufactures was only 33 per cent of total trade. This reflects the benefits of macroeconomic, trade and structural reforms in Trinidad and Tobago in the 1980s and 1990s. Meanwhile, for Hong Kong and the Republic of Korea, the averages were 0.094 and 0.127, reflecting the improvement in manufacturing sector performance in these HPAEs. Japan's exemplary performance stood out in its average indicator of 0.522, showing that its manufacturing trade surplus was a full 50 per cent of total manufacturing trade.

The **agriculture** sector is expected to show similar competitiveness trends, if this indicator were calculated for it. Given the significant food import bill in the region it is expected that the overall trade deficit in agricultural products is fairly high. **Services**, the dominant sector in the more prosperous economies, has tended to be more competitive, based on the comparative advantage in tourism. In fact, travel inflows have had a positive effect on the balance of payments of these countries.

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<sup>3</sup> See Baumol, W and Mc Lennan, K, "U.S. Productivity Performance and its Implications (eds.) Productivity Growth and U.S. Competitiveness, Oxford university Press, Oxford. 1985, pp.3-28.

<sup>4</sup> See Czinkota, M. R., and Wongtada, N., (1997). "The effect of export promotion on U.S. trade performance: An Analysis of industry internationalisation", The International Trade Journal, Vol. XI, No. 1, spring, pp.5-37.

## **Policy recommendations for strengthening the competitiveness of CARICOM manufacturers**

We are now to offer a few recommendations for promoting the competitiveness of the regional producers, especially manufacturers. This requires that we consider practical and workable policies and approaches.

### Technology

Firms need to adopt appropriate technology that is in line with international best practice in their line of production. It is important for firms to assess the potential cost-benefit of the technology to be used to ensure value for money. Where it is not relevant, (due to scale of production and market size, etc.) cutting edge plant and machinery should not be adopted. For agro-processors, mechanized juice extractors, instead of hand operated ones, and uniform weights and measures might be sufficient to raise productivity.

### Joint ventures

Caribbean manufacturers and agro-processors need to actively seek joint venture partners where this would be beneficial. In textiles, electronic parts and electrical goods, where economies of scale are important, joint venture production for export is particularly important. Governments and local manufacturers should strive to ensure that joint venture production systems are not overly capital intensive, so that adequate employment is created. Also, joint ventures should be structured to facilitate the transfer of higher order knowledge and skills, through learning by doing.

### Areas of specialization

Manufacturers need to seek out opportunities in the high value added segment of the production chain. Producers need to upgrade their production systems (technology, workforce, management, etc) to obtain niches for high quality and value added products.

### Industrial and trade policy

Industrial and trade policy must be simple and clearly articulated. Generally, governments should avoid picking winners. Governments should focus on functional policies aimed at providing top quality infrastructure (transport, utilities, etc.), strengthening education and training, especially the link between research and development institutes and the work place. The quality and timeliness of manufacturing extension services also need to be improved. Linkages among firms should be promoted to facilitate shared learning and economies of scale.

### Financing

Development finance institutions (development banks, National Development Funds (NDFs), etc.) should be streamlined and better funded to provide soft financing for the sectors. Governments should attempt to tap into soft enterprise development resources available from the

World Bank and other agencies, and support these with counterpart funding. More affordable finance should be sought for Small and Medium Enterprises (SMEs) that are at a disadvantage due to weak collateral security and lack of reputation in the market. Venture capital institutions, such as the Eastern Caribbean Central Bank's (ECCB's) planned OECS-wide stock exchange and Venture Capital Fund, should be encouraged.

#### Fiscal and monetary policies

Interest rate and tax policies should facilitate saving and investing. Interest rates should be market driven and more competitive to encourage investment. Commercial banks must be encouraged to reduce lending rates collateral requirements, where feasible, to facilitate investment. Tax competition should focus on reducing corporation tax rates to increase the retained earnings of producers and tax reform, including the reduction of trade taxes and the introduction of an appropriate VAT, especially in the OECS.

#### The exchange rate

Those countries with flexible exchange rates (Guyana, Jamaica and Trinidad and Tobago, for example) should make timely adjustments to their rates, once it becomes unsustainable in terms of reserves and their balance of payments positions. The OECS and Barbados with pegs might need to maintain their fixed exchange rates and to make macroeconomic, wage and productivity policies work harder to promote competitiveness.

#### Entrepreneurship

A number of policy incentives are needed to promote entrepreneurship. These include competition policy to encourage entry into and exit from different activities, protection of property rights and regulation of contracts, competitive prices to facilitate investment in new technology and adequate public investment in infrastructure. Entrepreneurship, though, is driven by more than good macroeconomic policies and cultural and institutional factors, such as the promotion of excellence, and a positive attitude towards risk taking are important.

