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Caribbean Special Report

ECCU - Regional Response to a Global Crisis

**Regional Trade Agreements - Repositioning the
Caribbean in the Global Economy**

Towards an Economic Union

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Opportune Summit

Edwin Carrington is Secretary-General of the Caribbean Community (CARICOM)



The Fifth Summit of the Americas is just a few weeks away — it will take place April 17-19 in Port of Spain, Trinidad and Tobago — and it comes at a critical juncture for the Caribbean Community and indeed for the entire Western Hemisphere. This meeting of 34 heads of state and government was always going to be important; now, with the global financial crisis upon us, it is even more urgent that our nations' leaders engage with each other on the most pressing issues of our time.

The economic uncertainty felt throughout the region and the world underscores the relevance of the theme of the Fifth Summit: "Securing Our Citizens' Future by Promoting Human Prosperity, Energy Security and Environmental Sustainability." Our governments must work together diligently to ensure that the economic crisis is resolved as quickly as possible, to make the future more secure for everyone. The people of the Americas need to know that their elected leaders are taking steps, in both the short and long term, to address their needs.

During the past few months, the countries of the region have begun to negotiate the Declaration of Commitment that the leaders will adopt in Port of Spain. The discussions on human prosperity have focused on issues related to equity, inclusion and social development, encompassing concerns as diverse as reducing infant mortality, promoting job opportunities and strengthening food security.

In the coming months, delegations of the member states will turn to the

sections on energy and the environment, which also go to the heart of securing our future. Through this negotiating process, the member states are seeking to forge consensus on the central goals that will help shape policy decisions throughout the region. From the beginning, Trinidad and Tobago has stressed that the mandates that come out of the Summit need to be concrete, measurable and achievable. This call to be focused and practical becomes even more urgent in a time of crisis.

Given its size and economic weight, the United States will continue to exercise substantial influence throughout the region, and its involvement in the Summit of the Americas is a key element that sets this process apart from other inter-American meetings. The Fifth Summit will provide an opportunity for the region to get to know President Barack Obama early on in the new administration and for the US leader to develop a more complete and nuanced understanding of our priorities and concerns. For the Caribbean, as well as for the other sub-regions of the Americas, this presents an invaluable opportunity to be heard.

In fact, the Fifth Summit will give all of our countries the chance to turn the page in our relationship with the United States. With all the challenges facing the world today, we need the United States to be fully engaged with the Americas, and this can begin to happen in Trinidad and Tobago. ■



FIFTH SUMMIT OF THE AMERICAS

Port of Spain, Trinidad & Tobago, April 17, 18, 19 2009

The ECCU – A Dynamic and Resilient Economy

Sir K Dwight Venner is the Governor of the Eastern Caribbean Central Bank



The international economy and community is at an historic turning point. Current events have and will continue to affect all countries including those in the OECS and the Eastern Caribbean Currency Union.

The financial and economic crisis which is now unfolding has been declared by the International Monetary Fund as the worst that the global economy has faced in 60 years.

Its impact and ramifications have been so massive that most analysts and institutions are not prepared to forecast when it will bottom out and the recovery likely to begin.

Impact of the crisis on the ECCU

Given our openness and integration into the global economy, the channels of transmission of this crisis into our economies are through the real sector and the financial sector.

In the real sector there are three areas in which we are affected:

- Tourism;
- Foreign direct investment; and
- Remittances.

Tourist arrivals and expenditure have fallen, and the bookings going forward are not promising. Tourism is now our major foreign exchange

earner and the challenge we now face would be if the recovery in the international economy does not come in 2009, we would then face two weak back to back tourist seasons.

This would have, in the absence of vigorous counter measures, a very depressing effect on our economies.

Foreign direct investment has shown significant declines, manifested in the slowing down or outright stoppage of major real estate and tourism projects.

These stoppages will have an impact on construction with its significant employment possibilities and on the capacity of the tourist industry, through the number of rooms and properties available to add to the current stock.

In the case of remittances, hard data is not easy to come by, but available information would seem to suggest that there is some slowdown in this area.

