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SESSION 5:

**LIBERALIZATION AND REGULATION OF
INFRASTRUCTURE SERVICES UNDER SOUTH-SOUTH
REGIONAL TRADE AGREEMENTS**

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Liberalization and Regulation of Infrastructure Services under South-South Regional Trade Agreements

UNCTAD MULTI-YEAR EXPERT MEETING ON
TRADE, SERVICES AND DEVELOPMENT
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- **South – South Initiatives**
 - The Revised Treaty of Chaguaramas
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- **Status of Implementation**
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- **Challenges**
- **Lessons Learnt**
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Key Discussion Points

1. Caribbean's experience in promoting and facilitating trade, its efforts regarding trade liberalisation in the context of South-South initiatives
2. Regulatory coordination on infrastructure services to deepen market access
3. Challenges, Lessons Learnt and Way Forward

Services Overview

- 2011 World Development Indicators show that services accounted for almost 71% of global GDP in 2010 and is expanding at a quicker rate than agriculture and manufacturing sectors.
- Trade in services demonstrated relative resilience in the latest financial and economic crises in terms of lower magnitude of decline and earlier recovery from the crises
- Services today represent approximately two-thirds of the GDP of developed countries and almost half of the GDP of the developing world
- Accounts for 70% of the jobs in developed countries but only one-third in emerging economies.
- The orderly erosion of preferential margins through the implementation of the WTO's MFN principle shifted the focus of CARICOM Member States away from agriculture and towards services.
- Services are key inputs to all or most other business. Infrastructure services are thus a key part of the investment climate and can have a much wider impact on overall business performance and level of investment and hence growth and productivity in the economy.

Services Overview

- The dominance of local Service sectors in Caribbean economies.

Countries	Agriculture (% of GDP)	Industry (% of GDP)	Manufacturing (% of GDP)	Services (% of GDP)	Exports (% of GDP)	Imports (% of GDP)
Antigua and Barbuda	2.0	19.9	1.9	78.1	46.3	56.5
The Bahamas	2.2	15.2	3.5	82.6	41.5	50.1
Barbados *	3.0	23.2	73.8	73.8	47.3	52.4
Belize *	12.1	22.7	14.3	65.2	61.9	69.8
Dominica	13.3	14.9	3.5	71.9	31.7	54.4
Grenada	5.3	13.9	4.5	80.7	20.7	49.2
Guyana*	21.0	33.1	4.1	45.9	84.6	119.2
Haiti*	12.3	62.3
Jamaica	6.3	22.4	9.2	71.3	26.3	44.5
St. Kitts and Nevis	1.7	16.4	5.5	81.8	26.2	43.2
Saint. Lucia	3.2	16.6	3.9	80.2	47.2	60.3
St. Vincent and the Grenadines	6.9	19.2	5.2	73.9	26.5	57.5
Suriname*	10.9	37.8	22.7	51.3	30.4	45.2
Trinidad and Tobago*	0.6	52.4	5.3	47.0	63.7	36.7

Source: World DataBank: <http://data.worldbank.org>.

* Data on agriculture, industry, manufactures, and services for Barbados are from 2009; comparable data for these sectors in Haiti was unavailable. All Belize figures are from 2008. Export/Import data for both Guyana and Suriname are from 2005, and for Trinidad and Tobago, from 2008. No data was available for Montserrat.

SOUTH-SOUTH INITIATIVES

- **The Revised Treaty of Chaguaramas**
- **The CARICOM Services Regime**
- **National and Regional Services Coalitions**

Bilateral Agreements

- There have been efforts to increase trade in services through bilateral agreements such as the Trade and Investment Framework Agreement (TIFA) with the US, or our current negotiations with Canada – CARICOM-Canada Trade Agreement.
- Deepest regional integration have been through the CSME and the EPA.

Revised Treaty of Chaguaramas

- Chapter III provides the legal basis for the free movement of services within the CSME
- This treaty covers the 4 modes of services:
 - cross border supply,
 - consumption abroad,
 - commercial presence and
 - the movement of natural persons.

The CARICOM Services Regime

- CARICOM service providers are entitled to exercise the following rights under the regime as outlined in the Revised Treaty in Article 36
 - From the territory of one Member State into the territory of another Member State; (**mode 1**)
 - In the territory of one Member State to the service consumer of another Member State; (**mode 2**)
 - By a service supplier of one Member State through commercial presence in the territory of another Member State; (**mode 3**) and
 - By a service supplier of one Member State through the presence of natural persons of a Member State in the territory of another Member State (**mode 4**).
 - The right to provide services without a work permit
 - The right of temporary service providers to enter and stay within the period needed to provide services with extensions where appropriate
 - The right of entry for spouses and dependents

The CARICOM Services Regime

Chapter III - Right of Establishment

- CARICOM Nationals can establish companies and business enterprises in each other's territories and be treated as a national.
- The intention is to increase business opportunities and facilitate the expansion and growth of Economic Enterprises, Investment and Entrepreneurship in Member States, resulting in higher levels of economic growth, production, employment, export, and ultimately, higher standards of living

The CARICOM Services Regime

Chapter V – Sector Policies

- Under Article 54, members agreed
 - to promote the development of the services sectors within the community to stimulate economic complementarities and accelerate economic development.
 - Targeted focus will be, inter alia, on increasing investment in services,
 - increasing the volume, value and range of the trade in services,
 - promoting competitiveness,
 - enhancing enterprise and infrastructure development,
 - establishing appropriate incentive regimes.