#### Human resource development

Governments must lead the way by providing systems of primary, secondary and tertiary, liberal and technical education. Manufacturers, on the other hand, need to develop a structured system for on-the-job training and research and development with science, engineering, technology and management training institutions. The private sector could provide training loans to workers and defer repayment until the worker is back in employment.

### **Conclusion**

The challenge of developing competitive manufacturing activity in CARICOM is a major one. It is necessary to provide a more balanced use of domestic resources and to diversify the economies away from dependence on primary agriculture and tourism, both of which are showing declining prospects. Moreover, the returns from a competitive manufacturing sector, in

terms of foreign exchange generation, growth, employment and improved living standards, more than outweigh the challenge.

## **STANDARDS AND COMPETITIVENESS**

### **Definition and application**

Standards can be defined as a set of requirements and rules developed to ensure safety, quality and good trading practices. Regulations and standards are generally of two types: those that are used to reduce competition and those used to ensure safety. For example, the benefit of information on “good through” date for products like milk and other perishable products can readily be accepted. There are country specific standards, regional and international standards and these vary from simple to very complex. Standards can also be used as a blocking instrument or non-tariff barrier in trade. More recent requirements of standards and regulations involve not only the contents of the products, but the environment within which the product was developed. Also, the processes employed in the development of the product can be critical to both the stability of the product or the effect of product elements on the individual or the environment. These are some of the important elements of standards and one can appreciate the purpose, meaning and opportunities afforded by standards requirements.

Generally, developing countries regard standards requirements as burdensome. That is so because the added costs associated with meeting international standards can be onerous on small and poor economies. There is, however, another aspect of regulations and standards that is generally ignored, and that is their use as catalysts in development. So, whereas emphasis has been placed on the other aspects by most developing countries, with less emphasis on safety, the developmental aspect needs to be put into the forefront in order to promote the types of activities that will lead to development. When viewed within the context of these three possible uses, standards and legislation become much more palatable and acceptable and there is greater awareness for the creation of national standards. Unfortunately, this negative approach has clouded the true potential of a standards regime which can be used as a driving force for product development, increased efficiency and enhanced competitiveness.

### **Some consequences of the lack of standards**

With particular reference to the Caribbean and especially the very small States of the OECS, standards can indeed be onerous. However, it can also serve to protect the citizenry from bad situations originating either from abroad or from within. The following three examples are used to highlight the points.

In the early 1960s when the banana crop was being introduced as a large export industry little attention was paid to quality control. The slogan was “grow more bananas” not “grow better bananas”. There are two points that need to be made here: (i) by ignoring quality control within the product itself an opportunity was missed to inculcate into the farmers the importance of quality for the long-term survival of the industry; (ii) by failing to develop, implement or enforce

land capability practices the industry itself was put on the road to eventual decline. There is a linkage between the practices within the industry itself and the elements of the environment within which the product is derived. It is this recognition by the developed countries that led to the thinking behind the development of Hazard Analysis Critical Control Point (HACCP) regulations.

Another example can be drawn from the furniture manufacturing industry. Like the food industry, this is an industry that should be vibrant in the region as, with growing income levels, people tend to change their furniture frequently. In addition, it is an industry that can lend itself to small scale and small community activities. Sadly, the lack of standards and quality and assurance consciousness has prevented the development of this industry in the region. The introduction of the megahouses and ready credit business has proven to be a hindrance to development. Items available on ready credit are, for the most part, of a low standard. Artisanal furniture makers are inclined to follow the same pattern of quantity and low cost. High-income earners then resort to importing quality furniture, which could have been manufactured locally, saving valuable foreign exchange as well as creating employment in the process. If a concerted effort had been made to put standards in place for both the importer and the exporter, opportunities in the industry would be created.

The third example comes from the concern of everyone in the Caribbean during the hurricane season. Damage to infrastructure, services and disruption of life is staggering. When Hurricane Hugo struck St Maarten in 1996, some old wooden buildings withstood the force of winds. A large number of new concrete buildings did not fare well. It was found that the concrete blocks were of substandard quality. The amount and size of steel were also found to be below recommended levels. Information on, training in and adherence to standards and regulations can go a long way in reducing damage and save lives.

Hopefully these three examples demonstrate the problems that can develop when standards and quality are not adhered to or do not exist. The examples refer to standards that are protective rather than developmental. It is easier to take the protective route because it involves less capital outlay.

### **Standards as promoters of development**

Standards as tools for development require much more than legislation. They require trained persons, equipment and policy incentives that will promote entrepreneurial development. It is not easy to penetrate foreign or upscale markets unless systems are put in place to: (a) determine the needs of the market; (b) meet the standards of the market on a consistent basis; (c) follow the trend in the market to stay ahead of the competition. The weak technological base of these islands can be strengthened by regional collaboration, especially in laboratory facilities, since compliance with international standards requires certified laboratories.