The other channel of transmission, the financial sector, is being affected through the availability of lines of credit and correspondent relationships with foreign banks which are now having difficulties of their own.

In the circumstances outlined above, we now have to come up with both

short term and long term responses to these challenges.

National and regional responses to the crisis

Our governments have been addressing these matters with some urgency, and their first responses can be found in the Budget Addresses delivered in December 2008 or by the statements made by those whose budgets did not fall in this period.

As a currency union, there have been consultations at this level including the ministers of tourism, ministers of finance and representatives of the banking sector.

These culminated in an historic meeting between the OECS Authority of heads of government and the ministers of finance who make up the monetary council of the ECCB.

It was unanimously agreed that the meeting was very constructive in carrying out an objective analysis of the situation from the individual member states and currency union perspectives, and in coming up with short and medium term responses to the situation which now confronts us.

The short term responses include:

- Attempting to maintain the level of ongoing economic activity by supporting the tourism industry in their cost reduction and marketing strategies;
- Engaging in targeted public sector investment programmes to stimulate economic activity; and
- Providing efficient and effective social safety net programmes to address the needs of the poor, the indigent and the vulnerable.

With respect to the financial sector, the decision was taken to complete the regulatory framework for the entire financial system and to construct money and capital market arrangements to facilitate the provision of liquidity and investment finance.

We have been very fortunate that the Canadian banks which are the largest banks in the currency union, are well regulated in their home jurisdiction and have been rated number one in the world. Notwithstanding, we have been maintaining very close contact with the Bank of Canada, the Office of the Superintendent of Financial Institutions (OSFI), and the headquarters of the banks in Toronto and their senior regional representatives.

In the case of the domestic banks, they are well capitalised and we have strengthened our oversight over them.

We have established a contingency team at the ECCB, with senior and experienced staff to maintain constant oversight over the situation and develop contingency plans, should a crisis arise.

We are advising our governments to complete the establishment, with some urgency, where they have not already done so, of the Single Regulatory Units (SRUs), to regulate those institutions in the financial system which are not supervised by the ECCB. Such institutions as insurance companies, credit unions, building societies, money services institutions, all need to be properly regulated in normal times, much less in times of crisis.

There is an old saying *"When your neighbour's house is on fire throw water on yours"*. We are therefore putting in place a regulatory framework and capability which is comprehensive, sophisticated and sensitively balanced between rules, regulations, prudential guidelines and self regulation.

The public can be assured that everything that is humanly possible is being done to preserve the safety and soundness of our financial institutions.

Discussions are on-going with the ministries of finance and the broker dealers to enhance the effectiveness of the Regional Government Securities Market to provide financing to the governments for recurrent and capital expenditure on a regular basis and at a reasonable cost.

We are also very well advanced in creating an Eastern Caribbean Enterprise Fund (ECEEF) to facilitate investment in the productive sectors.

These initiatives in the financial sector are important to facilitate the transformation of our economies into highly competitive and diversified

entities which can take advantage of the opportunities that will present themselves when the recovery comes.

The low growth scenarios which confront our economies are due in great measure to our small land and population size and limited technical capabilities.

The OECS Authority, in recognising this fundamental impediment, has taken the decision to move to the status of an OECS Economic Union by December 2009. There is an urgent need to create the critical minimum scale and a broader economic and financial base to achieve our economic goals.

The decision was taken to establish a transition team to address the current crisis and to align the responses with the achievement of the goal of economic union.

The team comprises:

- The Honourable Prime Minister of St Vincent and the Grenadines, Dr the Honourable Ralph Gonsalves;
- The present Chairman of the OECS Authority, the Honourable Tillman Thomas;
- The present Chairman of the Monetary Council, Dr the Honourable Errol Cort;
- The Director General of the OECS Secretariat, Dr Len Ishmael; and
- The Governor of the ECCB.

Other heads of government and ministers of finance are expected to assist this core group to tackle these challenges during the course of the year.

The group will coordinate and monitor the implementation of the short term and long term policy responses to the crisis which were agreed to at the joint meeting on the 15th and 16th of January 2009.

