



A publication of the Barbados Private Sector Trade Team

PSTT HOSTS CSME BUSINESS FORUM

The Barbados Private Sector Trade Team recently held its CSME Business Forum at the Sherbourne Conference Centre. This Forum, which was attended by approximately 150 persons sought to provide an opportunity for the business community, government and academia to discuss matters of interest to the business community as they relate to the development of the CARICOM Single Market and Economy.

Topics discussed at the Forum included, *The CSME in the Context of the International Trading Environment, Facilitating Business Within the CARICOM Single*

Economy, Disputes Settlement in the Caribbean, Revisiting the Business Model for Manufacturing within the CSME, Developing a Services Regime within the CSME and The Impact the CSME will have on the local Agricultural Sector.

The following highlights key issues arising out of the discussions at the Forum. Please note that this newsletter does not seek to reflect the views of the Barbados Private Sector Trade Team, but rather seeks to reflect the views expressed during the Forum.



A Section of the Participants Attending the PSTT CSME Business Forum

The CSME in the Context of the International Trading Environment

While delivering the Opening Address for the CSME Business Forum, the Minister of State in the Ministry of Foreign Affairs and Foreign Trade, the Honourable Kerrie Symmonds noted that while there has been fair progress thus far in implementing the Single Market, the challenge would be ensuring that the potential benefits of integration could be

translated into tangible realities to be enjoyed by CARICOM citizens.

To give effect to the CSME, a number of institutions need to be established. These include:

○ The Regional Accreditation Body for matters concerning qualifications under the arrangements for the free movement of people,

○ The Caribbean Regional Organisation for Standards and Quality (CROSQ), for the development and implementation of a standards regime for manufactured goods (already established),

○ The Caribbean Animal Health and Food Safety Agency established to develop effective sanitary and phytosanitary regulations for

The CSME in the Context of the International Trading Environment Con'd

the production and trade in agricultural goods,

O The Regional Development Agency which will be established to provide financial and technical support to Member States which may be financially disadvantaged by the operation of the CSME,

O The Community Competition Commission which will deal with cross-border competition issues within the Single Market; and

O The Caribbean Court of Justice for disputes settlement (already established).

Minister Symmonds also spoke of the

need for a regional policy on production integration, the harmonization of laws and a clear policy on the way forward for monetary cooperation. For small and micro enterprises, the establishment of a common legal, taxation and regulatory environment will be a big step towards stimulating the growth of these types of businesses.

For businesses to compete successfully on a regional level, investment finances must move around and the entrepreneurship focus must broaden.

Minister Symmonds also suggested that there is a role for the private sector to play in advancing the CSME,

such as in the area of the development of the CARICOM Single Economy. He is of the view that the private sector should air its views on the possible operating framework, legal structures and logistics of monetary integration.

Facilitating Business within the CARICOM Single Economy

Under the Revised Treaty of Chaguaramas, CARICOM business persons are given the right to establish businesses throughout the participating countries of the CSME. Issues remain however as to the way in which business will be facilitated across the CSME.

One such issue is the treatment of companies within and across the Member States. Speaking on the harmonisation of the Companies Acts, Registrar of Corporate Affairs and Intellectual Property, Maureen Crane-Scott advised the audience that although many countries removed their restrictions and amended their laws to ready themselves for the CSME, much work remains to be done to achieve the harmonisation of company laws, rules and procedures.

Mrs. Crane-Scott noted that a major challenge remaining for self-employed persons seeking to do business in different CARICOM countries occurred in the area of the recognition of trade or business names in different territories.

Currently, the legal effect of the registration of a trade or business name is that it only has application within the geographical space of a Member State where the business name is registered. Hence, the business and trade name has no legal significance in another member state. Therefore, the self employed person who seeks to move through the region to provide services or establish a business would have to register the name in each of the sovereign countries of the region they choose to do business in. This may be costly and time consuming.

Another challenge affecting self-employed persons seeking to do business across the CSME is the varying laws and requirements across the region. It was suggested that Community laws should be easy to understand and should not vary significantly from country to country.