During 1998, a number of persons from the region attended a meeting in Guadeloupe on Standards in the Food Industry. Persons had the opportunity to observe the facilities in the French Overseas Departments for quality control and certification. Yet with all the equipment, the laboratory did not meet European Certification for all tests. The Caribbean Industrial Research Institute (CARIRI) in Trinidad and Tobago and the Scientific Research Council (SRC)

in Jamaica are working on obtaining certification. Both Trinidad and Tobago and Jamaica have well developed and functioning Bureaux of Standards. There is the need, therefore to rationalize, on the basis of need, ease of access and cost considerations, the laboratory facilities that will be utilized and promoted in the region given the limited resources available.

### **Linkage between standards and technological development**

International standards are based on scientific and technological considerations, albeit that these are used to the advantage of the most developed countries. No country has been able to develop without first acquiring some capability in science and technology. In fact, the fundamental difference between rich and poor is the level of scientific and technological activity. There seems to be a common belief in the region that, because of the smallness of size, there should be no concern with science and technology issues. It is precisely because of this smallness of size that there should be concern with science and technology, because this will enable small countries to overcome the developmental problems that are inherent with small size.

Generally, industrial development in the region has been promoted more by economic instruments than by technological efforts. Every Caribbean country has a Ministry of Trade and Industry, but few countries in the region have accredited laboratories. So, while there is much talk about the promotion of agro-industry, the Produce Chemist Laboratories (PCLs) that were established are understaffed and lack equipment. Bureaux of Standards are recent and most exist with limited personnel, equipment and authority. Lack of finance being the limiting factor in both cases.

If international standards are to be addressed, mechanisms should be put in place that not only help to know and meet these requirements, but will also identify and capitalize on the opportunities that meeting these standards provide, in order to promote development. It is instructive to note that in the annual publication of the United States Trade Representative on Foreign Trade Barriers, the second major item of concern when dealing with developed countries is *“Standards, Testing, Labeling and Certification”*. Often it is argued that these restrictions only help to protect national industries and in fact make them less competitive. That is true only if a programme for the promotion of standards is not in place, and if the technological assistance is not available for further development. The application and enforcement of standards and quality control and assurance measures can bring two benefits: (1) the protection of consumers from poor products; and (2) encourage entrepreneurs to develop better products to gain a higher share of the market. However, institutions must be put in place to assist local entrepreneurs, and not just in financing and management. Japan has the Ministry of International Trade and Industry (MITI), the United States has the National Science Foundation (NSF), India has the National Commission on Science and Technology (NCST), Canada has the International Development Research Centre (IDRC) and a Science Council. The region needs a reliable source of funding for the systematic development and application of science and technology for human development.

No particular standard, regulation, or quality assurance mechanisms have been discussed. These can be obtained with limited effort and a well functioning Bureau of Standards should be able to provide relevant information as well as develop national and regional standards.

## **The way forward**

A first step is to establish a credible and independent Bureau of Standards. The Bureau will assist in the interpretation and dissemination of information of standards and in the independent testing, as necessary. As much as possible, the Bureau should not itself engage in product development work that may compromise its neutrality.

The second step is to provide for a technological capability in the State with laboratory facilities that can assist in product development and can assist in the provision of assistance to entrepreneurs. Such a laboratory need not be the most advanced, but there is need to have a minimal level of technological competence resident in the State. Maintenance of equipment, timely calibration, proper use of appropriate equipment are all factors that can affect standards and quality control.

The third step is to develop an Industrial Extension Service to serve the sector. Too often training is provided, but because of lack of follow-up, practitioners revert to the old methods for a variety of reasons, not the least is the fact that there is no surveillance. In addition, there is the need to bring a continuous flow of information to practitioners and to get information from them. In most cases a systematic programme of work saves time and money, especially for those persons operating distances away from the capital city where generally, most facilities are concentrated.

A regional research and development fund should be established and administered by a competent and credible regional institution focusing on science and technology for development. Lastly, regional cooperation must be promoted in order to overcome the technological and financial weaknesses of the region.

Competitiveness cannot be achieved by simply adhering to rules and regulations or by enactment. There is the need for research and development, for intelligence gathering, for market testing and for advertising. These cost money but they are necessary.

We must understand the critical role of science and technology in the development process and we must put institutions in place to promote the introduction and application of science and technology in all aspects of economic activity. When we begin to understand and realize the all-pervasive nature of technology in our lives, we will come to appreciate the need for standards, for quality control measures and for proper legislation that not only protects health and the environment, but also constitutes good business practices. The opportunities for development that these provide will also be realized and structures will be put in place to explore these opportunities. That change in mind set would have been achieved and challenges turned into profits.