The meeting identified three critical sectors which could be instrumental in effecting the transformation of our national and regional economies, namely:

- Tourism;
- Construction; and
- Fisheries.

Work will start immediately by teams drawn from the national and regional public services and the private sector on strategies for carrying out this decision.

The team will also meet with regional and international countries, institutions, and private sector groups to access resources and technical assistance for implementing our short and long term responses to the crisis.

While the crisis has international origins, we have the responsibility as sovereign countries to decide on our own appropriate responses.

This particular crisis is so deep and far reaching that it requires a concerted and strategic response by a conscious and mobilised population. This means that every segment of the population, politicians in government and opposition, public servants, the private sector, the trade unions, civic society, the professions including teachers, doctors, lawyers, engineers, accountants, nurses, police, community organisations, families and individuals must take responsibility for our current and future prospects and the goals of achieving a better standard of living and quality of life in the OECS.

In the final analysis a country must depend on its citizens to work hard, to cooperate with each other, to be objective in their judgments and to be prepared to make sacrifices for the good of their country.

In this time of international crisis each and every one of us must perform the role of citizen to the best of our abilities to ensure the welfare of present and future generations.

I end with this memorable quotation:

*There is no "them and us"
In a world this size there can only be "we" -
All of us working together. ■*

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Regional Trade Agreements as a Tool for Repositioning Small and Vulnerable Economies: The Case of the CARIFORUM-EC Economic Partnership Agreement

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Introduction

The recently concluded Economic Partnership Agreement (EPA) provides a vehicle for CARIFORUM¹ countries to strategically reposition themselves in a global environment in which trade relations are increasingly based on reciprocity. In order to buffer the transition from preferential trade arrangements to a more liberalised framework, the EPA maintains access for traditional CARIFORUM exports while providing enhanced market access for goods and new opportunities for the provision of services. It is particularly in the latter area that most CARIFORUM states feel a sense of optimism given that there is tremendous export potential. The EPA therefore facilitates a transitioning towards a more pro-competitive trade regime in terms of the restructuring of productive capacity while establishing mechanisms for the provision of technical assistance and development financing.

Main gains from the EPA

Market Access

- Manufactured and agricultural products

As noted before, the EPA allows for continued predictability in access to the European Union (EU) market for CARIFORUM goods. In essence, the CARIFORUM region would be granted duty-free, quota-free access to the EU market for all goods meeting qualifying rules of origin with the exception of rice and sugar exports which would have duty and quota restrictions until 2010. This access allows the CARIFORUM region to enjoy continued preferences in the EU market relative to other countries that face duty and quota restrictions.

Furthermore, given that the EPA is a free trade agreement (FTA), CARIFORUM has granted the EU preferential access to its own market for approximately 92 per cent of exports. However, the CARIFORUM region was able to secure a measure of asymmetry in this regard as exports from the EU would be granted preferences on a phased basis ranging from ten to twenty-five years. Moreover, most CARIFORUM produced goods and revenue sensitive imported manufactured goods were excluded from the scope of liberalisation as well as almost all agricultural produce. As such, a number of CARIFORUM manufacturers and agricultural producers continue to receive a significant level of protection.

Beyond the enhanced market access, the EPA makes provision for the granting of resources to CARIFORUM manufacturing and agricultural based companies for innovation and development. There has also been a commitment on the part of the EU to provide development support aimed at promoting private sector and enterprise development, enhancing the international competitiveness of CARIFORUM firms and enhancing the technological and research capabilities of CARIFORUM states to facilitate development of and compliance with, internationally recognized agricultural health and food safety requirements and technical standards. Undoubtedly, CARIFORUM stands to gain significantly from such measures.

- Services and investment

Prior to the EPA, CARIFORUM did not have guaranteed access to the EU services market. Therefore, the region seized the opportunity to gain commercially relevant market access in services and to provide a legal framework to govern investment and the activities of investors.² Under the EPA, the EU has liberalised more than 90 per cent of its services sectors on the WTO W/120 list. The EU made commitments on the cross-border supply of services and the establishment of commercial

presence in the business, communications, construction and related services, distribution, education, environmental, financial, health and social services and transport services as well as in some new sectors such as spa services. The labour mobility commitments were hailed as some of the most valuable gains. Specific commitments include the temporary entry and stay of key personnel and graduate trainees in the areas of business, construction, distribution, education, financial, health, tourism, recreational and transport services. With respect to Contractual Service Suppliers, the EC has made commitments in 29 subsectors in the business, education, environmental, tourism and entertainment services. CARIFORUM has a strong competitive advantage in the latter two services. In addition, market access was granted to independent professionals in 11 subsectors of the business services sector.