There are divergent views among regional Registrars of Companies as to how companies will be treated across the respective CARICOM Member States. There have, however been a number of recommendations. These include:

- O That a company, upon being registered in one Member State would be deemed to be simultaneously established in the CSME;
- O The creation of a new category of company which would be linked to the CSME;
- O The introduction of uniform procedures which would enable regional registrars to ascertain the registration status of a Community company in its country of origin.

Investment Harmonisation: State of play and its potential impacts

Another issue of importance is the treatment of investment harmonisation across the CSME. Currently, under the Revised Treaty, only companies meeting a CARICOM ownership and control test would be eligible to benefit from the Right of Establishment and the freedom to provide services.

Director of International Business, Françoise Hendy is of the view however that such a regime would not serve to facilitate business. Speaking on the topic "*Investment Harmonisation: State of Play and Potential Impacts*", Ms. Hendy suggested that such a criterion would come into conflict with any competitive advantages the Member States had developed in the areas of international business and financial services.

Member States like Barbados have already created a network of double taxation and bilateral investment agreements, which, when paired with corporate incentives, have served to attract both regional as well as foreign investment. It is therefore this ability to attract foreign investment and convert it into regional stock that would define Barbados' contribution to the Single Market and Economy.

It was further suggested that the current definition of inves-

tor would disenfranchise national entities that would otherwise take immediate advantage of a harmonised investment regime.

While the current regime may be a means of protecting indigenous investment, Ms. Hendy is of the view that the right balance between intra and extra-regional investors could be achieved by an effective competition policy framework.

Tax & Investment Harmonisation: A company's perspective

Equally as important in the facilitation of business across a Single Market and Economy is the issue of tax harmonisation. Taxation is a significant cost to doing business, whether within or across borders.

In the view of Ben Arrindell of Ernst & Young, the benefit of the CSME from a company's perspective would be the reduction of the burden of taxation. This is already occurring as evidenced by the progressive reduction in the corporation tax in some CARICOM Member States such as Barbados.

Another benefit for companies would be the establishment of uniform tax rules across the Single Market and Economy. These rules should be applied in a consistent, simple and non-discriminatory manner.

This is one benefit of the ratification of the CARICOM Double Taxation Agreement, in that it provides simplicity. Under this Treaty, only the source country can tax the profits of a corporation or an individual doing business within different CARICOM jurisdictions. The Treaty also reduces the burden of tax on shareholders who hold shares in companies in different countries across the region because it says that dividends paid by a company in one State to shareholders in another State are completely exempt from tax in the source country. Dividends are also not taxed in the country of residence of the shareholder.

There are, however, unresolved challenges under the proposed CARICOM tax regime. For example, the current regime does

not deal with management fees, which vary significantly across the different countries.

Ben Arrindell also suggested that if we are to encourage the free movement of people we also have to look at the portability of pensions within the region and the harmonisation of social security. Finally, it was proposed that there be the harmonisation of indirect taxes such as the VAT.

Disputes Settlement in the Caribbean

While delivering a feature address entitled “Disputes Settlement in the Caribbean”, Minister of Commerce, Consumer Affairs and Business Development, Senator Lynette Eastmond explained that under the Revised Treaty of Chaguaramas, there are six modes of dispute settlement. They are: good offices (of the CARICOM Secretary General); mediation; consultation; conciliation; arbitration; and adjudication under the Caribbean Court of Justice (CCJ).

She noted however that every effort should be made to ensure that there was some amicable agreement reached in disputes by, for example, using the good offices of the Secretary General, before going the route of adjudication under the Caribbean Court of Justice (CCJ).

There are also dispute settlement mechanisms embodied within the Competition Policy outlined by the Revised Treaty, as well as under the provisions dealing with subsidies and dumping.

Senator Eastmond suggested that the private sector has an important role to play in the disputes settlement regime and process under the CSME:

○ Member States and members of the business community in particular should be aware of the disputes settlement mechanisms available to them.