## WORKSHOP DISCUSSIONS AND ISSUES

### Grenada

The Permanent Secretary in the Ministry of Finance, Mr Timothy Antoine, delivered the opening remarks and declared the workshop open. His remarks underscored some of the key realities of the global marketplace and reforms and adjustments that will be necessary for small States, such as Grenada, to confront the challenges of this environment. He highlighted the importance of market forces, trade liberalization and massive financial flows as realities to which small States must devise appropriate response policies and strategies. It was in that context that he suggested that both the public and private sectors in Grenada must adapt to the new realities. He thanked ECLAC for its initiative to organize the workshops and its general contribution to the social and economic development of the Caribbean.

During the discussions, a number of issues of concern were raised and a number of clarifications were sought. Important among these was the concern that relates to the strategy that is required for the smaller economies to benefit from the FTAA. With reference to this, participants were made aware that the general tenor of the FTAA negotiations did not seem to favour special and differential treatment for smaller economies based on their vulnerability. At least not in the form that the smaller economies of Central America and the Caribbean have been articulating. However, the possibility always existed that the issue of special and differential treatment could be taken up in the negotiations. On the other hand, it was stressed that there was a clear recognition in the ongoing FTAA process of the need for assistance in capacity-building activities to bring the smaller countries' economies in a position, which will allow them to benefit from the liberalization process. It was emphasized that the countries should take full advantage of the technical assistance which was being discussed in the FTAA Consultative Group on the Smaller Economies and which was likely to become part of the eventual agreement on the FTAA.

Participants also raised the issue of the threat that regional producers were likely to face from external competition in the context of the FTAA. This was premised on their inability to compete in activities where economies of scale and cost competitiveness were particularly important. This was accepted as a legitimate concern, however, it was noted that trade was beneficial not only to producers, but also to consumers. Therefore, even though weakly competitive firms were likely to go out of business in an FTAA, other activities could take their place and prosper. Moreover, expanded trade in the FTAA should result in lower prices and better quality products for consumers, since prices were likely to fall with the removal or lowering of tariffs and other trade restrictions and increased competition. With regard to the participation of the Caribbean in the FTAA negotiations, it was suggested that since the Caribbean was not a homogeneous group, the Regional Negotiating Mechanism ought to ensure that the interests of all the countries were reflected in the Caribbean positions at the talks. It was pointed out that it was the responsibility of the countries to make sure that their concerns and positions were brought to the attention of the RNM.

Addressing the issue of competitiveness, participants advanced the importance of an open trading regime and the disciplining effect of foreign competition for the development of



competitive industries. In addition, human resource development was reinforced as an important factor in the promotion of competitive activities. There were calls for greater investment in training of the workforce which, together with fundamental changes in the present education system, will strengthen worker productivity and efficiency on the job. With respect to the need for the diversification and structural transformation of the economies, especially the Windward Islands in the aftermath of the WTO Banana Ruling, participants concurred with the proposal for developing niche industries. Such industries in agro-processing, furniture manufacturing and textiles, for instance, should seek to produce high value added products that reflected the culture of the country in which they were made.

Participants actively endorsed the need for strict adherence to basic standards in the production and exchange of commodities. However, they proposed that there was need for greater political will to provide the Bureau of Standards with the necessary apparatus and support to carry out its work. It was further noted that the developmental role of standards has often been down-played and standards were often viewed as a set of cumbersome regulations designed to add to the cost burden of the producers. Concerns were also raised regarding the use of standards to deny market access. This concern was illustrated by the advice given to tourists in Europe not to visit countries which did not comply with specified fire regulations. In response it was stated that although fire regulations were important, they should not be used unreasonably to deny market access. Evidence of compliance with the local fire regulations should be enough to allay the fears of European authorities.

### **Saint Vincent and the Grenadines**

Mr. Shallow, the Permanent Secretary in the Ministry of Trade, set the stage for the presentations and discussions by providing some insights into the ongoing FTAA process. He also referred to Article 56 of the CARICOM Agreement, which provides protection for some industries in the OECS. Moreover, he alluded to the fact that the smaller economies were seeking similar forms of special and differential treatment within the FTAA. Mr. Shallow also noted the role of ECLAC in assisting the countries as they sought to position themselves for a beneficial exchange in the world economy, where preferences were under threat and competition with more efficient producers was the order of the day. He ended his address by expressing his Ministry's delight in organizing the workshop.