In terms of investment, the commitments cover both services and non-service activities. Specifically, the EC has liberalised investment in agriculture; hunting and forestry; fishing and aquaculture; mining and quarrying; manufacturing; and production, transmission, and distribution on own account of electricity, gas, steam and hot water.

Challenges

It is clear that CARIFORUM states must now seek to put in place measures to ensure that they fully enjoy the benefits of the new and enhanced access to the European market. For example, more needs to be done to boost the export capacity of the private sector and diversify the range of products to effectively penetrate the EU market under the EPA. In the case of Barbados,

2006 trade data indicates that exports of sugar and rum accounted for well over half of total exports to the EU.³ Moreover, there has also been a heavy concentration of exports to the United Kingdom (UK) market in particular.

Additionally, several of the key elements required to complete the construction of the regional integration initiatives at both the CARICOM and CARIFORUM levels remain outstanding. These include the CARICOM Financial Services Agreement, the CARICOM Investment

Code and the CARICOM Public Procurement Regime. It is interesting to note that CARICOM countries made commitments in these areas under the EPA before concluding regional arrangements amongst themselves. Hence, to fully benefit from these aspects of the EPA, it would be useful for CARICOM countries to act swiftly to resolve such issues amongst themselves. In addition, the FTA between CARICOM and the Dominican Republic remains incomplete in relation to services, investment and non-reciprocity with respect to the Dominican Republic's access to CARICOM Less Developed Countries' (LDCs) markets. Now that both parties have afforded the EU much more beneficial treatment under the EPA than they afforded themselves under their bilateral agreement, they now have to refashion their FTA to reflect something as comprehensive as the EPA. The EPA indicated that CARICOM More Developed Countries (MDCs) and the Dominican Republic should offer each other the same preferences as granted to the EU one year after signature of the EPA whilst the CARICOM LDCs and the Dominican Republic were to do so, no later than three years subsequent to signing the EPA.

Development support is another critical aspect of the EPA for CARIFORUM countries. It will be important to ensure that such support is targeted towards building strong regional enterprises, creating a more facilitative business environment, improving trade logistics and facilitation as well as in enhancing product quality.

The EPA also has implications for CARICOM countries at the multilateral level. These countries have largely maintained a defensive posture at

“It is clear that CARIFORUM states must now seek to put in place measures to ensure that they fully enjoy the benefits of the new and enhanced access to the European market”

the World Trade Organisation (WTO) with respect to the liberalisation of goods and services. Given that CARICOM has entered into this very comprehensive agreement with a developed country trading partner and has made extensive commitments to eliminate tariffs over a twenty five year period as well as significant liberalisation in the area of services, the grouping's defensive posture at the WTO could very well be undermined. It is also likely that in other bilateral agreements with other trading partners such as the United States and Canada, CARICOM countries may be required to grant EPA parity. The EPA therefore could become the de facto standard by which the region's subsequent trade agreements are measured.

Other challenges include the regional co-ordination of the implementation process. This represents a critical element for the region to take advantage of market access openings and development co-operation and financing.

There are several levels of activities to be undertaken in this regard. These activities include the designation of an institution to co-ordinate the implementation process across the region to facilitate the making of joint decisions such as those pertaining to the Caribbean Development Fund as well as the co-ordination of national activities among domestic stakeholders to avoid the duplication of efforts.

Also to be addressed are mechanisms to overcome hurdles which prevented CARIFORUM from accessing the European market such as sanitary and phytosanitary requirements. Although a number of suppliers have been Hazard Analysis and Critical Control Point (HAACP) certified,

market entry has in some instances been prevented by the application of private standards. In this regard, the EPA contains a number of technical assistance provisions to assist CARIFORUM countries in dealing with these constraints.