○ There is a role to play for the business community in ensuring that the procedures that are put in place are not too confusing, elaborate or cumbersome. It was suggested that a mechanism should be found to ensure that there is private sector input in the development of these procedures and mechanisms, so that they are beneficial to the business community.

○ The rules and procedures surrounding disputes settlement should be articulated in such a way that all members of the business community can use them. It was also suggested that such rules and procedures be easily accessible to the business community by using information technology.



Revisiting the Business Model for the Manufacturing Sector

Deputy Prime Minister and Minister of Economic Affairs and Development, the Hon. Mia Mottley advised participants at the CSME Business Forum that the CSME provides businesses with an opportunity to structure their businesses to be able to reduce the cost of production. This can be done by dividing production between territories as a means of maximising the efficiency of the business. For example, certain parts of the production process can be carried out in other Caribbean territories, while other skilled, value added aspects of the business can be carried out in Barbados.

Minister Mottley also advised that there should be a focus on the production of commodities with a higher value added component in order to focus on the higher end of the market in a similar fashion as to what obtains for tourism.

There is also a need for the public and private sectors to work together in joint initiatives for areas such as apparel and furniture, to take advantage of options such as joint ventures and strategic alliances that may present themselves as a result of the Single Market. Niche marketing should also be a key focus.

Minister Mottley also noted the need to address certain key

issues, such as the access of Barbadian agricultural and agro-processed foods into the European market. It was therefore noted that Government needed to address market entry concerns in areas like Europe and the United States where technical barriers to trade as a result of standards have served to limit Barbados' ability to expand into these markets.

Finally, while citing a report which came out of a Commonwealth Business Forum held last year, which listed Barbados among the prime places to invest in the Commonwealth, Minister Mottley also noted the need for Barbados once again to seek to attract international manufacturing firms.

Integrating Production within the CSME

Dr. Don Marshall of the UWI is of the view that the idea of a services based model that excludes industry is a historical, and that it is a misreading of what takes place in countries like Hong Kong, Singapore and Switzerland.

While services play a big role in their GDP performance, those countries are involved in the productive processes taking place in their respective regions. Hence, when speaking of the Hong Kong and Singapore economies, one must bear in mind the alliances that have been built with China, where Chinese raw manufacturing exports are sent to finishing centres in Hong Kong and Singapore for the purpose of re-export.

Dr. Marshall is also of the view that one cannot speak of promoting the services sector without promoting manufacturing and industry. He suggested that there should be a complementary relationship between manufacturing and services.

For example, with respect to a fashion industry looking at possible advantages in the area of design, this is a higher value added spectrum of activity, where companies interested in branding, trademarks, patents, copyright, and other services can complement manufacturing. Hence, according to Dr. Marshall, the best strategy for augmenting and adding value to services is to deepen the industrialisation project.

Dr. Marshall also opined that there is a need to ensure that manufacturers are able to take advantage of the free trade areas that CARICOM has negotiated with other countries in the Americas.

He is also of the view that we should move away from an over-emphasis on what he termed as “merchant capital specialisations” in areas such as distribution, retail and banking at the expense of production.

Regulating the Movement of CSME Service Providers

The CARICOM Secretariat is currently in the process of formulating regulations for the provision of services throughout the participating countries of the CSME. According to Mr. Timothy Odle, Deputy Program Manager for Services with the Secretariat, it is proposed that all service providers will be registered and licensed in an effort to protect consumers of services across the Member States.

It is proposed that through a Draft Model Professionals Bill, which when finalised is to be enacted by Member States, all professionals would be registered with a Council that would be responsible for overseeing the activities of professionals within the jurisdiction.

Under the Bill, no service provider would be allowed to offer his service in the respective Member State unless he is registered and holds a valid licence to practice. The Draft Model Bill also outlines the level of certification required for each service provider, which may be a degree, certificate or diploma from an accredited institution.