During the discussions, a number of issues were raised pertaining to the preparedness of the smaller economies of the OECS for full insertion into the world economy. Specifically, with reference to the FTAA, some participants argued that there was likely to be little benefit to small States with little or no goods to trade. It was pointed out, however, that countries could benefit on the consumption side through the availability of a wide variety of goods and services at lower prices. This variety and lower prices also applied to production goods, such as equipment and machinery, which could increase the efficiency of production in the smaller countries. It was also pointed out that in some sectors, small countries, such as Saint Vincent and the Grenadines, could find niche comparative advantages in the production of some commodities. The possibility of special and differential treatment for the smaller economies was raised and it was explained that that issue could be negotiated, but that the ultimate aim of the free trade area was the removal of all barriers to trade. One participant raised his concern about the use of standards by

developed countries to deny market access to the smaller countries. It was stated, in response, that such actions would be unfair and against the rules of international trade which stipulated that standards should be scientifically based and transparent and should not be used as barriers to trade.

The high dependence of Saint Vincent and the Grenadines on trade taxes was raised as a problem in the liberalization process. The meeting was informed that this issue was extensively discussed in the FTAA Consultative Group on Smaller Economies and the conclusion was that it was, indeed, an important factor in trade liberalization and that it could lead to macroeconomic disequilibria, if tax reforms were not undertaken early enough to compensate for loss of revenue from the lowering or removal of trade taxes. With respect to bananas, a participant noted that labour costs in the Windward Islands might be fairly competitive, but the islands were not competitive in other areas, for example, transport. It was pointed out that labour costs must be compared with productivity and efficiency in the industry to decipher the ability of the industry to compete.

The criteria for defining smaller economies were discussed and concepts based on per capita income or size alone questioned. It was pointed out that in the FTAA negotiations, there was no definitive criteria for distinguishing smaller economies. Free trade premised on perfect competition was also questioned by one participant, who stressed the role of market failure and imperfect competition in trade. However, it was noted that market failures were difficult to identify and remedy and that free trade might represent a more optimal use of resources than controlled trade. Imperfections in the market were generally better addressed with domestic policies rather than trade policies.

Participants also raised the concern of the extent and quality of the representation from small States in the decision-making process in the FTAA. It was argued that to a large extent, small States had little direct representation in the ongoing negotiations. However, it was brought to the attention of the audience that the Regional Negotiating Machinery of CARICOM was charged with providing a coordinated response to the negotiations, which was informed by the member States. It was, therefore, in the best interest of member States to put in place a properly structured machinery for articulating their concerns to the RNM.

With respect to the competitiveness presentation, participants raised their concerns regarding the ability of smaller economies to gain market access. In response, it was pointed out that although the FTAA should provide an expanded market, producers needed to ensure that they produced high quality products that were competitively priced to gain market share. Issues relating to work ethics and worker productivity were reinforced as crucial to competitiveness. Addressing the concern relating to the technology and production systems in the region, participants reinforced the crucial role of product quality, quality control and management and inventory control. It was noted, however, that issues pertaining to the quality, the stability of the electricity supply and availability of capital had to be addressed at the national level. Participants also recognized the need for improved rationalization in the use of scarce resources and a strengthening of the diversification efforts in agriculture.

In the discussions that followed the presentation on standards, it was noted that Latin American banana producers were able to gain a foothold in the European market because they adhered to stipulated standards. Windward Islands' producers had to meet similar benchmarks if they were to maintain a niche in this market. It was suggested that Caribbean producers should take pride in what they produced and endeavour to develop distinctive Caribbean brands of products. Some discussion also centred on the importance of science and technology in the promotion of standards as instruments of development. The diffusion of scientific and technological know-how, through education and training, was emphasized as being of paramount importance.

### **Saint Lucia**

As in Grenada and Saint Vincent and the Grenadines, participants in Saint Lucia were concerned that the FTAA would provide little or no benefit to smaller economies. Business people, in particular, were strongly of the view that, given their lack of economies of scale in production and marketing, they might be forced out of business. It was pointed out, however, that increased competition in an FTAA meant that some less efficient firms were likely to go out of business, while other more resilient ones were likely to survive. In addition, the dynamic nature of comparative advantage meant that smaller economies, such as the OECS, might find niches in services such as tourism and in agro-processing.

Participants were also concerned that the Caribbean countries were signing on to the FTAA process without any careful analysis of the implications of the FTAA. In response to this concern, it was indicated that whether the region was an active participant in the process or not it would be influenced by its outcome. It was, therefore, much more rational for the Caribbean to actively engage in the process in an effort to influence the tenor of the negotiations and to benefit from the FTAA, if and when it was formed.

In looking at the practical application of competitiveness, discussions focused on the importance of technical assistance, research and development, training and capacity-building activities to reduce the gap between the more developed and lesser developed countries of the FTAA. It was noted that governments and the private sector in the smaller economies should find out about and avail themselves of appropriate technical assistance that might be available within the framework of the FTAA.