The negotiation of Mutual Recognition Agreements (MRAs) for regulated professions is another area which must be expedited in order to take the maximum advantage of a number of the EU's commitments. The CARIFORUM states must first at a national level and then at the regional level agree to the recognition of qualifications. This will require a remarkable level of co-ordination by the business support organisations and the industry associations. These organisations and associations will then be expected to negotiate MRAs with their EU counterparts. The CARIFORUM region can also anticipate technical assistance from the EU with respect to the MRAs.

Conclusion

The EPA is by far the most comprehensive trade agreement signed between CARICOM countries and a third country or region to date. The agreement generated much debate and controversy during the negotiation process and in the months leading up to its official signing. It is anticipated that the region will move swiftly beyond the divisive tensions to delineate a strategy for taking maximum advantage of the FTA. While the EPA may not be a perfect agreement, it does offer the region the opportunity to strategically reposition itself not just in the EU market, but in the wider global economy. ■

1. CARIFORUM consists of the Dominican Republic and 14 member states of CARICOM (Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname and Trinidad and Tobago)
2. For a more comprehensive discussion of the services and investment component of the EPA, refer to Pierre Sauvé and Natasha Ward, "Services and Investment in the EC-CARIFORUM EPA: Innovation in Rule Design and Implications for Africa," *The European Union's Economic Partnership Agreements with Africa: New Panacea for Development?* Ed. Gerrit Faber and Jan Orbie. (Routledge, 2009); and Pierre Sauvé and Natasha Ward, "The EC-CARIFORUM Partnership Agreement: Assessing the Outcome on Services and Investment," *ECIPE Discussion Paper*, (Brussels: European Centre for International Political Economy, 2009)
3. Barbados Statistical Service, 2006

Towards an Economic Union: The Organisation of Eastern Caribbean States

Dr Len Ishmael is the Director General of the Organisation of Eastern Caribbean States (OECS)

The OECS: the reality of small size

The countries of the Organisation of Eastern Caribbean States (OECS)¹ have embarked on a journey towards establishment of an OECS economic union. This may be viewed as a natural culmination of a long history of cooperation that stretches as far back as colonial times. At the very core of this journey, is the confluence of fate, geography, geology and history, all of which have conspired to shape these islands, and place them in close proximity one to the other - setting the stage for the sharing of challenges, aspirations and a sense of common purpose. This close proximity and the small size of these islands have in many ways defined the personality of this space and its people, and have defined as well the persona of the entity referred to as the OECS.

Perhaps one of the most defining characteristics of the islands in the OECS is that of their small size, even within the Caribbean where other Small Island Developing States abound. The combined regional population of 584,000 persons, is less than the population of the urban areas of many countries within and outside of the Caribbean region. Small size brings with it an array of special challenges in the ability of small islands such as the OECS member states to mobilize domestic savings for investment, to produce goods and services at competitive prices, to equip scarce human resources with the full array of skill sets needed to build modern societies, to allocate even scarcer financial resources to the process of development, to use, apply and absorb technology, to supply social services and infrastructure at affordable prices, to police borders, fight drugs, crime, and HIV AIDS, to deal with the volatility of both external markets and the price of energy, to accommodate increases in the cost of food, to deal with the fallout of the global credit crisis, and to accommodate the politics of the world economy.

The reality of these challenges – and the strategic response engineered by



the OECS - has received world wide acclaim. In this home-grown approach to the issue of small size, the OECS model in which member states pool resources - human and financial - in an ambitious strategy of institution-building and service provision through functional cooperation, is unique, allowing these islands to exert far more political leverage than would otherwise obtain and to weather potentially debilitating situations as a group.

A historical perspective

A characteristic of the early history of the OECS has been common administration in a range of areas. This approach started with the formation of the Leeward Islands Federation between 1670 -1720, followed by the ill-fated West Indies Federation of 1958-1962, the establishment of a Free Trade Association in 1965 and the Caribbean Free Trade Agreement (CARIFTA) in 1968. In 1966, the West Indies Council of Ministers (WISA) was established between the Windward and Leeward Islands to provide a forum for discussions and actions leading from the colonial period of "self rule", to the achievement of independence. In 1968, this same group of islands established the Eastern Caribbean Common Market (ECCM).