There are currently some challenges in the regulation of services with respect to the recognition of qualifications of professionals from other Member States. Citing the example of engineers, Mr. Odle explained that Guyanese engineers cannot work in Barbados because of regulations in place in Barbados that are not adhered to in Guyana. Furthermore, the board regulating engineers in Barbados does not recognise the curriculum for engineering at the University of Guyana.

It is therefore hoped that through the Draft Model Bill, all Member States would have similar measures; and that qualification to provide a service in one Member State would be recognised in all Member States.

The Secretariat is also proposing that there be some form of grandfathering within the CSME to accommodate those already operating within the Single Market that may not be at the desired standard set for the provision of services within

the CSME.

Finally Mr. Odle stated that where it would not be financially feasible or practical in terms of logistics for some Member States to have separate Councils, there may need to be an umbrella Council that will oversee the activities of most of the professions, especially for those professions where there are currently no regulations in place.



From Left: Ms. Ava Jordan (Consultant); Mr. Timothy Odle (Dept Programme Manager for Services CARICOM Secretariat); Mrs. Andrea Symmonds (Chief Research Officer, Prime Minister's Office); Ms. Tonika Sealy (Project Manager, Barbados Coalition of Services Industries); Mr. Allan Herbert (President, Information Society of Barbados).

The Impact of the CSME on Local Agriculture

Chief Executive Officer of the Barbados Agricultural Society, James Paul, while delivering the feature address for the Session on Agriculture at the Forum, highlighted a number of challenges the local sector would face in light of the CSME, as well as other issues in the sector that need to be addressed.

It was suggested that the stated policy of the government of Trinidad and Tobago to reduce the common external tariff from 40% to 20% would have a negative impact on the agricultural sector throughout CARICOM.

Mr. Paul also argued that there would be a reduction in agricultural wages largely because of Barbadian workers that are competing with imported agricultural labour that are prepared to accept a lower wage. He noted that, "we therefore have to ask the question the extent to which Barbados can accommodate a large influx of migrants from the region and how then we can ensure that the ordinary Barbadian worker is not left behind as a result."

While making reference to the Jagdeo Initiative, which refers to the development of information and market intelligence capabilities, it was said that whereas the United States, for example, provides a tremendous amount of resources to the United States Department of Agriculture in order to ensure that it had a reasonable market intelligence service, many of the governments within the CSME have been reluctant in providing those resources. It was therefore suggested that the amount of resources that are being committed to the sector are inadequate.

He also suggested that in a context where 75% of tourists' spending is returning to metropolitan countries, this situation could only be resolved by increasing production of food that we rely on for use by the tourism industry. This should at the very least be sourced from within the region.

It was stated that local agriculture has already had a negative impact from the CSME, especially in relation to vegetables. It was reported that the sector has suffered in instances where certain vegetable commodities were imported from other CARICOM territories, to the detriment of local producers.

Finally, while research in the agricultural sector is extremely important, it was noted that the resources that are being made available to research are inadequate. James Paul noted that, "the resources that can be committed in our country to other aspects of research, especially when it comes to agriculture that would facilitate intellectual property development have not been done."

It was therefore suggested that our intellectual abilities could be geared toward trying to improve genetic breeds of Barbados Black Belly Sheep and a Headquarters for the improvement of genetic material could be set up. It was also suggested that resources could be dedicated to looking at varieties in breeds that are suited to tropical environments.



Mr. James Paul, CEO of the Barbados Agricultural Society delivered the feature address on the impact of the CSME on Agriculture.



From Left: Mr. Jeff Goddard (Chickmont Foods Ltd.); Senator Andrew Bynoe (Carlton & A1, Emerald City Supermarkets); Mrs. Emeline Marcus-Burnett (Ministry of Agriculture and Rural Development); Mr. Anthony Sobers (Barbados Pig Farmers Association); Mr. Keith Laurie (Barbados Sheep Farmers Inc.)

Meeting Point

Regional Officials meet for a Technical Working Group on Investment

Public and private sector officials from the Caribbean met in Trinidad on May 4 – 5 for a Technical Working Group (TWG) on Investment, which was convened by the Caribbean Regional Negotiating Machinery (CRNM).