The vital role of marketing and market intelligence to the competitiveness of regional producers was also noted. There was a call for regional negotiators to move away from negotiating broad market access to a focus on particular products, which could be produced competitively in the countries. Market research with respect to given products would then be guided by surveys of consumers' wants and preferences, for example, sensory analysis in the gourmet foods market.

Participants were in general agreement with the vital role of standards and quality management in production and trade. There was some concern, though, that standards could be used by developed countries as protectionist devices to limit market access for smaller economies in the FTAA. In response to this concern, it was pointed out that the FTAA would

have clear guidelines where breach of standards was 'actionable'. Smaller economies would, therefore, be able to bring before the Dispute Settlement Body cases where standards were used as trade barriers.

Business people again raised the issue of the limited access to affordable finance in their attempt to produce high quality products. They noted the high cost of machinery and equipment for ensuring product consistency and quality, packaging and labeling. In the area of marketing, producers claimed that the lack of support systems, such as, shelf space in the local supermarkets, restricted their opportunities in the domestic market and were likely to affect them negatively in international markets.

A crucial concern was the role and position of the Bureau of the Standards. Participants noted that government and producers were not fully aware of the vital role that the Bureau must play in product development and marketing. It was proposed that for the Bureau to be fully functional, it needed to be outfitted with the necessary equipment and personnel, and that producers needed to make full use of its services. Also, there were calls for the Saint Lucian Bureau of Standards to create a network for exchanging information and verifying testing procedures with the Caribbean Industrial Research Institute (CARIRI) in Trinidad and Tobago and the Bureau of Standards in Jamaica.

### **Antigua and Barbuda**

Minister the Honourable Hilroy Humphreys, Minister of Commerce, Industry and Business Development, made the opening remarks and declared the workshop open. In his presentation, he highlighted the importance of services, particularly tourism, offshore banking and telecommunications to the economy of Antigua and Barbuda. Moreover, he suggested that Antigua and Barbuda, because of its high wages stood little chance of competing with very low wage countries, such as China and Mexico, in manufactured goods. Referring to Standards, Mr. Humphreys noted that these have been used as barriers to trade by developed countries against small developing States. He indicated that Antigua and Barbuda's fishermen have faced such trade barriers for their fish products in the EU market. However, he stated that Antigua and Barbuda had to get involved in the liberalization process and needed to be aware of the threats and opportunities which the process brought about and thanked ECLAC for assisting in that regard.

During the discussions, as in the other OECS countries, participants were concerned about whether small States, such as Antigua and Barbuda, were to be purely consumers in the context of the FTAA. The small manufacturers present suggested that they would not be able to compete with large multinational producers from the United States and other countries within the FTAA. This was recognized as a legitimate concern, but it was noted that membership of free trade areas (FTAs) always result in some sectors losing and others gaining at the individual country level. However, the FTA was not really the cause of this as such, in fact, it simply brought into sharp relief the disparity in productivity and efficiency in different sectors. In response to a question raised regarding the inability of Antigua and Barbuda's firms to compete with firms in the developed countries and some developing countries, which subsidized their production and engaged in the dumping of goods, it was pointed out that international trade rules

outlawed most subsidies and rejected dumping so as to create an environment where fair competition could take place.

The point was raised that free trade, as espoused by the FTAA, might not be beneficial to the small OECS countries. It was claimed that small producers in these countries needed some time to develop competitive production systems, especially since they did not benefit from the generous subsidies that were offered to producers in the United States and other countries. In response to this view, it was intimated that producers that were protected by subsidies and other forms of protection rarely developed competitive products in any country. Consequently, Caribbean producers need not use the example of subsidies offered by developed countries to justify similar forms of protection for their industries.

In looking at competitiveness, participants noted the constraints that producers in Antigua and Barbuda faced in terms of finance, technical expertise, training and marketing. There was general skepticism about the ability of goods producers in the country to compete in open markets. However, the country could improve on its comparative advantage in tourism and strengthen the offshore banking sector. The representative of the Organization of American States (OAS) noted that the OAS has implemented a 'Youth Businessman' programme, which was aimed at harnessing and developing the entrepreneurial talents of young people. This scheme provided training in business management and funding for the start up of small businesses. Such schemes could go a long way in fostering a group of dynamic small businesses. Of importance in providing assistance were stipulated performance benchmarks which must be met for firms to continue receiving these incentives.

Discussions following the presentation on standards centred on creating a culture where standards were recognized as being important. This, it was pointed out, required support at the political level (in terms of the securing of equipment and training) and at the community level, especially among producers. It was also suggested that SMEs needed to make better use of the training and assistance provided by the Bureau of Standards. The high cost of equipment, such as the mascomparator for use in the Standards Bureau, was also noted as a constraint to the efficient functioning of the Bureau. Funding was raised as a major constraint to the development of the Bureau of Standards in Antigua and Barbuda, which so far has benefited mainly from funds provided by foreign donors, such as Japan, Germany and the World Bank. It was stressed that funds were also necessary for the conduct of the public relations and information campaigns, which were vital to increase awareness about standards in the country.