These initiatives, which gave primacy to the establishment of joint institutional architecture at the regional level in response to individual human and financial constraints, sowed the seeds of the OECS model of integration. The institutional structure that now makes up the organization began to take shape in 1950 when the then British Caribbean Currency Board (BCCB) was established, later evolving into the Eastern Caribbean Central Bank (ECCB), following the withdrawal of British Guiana, Trinidad and Tobago and Barbados from the arrangement. The Directorate of Civil Aviation (DCA) - now known as the Eastern Caribbean Civil Aviation Authority (ECCAA) - was added in 1957, followed by the Eastern Caribbean

Supreme Court in 1967. These were all established to provide specialized services in the areas of monetary policy, civil aviation and the judiciary across the OECS region.

On 18 June, 1981, the Treaty of Basseterre was signed by six member states and one territory² in the capital of St Kitts and Nevis, giving birth to the Organization of Eastern Caribbean States. Two more countries (British Virgin Islands and Anguilla) satisfied the requirements of the Treaty in November 1984 and May 1995 respectively and became associate members. By 1981, several of the member states in the region had either achieved independence, or were well on their way to doing so. As newly emerging sovereign nations - small and vulnerable, responsible for all of their affairs for the first time - they felt that it was imperative that they establish formal relations at the highest level to guide joint activities.

Since concluding the Treaty of Basseterre, the OECS countries embarked on a process of functional cooperation through integration to reduce their social, economic, environmental and political vulnerabilities and increase their resilience. The countries have amplified the regional institutional architecture by adding to the ECCB, ECCA and Supreme Court, the OECS Secretariat, Eastern Caribbean Telecommunications Authority (ECTEL), the Pharmaceutical Procurement Services Unit (PPS) and the Eastern Caribbean Securities Exchange. Moreover, the OECS now boasts joint Diplomatic Missions to Ottawa and Brussels, a joint technical mission to the World Trade Organisation (WTO) in Geneva, an office in Puerto Rico, a Regional Security System in which it partners with Barbados, and a major initiative at the Secretariat to assist in the fight against HIV/AIDS.

Through the PPS, member states have been able to reduce the price of medicines by as much as 37% over the last 15 years. In 2007, the PPS returned to the nine countries savings amounting to over \$3M on pharmaceutical purchases of \$14.5M. Through ECTEL, competition has been introduced into the OECS, drastically reducing the cost of overseas calls, allowing for the entry of new providers, reducing the cost of doing business and in the process making the cell phone perhaps the most ubiquitous personal item on the region's streets.

Joint diplomatic missions have allowed these islands, as a group, to represent their strategic interests in different parts of the world, at a far lower cost than if each member state were to operate independently. Through the ECCB, the monetary union of the OECS has achieved significant levels of fiscal stability. The OECS HIV AIDS program offers direct support to the ministry of health in each member country in scaling up the treatment of persons who are HIV positive, and provides through an arrangement with Brazil, free doses of anti-retroviral drugs for 500 OECS persons. The regional security system provides for the patrol of the OECS air and sea space; and for every \$1 contributed to the OECS Secretariat member states receive at least \$3 and sometimes more, in technical support and direct benefits.

From the perspective of the region's partners the OECS arrangement is also expedient: in 2008, Brazil opened a diplomatic mission to the OECS and to St Lucia; Venezuela appointed a special ambassadorial envoy to the OECS and Spain executed a memorandum of understanding with the secretariat to support the recently launched OECS School of Protocol and Diplomacy. Other prospective partners have also made overtures to the OECS which are premised on engagement as a single region rather than as individual countries.