The purpose of the Working Group was to consider positions which the region might take on the development of an Investment Chapter for the proposed CARIFORUM-EU Economic Partnership Agreement (EPA). The purpose of the negotiations is to liberalise investment flows with respect to trade in goods.

Deliberations were facilitated by the CRNM and participants discussed the potential impacts that such liberalisation may have on Member States. Participants discussed disputes settlement, protection and promotion of investment and the

relationship between the EPA and bilateral investment treaties.

Officials attending agreed to submit formal positions to the CRNM by June 2006. EPA negotiations are expected to be concluded by December 2007.

Twenty First Meeting of the Council for Trade and Economic Development

Ministers of Trade and Agriculture met recently for the 21st meeting of the Council for Trade and Economic Development (COTED) in Trinidad from May 12 – 13 2006.

A significant portion of the agenda dealt with matters relating to agriculture. In particular, Ministers discussed matters relating to the Jagdeo Initiative, financing the agricultural sector, weak land and water distribution and management systems, marketing arrangements in the CARICOM Single Market and Economy (CSME) affecting agriculture and agricultural health and food safety issues.

The other issues addressed by CARICOM Trade Ministers included matters relating to the implementation of the CSME,

in particular the removal of restrictions on the Right of Establishment, the provision of services, the free movement of capital, the free movement of CARICOM nationals, and the establishment of CSME institutions. Great attention was paid to the Regional Development Fund and the Community Competition Commission.

Ministers also considered the Regional Accreditation Body, the CARICOM Regional Organisation for Standards and Quality (CROSQ), the Common External Tariff, Community Rules of Origin, transportation, sustainable development and standards.

It is expected that the next meeting of COTED will be convened in November 2006.

PSTT-BHTA Linkages

The PSTT's Trade Consultant (Tourism) met recently with the President and Executive Vice President of the Barbados Hotel and Tourism Association (BHTA) to discuss options for creating deeper linkages between the two organisations.

A large component of the PSTT's tourism oriented private sector stakeholders are represented under the umbrella association and since its inception in 2003 the PSTT has worked closely with the BHTA on all relevant initiatives.

The objective of the recent discussion was to determine whether the PSTT's tourism related efforts could become more streamlined with key areas of BHTA focus for the mutual

benefit of both entities and their stakeholders. A number of focus areas were identified for collaboration including topics for research and ongoing awareness building amongst the BHTA membership of trade issues.

Please contact natalie.decaires@tradeteam.bb for further information.

WWW.TRADETEAM.BB

Contact us @
Barbados Private Sector Trade Team
Goddards' Complex
Fontabelle, Barbados

Phone: 246-430-6541
Fax: 246-228-8902
Email: info@tradeteam.bb



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Additional Information

What does an EPA have to do with Tourism?

The PSTT recently issued a paper entitled, *What does an EPA have to do with Tourism?* As the title suggests the paper seeks to inform tourism stakeholders in Barbados about the Economic Partnership Agreement (EPA) being negotiated between the countries of CARIFORUM and the European Union (EU), as well as the implications the EPA may have on them and their businesses.

The paper, which discusses various key elements of the proposed EPA and to what extent local tourism concerns and positions are being integrated into the ongoing negotiations, was circulated widely to tourism and other stakeholders.

Please contact natalie.decaires@tradeteam.bb for further information.

Upcoming Events

Launch of the CARICOM/DR Business Forum: June 9, 2006.

The Annual Private Sector Meeting with Ministers of Trade and Finance: June 10, 2006.

CRNM's Technical Working Group on the Development Dimension of International Trade Negotiations: June 15-16, 2006.

PSTT's Trade and Investment Focus Group: June 16, 2006.

The Caribbean Hotel Industry Conference, Miami: June 25-28, 2006.

Caribbean Connect Symposium on the CSME: June 28-30, 2006.

Regional Workshop on Trade Facilitation for Caribbean Countries: July 4 – 7, 2006.