### **St. Kitts and Nevis**

Deputy Prime Minister, the Hon. Sam Condor, set the stage for the discussions in his opening remarks, by noting the fundamental changes which had been taking place in the world economy and which were driven mainly by the rapid advances in technology. The changes have resulted in an increasingly liberalized economy where trade rules were no longer confined to tariffs, but included a host of other issues which were once quintessentially domestic, that is, standards, investment and competition policy. The FTAA, which is part of the process of globalization, will pose major challenges for small firms in St. Kitts and Nevis. He also indicated that in his efforts to adapt to the new trading environment, the Government of St Kitts

and Nevis was in the process of establishing a National Competition Policy to boost competition among firms.

Discussions on the FTAA process centred on what scope there was for small economies, such as St. Kitts and Nevis, to develop activities that could compete in the FTAA. This was viewed as important in light of the need to earn foreign exchange to purchase imports. The weakness of the negotiating machinery of small States was also raised as an area of concern, because it was thought that it might be difficult for such a mechanism to adequately reflect the different views of all the countries. In response, it was pointed out that it was the responsibility of the countries (the government, the private sector and the trade unions) to make sure that their concerns and ideas were taken into account in the formulation of Caribbean positions at the level of the RNM. There was also focus on the potential use of core labour standards as a trade barrier. This was the main reason behind the developing countries' opposition to the inclusion of labour issues in international trade negotiations. This position was constantly adopted in international trade, despite the fact that these countries supported core labour standards, such as freedom of association, the right to organize and bargain collectively, freedom from forced labour, minimum age of employment etc.

With reference to competitiveness, issues raised related to the small scale and inability of producers in St. Kitts and Nevis and other small economies to meet the quality that was demanded in overseas markets. The inability of the sugar industry to compete in the open market was also raised, but it was noted that it was quite difficult to find alternative employment for workers. The issue of the availability of capital for skilled workers to start businesses was cited as a major constraint on employment creation in St Kitts and Nevis. One participant raised the issue of the cumbersome process in operation for the exports of goods out of the country and which, in his view, needed to be addressed urgently if local exporters were to be successful abroad. As an example, he mentioned that it took him five hours to go through the procedures to export goods out of St. Kitts and Nevis, while it took him only five minutes to export goods out of St Croix.

Discussions on standards noted the inadequate nature of building practices, especially in light of the proneness of the country to hurricanes. There were also calls for a regional approach to standards. An environmental tax was also proposed to curb environmental pollution, especially the use of plastic bottles. A concern was raised regarding the fact that many low quality goods, ranging from second hand cars to oil and foods, found their way into the local market mainly because of the lack of standards and their enforcement. This situation puts the consumers at risk and needed to be addressed urgently. It was explained that a fully equipped and adequately staffed bureau of standards would go a long way towards addressing this concern.

**KEYNOTE ADDRESS BY HONOURABLE SAM CONDOR,  
DEPUTY PRIME MINISTER OF ST. KITTS AND NEVIS  
AT THE FTAA COMPETITIVENESS SEMINAR  
12 November 1999**

It is impossible to have watched the course of events over the last five years without recognizing the fundamental changes to the international trading system.

In 1994, we witnessed the birth of NAFTA (the North American Free Trade Agreement) and the WTO (World Trade Organization). In that same year, APEC (the Asia-Pacific Economic Cooperation Forum) agreed to reach free trade between its developed economies by 2010.

At the same time, the EU (European Union) has proceeded with its own plans for expansion northward and eastward and its single currency, the Euro, was launched in 1999.

Closer to home, the Western Hemisphere has set 2005 as their target date for free trade in the region, with the inauguration of the FTAA.

The Caribbean Community is in the process of establishing a single economy and in this regard is updating the Treaty of Chaguaramas. The process involves addition of two new protocols VIII and IX which deal, respectively, with dispute settlement and competition policy.

Behind these moves toward deeper and wider regional integration, there are some fundamental forces at work. Just like the sudden collapse of the Iron Curtain symbolized by the fall of the Berlin Wall in 1989, trade and investment barriers the world over seem to be crumbling under the weight of their own contradictions. Undoubtedly, we are witnessing the birth of a new international economic order – a system of global free trade.

However, these moves toward free trade are merely responses to changes that have already overtaken the global economy.