The OECS member states have worked together on the development of an OECS strategy and approach to negotiating trade agreements, presenting common positions at various negotiating theatres on key areas such as services, development, and special and differential treatment for small island states. OECS trade ministers, in recommendations to feed into the broader regional negotiating Brief for the upcoming CARICOM-Canada negotiations for a free trade agreement, placed strong emphasis on a special and differential carve out for the OECS, given the small sizes and capacity constraints of member states. They stressed that the carve out should be commensurate with OECS levels of development and should, among other things, be guided by sustained trade capacity building measures and development support similar to what has already been secured in the Economic Partnership Agreement (EPA) with the European Union. The

OECS through a joint mission in Geneva present common positions to the World Trade Organisation, and through similar joint representation in Brussels speak with one voice to the European Union.

Continuing the process

Notwithstanding its achievements to date, the OECS has undertaken to engage in a deeper form of integration. A primary justification for this is the perceived need for the OECS to continue to advocate, champion and pursue its own interests and build strategic alliances even while maintaining the important relationships which it has with the Caribbean Community (CARICOM) and other groupings at the regional, hemispheric and global levels.

As part of the integration process, the countries are currently elaborating a new treaty which consolidates their achievements to date, makes provision for the establishment of an economic union as a single economic and financial

space and, arguably of equal significance, addresses some of the challenges of policy implementation traditionally faced by the region, through the introduction of a new governance structure with attendant legislative and executive procedures.

The draft new treaty takes cognizance of the continuing challenges posed by the region's peculiar vulnerability and sets out among the organisation's purposes, that of being an institutional forum to discuss and facilitate constitutional, political and economic changes which would be necessary for the successful participation of the member countries in the regional and global economies.

Of the OECS' endeavours, as set out in the draft treaty, it is perhaps the economic union that has received most attention. This may be justified by the gamut of issue areas which it comprises - ranging from the movement of goods, services, workers and the right of establishment, to sectoral development and harmonization (agriculture, tourism, transportation, energy, telecommunications, *inter alia*) not to mention the further elaboration of such areas as human and social development, environmental sustainability, marine resources and the marine environment, disaster response and risk reduction.

It is important to bear in mind, however, that the proposed Economic Union will not be a miracle pill that can magically cure all of the ills which challenge the OECS. It is nevertheless a step in the right direction. It will require significant adjustments including in respect of national sovereignty, as the single economic space is attained, but the relinquishing of some measure of sovereignty is not anathema to the region: many of OECS' greatest achievements were only possible because member states pooled their sovereignty. The imperatives that dictate a closer and deeper integration in the OECS are as real today as they were forty or fifty years ago, if not more urgent and the OECS cannot but take the bold steps necessary to ensure their peoples' social, economic and political security. ■

“..the OECS has undertaken to engage in a deeper form of integration. A primary justification for this is the perceived need for the OECS to continue to advocate, champion and pursue its own interests and build strategic alliances even while maintaining the important relationships which it has with the Caribbean Community (CARICOM) and other groupings at the regional, hemispheric and global levels”

1. The full members of the OECS are the independent countries of Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines and the non-independent territory of Montserrat. Associate members are Anguilla and the British Virgin Islands, which are also non-independent territories
2. Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines

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“We are building a new economy where government and investors will work together to ensure benefits to both sides”

Prime Minister Tillman Thomas

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Investors in Grenada can benefit from a stable democratic style of government; stable economy; developed infrastructure, reliable investment support services, low crime rate and good quality of life.

Investment opportunities can be found across a wide range of sectors

Priority areas for investment in Grenada include tourism (hotels, villas, condominiums/time share property, attractions, marinas); manufacturing (film production, publishing and printing, handicraft, agro-processing, light-manufacturing), information communications technology; international financial services; health services (retirement homes, hospitals, health clinics and medical facilities) and educational services.

Grenada continues to demonstrate its economic resilience by an increasingly steady growth rate, despite contending with the devastation wrought by two major hurricanes during the ten month period September 2004-July 2005. Over the past four years, the Grenadian economy experienced real growth, averaging almost 4% annually. For 2007, the economy grew at a rate of 3.1 %, while a growth rate of 4.3% is projected for 2008. This compares quite favourably with growth experienced in other destinations in the region and is being led domestically by the construction sector (which currently continues to grow as a direct result of increasing development of tourism and residential properties), wholesale and retail trade, electricity and water, sea transport, communication and real estate and housing.

The inflation rate continues to average at 3.4% annually, stemming mainly from the effects of rising prices on the international market and the hike in wages for all categories of labour in the construction industry in the domestic market. Unemployment, which continues to be a challenge, declined significantly from a record high of 40% after the aftermath of the hurricanes, to 18.5% in 2005.

Grenada's appeal as an investment location is significantly enhanced by its open door policy to all bona fide investors, both foreign and local.

There are no restrictions prohibiting investment, and investors are encouraged to establish and operate business in all fields of economic activity with the exception of those prejudicial to national security, detrimental to the natural environment, public health or national culture.

Among its key features, Grenada boasts of excellent hotel sites, diverse tropical attractions such as white sand beaches, natural bays, exotic reefs, historic dive sites, waterfalls, volcanic lakes and ponds, rainforest, national parks, tropical flora and fauna, mangrove forest and more than 100 species of bird. Among the bird species is the Grenada Dove (*Leptotila wellsi*), which is Grenada's national bird. The island has an English-speaking population, modern sporting facilities, easy access by air via a 9,000 sq ft international airport, and by sea via modern port and cruise ship facilities.

Investment flows/activities

The tourism industry continues to be the main contributor to the country's economic growth and development and has created a plethora of untapped investment potential, particularly in those areas which create linkages to the sector such as entertainment facilities, handicraft, film, video and sound production, to name a few.

Grenada's growing reputation as an untouched, unspoiled and safe destination for tourists is serving another purpose. The attention of the rich and famous are drawn to the country as several major tourism related projects dot the landscape. The fact that Camper Nicholson, a world renowned marina operation, has set up in St George's instils investor confidence. The administration of Prime Minister Tillman Thomas views the sector as one of the main drivers for the creation of jobs and for the resuscitation of the island's economy, battered by two hurricanes and the global economic crisis.

Foreign direct investment has increased by over 300% since 2004 and over the next five years, well in excess of US\$2 billion will be invested in the tourism sector, providing over 4,000 new jobs. Among the tourism projects to come on stream, is the 120 room Four Season Resort, while currently there are other major high end tourism resort facilities being developed. The following is a selection of the same:-

- The Levera Development Project - a US\$112 million project involving a 40-room boutique hotel, spa and 135 luxury villas housed on a 360 acres site.
- Port Louis Marina and Creole Village – an EC\$1.5 billion resort spa and maritime village to include a world class marina, 120-room 5-star hotel, world class spa and well-being lifestyle centre.
- Paradis Ltd - a US\$54 million project involving 20 luxury villas and yacht berthing on an island measuring 74.1 acres.
- Virgin Beach development - an EC\$74 million project involving a residential marina to accommodate 250 berths with a maximum capacity to accommodate 20 mega yachts, a 30-room hotel and 60-room condominium.

However, Grenada's untapped investment potential is not limited to the tourism industry. Potential opportunities also exist in the agricultural sector to meet the growing demands of the tourism sector, as well as in ICT sector services, retirement homes, health and wellness facilities, hospitals and medical facilities, recreational, entertainment, cultural and sporting facilities. The government of Grenada remains committed to undertaking relevant changes to support and improve the investment climate and have already invested in state-of-the-art telecommunication and road network infrastructure, port expansion and cruise ship terminal to support current and anticipated economic developments.

The Grenada Industrial Development Corporation provides "One Stop Investment Facilitation" service for all investors. The services offered by the corporation include business and investment advice on doing business in the country; processing of applications for fiscal incentives; assisting investors to secure all required approvals, certificates, work permits, land for projects' realization, and such other support and assistance as investors may require to establish and to operate their projects; business support services including technical assistance for business diagnostics and the preparation of business plans and access to affordable factory space.

Through the GIDC, a full programme of investment incentives is available to investors. Such incentives includes accelerated depreciation with provisions for losses carried forward for a period of ten(10) years, investment allowances, deductible expenditure and customs duty exemptions. Detailed information on doing business and investing in Grenada can be obtained from GIDC website at www.grenadaworld.com

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