Main among these changes are the revolutionary advances in computer and telecommunication technologies which are fashioning a world economy from the bottom up. Although government could always devise measures to prevent goods from crossing borders; they have far less control over the transnational movement of information, know-how or ideas. These are the very products that are now driving the global economy at a breath-taking pace.

If knowledge is power, to borrow Francis Bacon's famous aphorism, then one of the defining characteristics of globalization is that this power is more diffuse than ever before. We, the Governments of this world, are keenly aware that ideas are ultimately unstoppable and the advent of the knowledge economy is somehow circumventing and diminishing the influence of national governments.

Indeed, what we are seeing in the expanding web of bilateral, plurilateral and multilateral free trade agreements are the efforts of national governments to come to grips with economies of regional and global proportions.

Previously trade policy was concerned mainly with regulating commercial relations between national economies, largely through the negotiation of tariffs. Nowadays, trade policy is about establishing the ground rules of a transnational economy in areas that were once quintessentially domestic. These areas include: standards and regulations, investment and, indeed, competition policy, among others. These issues are at the heart of achievable levels of competitiveness of individual firms and entire economies. This morning, I will speak a little of my Government's views in one of these key areas, that is, the question of a national competition policy.

Under the pressure of market liberalization and globalization, it is generally admitted that competition policy is an essential element of the competitiveness of nations.

It has also been argued that because of the high cost of introducing competition control mechanisms, as well as the difficulties in correctly implementing complex competition concepts, it may be preferable to avoid controls altogether and to let market forces, in the long run, resolve temporary restraints to competition.

But, as we have seen already, this argument has been overtaken by events. The issue is not if, but how, or in what form, should governments develop their own conscious domestic competition machinery. Because even though a country's participation in a regional economic grouping means its automatic adoption of regional competition rules, it would be in the interest of each member State to create and maintain competitive advantage by establishing a competition mechanism that is appropriate to its unique national circumstances.

Thus, CARICOM, when it becomes a single market and economy, would have its own competition policy and enforcement body. These are currently being negotiated and will be embodied in Protocols VIII and IX of the revised Treaty of Chaguaramas. At the same time, we are also deliberating a common CARICOM approach to competition policy in the FTAA process. Because one thing is sure, the status (small and disadvantaged) occupied by the OECS in CARICOM would be the same status accorded to all CARICOM members in the FTAA. It is, therefore, the concern of all CARICOM members to develop a competition regime, to suit the nuances of small and micro economies.

Also we need to take into account not only the goals of fair competition but other very real concerns of governments, such as sustaining employment in industries or sectors that contribute considerably to employment generation.

As we are all very well aware, our economies here in the Caribbean are among the smallest in the world and, consequently, are amongst the most open. So that on the most part, our foreign direct investment regimes are liberalized, and the process of privatization is well advanced. On the whole, our private sector conduct is disciplined by the entry of foreign goods and services and foreign direct investment, with the result that there exists a high degree of healthy competition.



However, the issue of smallness is of real concern for several reasons:

1. The micro firms of the Caribbean require economies of scale and the corresponding cost efficiency benefits in order for their products to compete successfully on the international market. This may mean that it might be necessary for such firms to achieve a dominant position in both the local and subregional markets.

2. "Smallness" combined with "openness" implies vulnerability of small firms to excessive competition and abusive dominance from large multinational corporations (MNCs). We are aware that any competition regime that is developed must be sensitive to these issues of excessive market entry and the potential abuse of dominance.

3. Smallness also impacts on the conduct of the private sector. In our little countries, everybody knows each other and the key players in the private sector know each other very well. In such circumstances, exclusionary contracts with distributors may be necessary in order to protect confidentiality of information, which usually is necessary to protect fair competition.

Competition policies must, therefore, be sensitive to the peculiarities of our small island societies, and their cultural nuances.

A fourth concern is for the capacity of our economies to assume the burden of legislating and administering a competition regime.

There is, at present, very little objective information on these issues and there is much that we need to know as governments, in order to prepare a conducive environment for the cultivation of vibrant, internationally competitive businesses.

So whilst this seminar has as its main objective the building of awareness and capacity to contend with the threats and opportunities that are likely to be thrown up by our membership in the powerful hemispheric economic grouping of the FTAA, we trust that during your discussions you will bear in mind the challenging responsibility of government in helping to create a competitive business environment.

In order to make the right policies, government requires information from employers and labour and all concerned, we need to know their concerns, their needs, their problems, and their expectations. Therefore, we trust that this seminar will be successful, not only in the dissemination of information by ECLAC expertise, but also in gathering of information from all the participants which will help to inform governments' policies that will, ultimately, impact our abilities to compete successfully in the new economic order.

In this regard, my Government looks forward to receiving a comprehensive report from the conductors of the seminar.

May you have success in all your deliberations.

## LIST OF PARTICIPANTS

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