The Impact of the CSME on Trade Liberalization

- The CSME is the cornerstone of integration in the region, however the implementation of services liberalization initiatives through this mechanism has been limited.
- Currently the free movement of services has stalled at 37% implementation, although the free movement of certain types of workers (such as university graduates, teachers and nurses) represents a step in the right direction.

National and Regional Services Coalitions

- These coalitions function as umbrella bodies for the development of services nationally and regionally
- Caribbean Network of Service Coalitions (CNSC) is comprised of nine functioning coalitions including the Dominican Republic (<http://c-nsc.org/>)
- The CNSC through its network facilitates best practices and provides an effective mechanism that builds capacity for service providers, business support organisations and governments to improve their efficiency and competitiveness in the services sector.
- The Jamaica Coalition of Service Industries is responsible for the strengthening of the private sector implementation of the Services Regime as part of the Regional Development Plan for the Services Sector.

CARIFORUM – EU Economic Partnership Agreement (EPA)

- The EPA is a North – South Agreement but much of the services liberalization underscores and promotes South – South Infrastructure Services Sectors liberalization in the region.
- The Region is practically using the EPA to increase trade with the Dominican Republic and to open up trade in services and investment.

CARIFORUM – EU Economic Partnership Agreement (EPA)

- EPA has made it easier to do business in the Caribbean- governments there have made commitments in many areas directly affecting trade, like rules to ensure fair competition.
- Also comes with financial support from the EU to help Caribbean government
 - implement the accord
 - businesses to use the EPA to export more and attract more outside investment.

CARIFORUM – EU Economic Partnership Agreement (EPA)

- The CARICOM Agreement is a preferential agreement under Article V of the GATS
 - CARICOM has tried to create a regional bloc and a single economic state
- South-South initiative through EPA has helped to diffuse issues and in fact coming out of the partnership with EPA, led to the DR applying for membership with CARICOM.

Intra-Regional Trade South-South Initiatives

- With the establishment of the CARICOM Single Market (CSM) in 2006, CARICOM's total exports expanded from US\$17.8 billion to US\$18.8 billion in 2011.
- The Region's imports from the USA was US\$5.8 billion in 2006 and US\$7.3 billion in 2011.
- CSME Member States reported a surplus in Trade in Services between 2008 and 2011 from US\$2.13 billion to US\$2.29 billion (7.5%)

Financial Services Integration

- The CARICOM Financial Services Agreement (CFSA) is a framework to operationalize the intra-regional regime for the unrestricted movement of capital and financial resources.
- Draft Agreement was approved by the CARICOM Finance Ministers at the Fifteenth Meeting of CARICOM's Council for Finance and Planning (COFAP).

The CFSA aims to cover:

- Institutional support and trade facilitation
- Regulation, regionalization and factor cooperation
- Transparency and accountability
- Dispute Settlement

Financial Services

- In terms of financial services liberalization, these challenges include:
 - The high cost of finance in the region;
 - High reserve requirements;
 - Lack of diversity in investment finance; and
 - Substantial limitations on the financing of SMEs which comprise the bulk of enterprises in the region

Transport Policy

- Protocol VI of the Revised Treaty of Chaguaramas outlines a Transport Policy which specifies shipping and air transport as two areas which should be pursued and expands the scope of the Treaty by including road and river transportation.

Transport Policy

The Transport Policy incorporates the Council for Trade and Economic Development (COTED) and other Organs of the Community to promote:

- The co-ordination of the national transport policies of Member States;
- The implementation of uniform regulations and procedures, consistent with standards and recommended practices, for the development of an efficient multi-modal transport system, particularly in respect of operations, safety, licensing and certification;
- The development of required institutional, legal, technical, financial and administrative support for the balanced, sustainable development of the transport sector.

Maritime Transport

- Transport and insurance costs are 30% higher than the world average.
- Domestic market size and export levels which are inadequate for the production of the requisite economies of scale.
- The CARICOM region has been unable to take advantage of the nearshore advantage it has to key markets such as USA, LA and CA and even to each other through its member states due to inefficient and/or costly maritime routes

OBSTACLES FACING THE LIBERALIZATION OF THE INFRASTRUCTURE SERVICES SECTOR IN THE CARIBBEAN REGION

Supply Side Constraints

- Creating supply-side capacities in services implies the existence of prerequisites such as coherent development and services strategies, an enabling environment and institutional framework, physical and technological infrastructure, knowledge and availability of capital.
- The current CSME and Coalition Services frameworks are designed to overcome many of these challenges, but the availability and access to capital particularly remains a persistent obstacle

Market Access Restrictions

- Sectors such as business and professional services are sectors where diverse regulations impede the service trade.
- This requires developing countries and Governments to examine carefully all service opportunities, and especially emerging services, that better calibrate to their particular “competitiveness” advantage.

Skills and human resource development

- Lack of sufficient knowledge and expertise in existing and emerging services have been a constant hindrance to improving competitiveness in the provision of services.
- Most services sectors are knowledge intensive and require solid education reforms that can enable the creation of a capable and skillful work force.
- For example, in certain cases the real costs of the technology and learning process for ICT may be too high for traditional and small – scale businesses to absorb.

Regulatory coordination on Infrastructure Service Sectors

- Region's Poor Performance attributed to:
 - National regulatory systems, human capital and ICTs
- Recommendations:
 - To boost trade in services, both public and private sectors need to make an effort to produce better quality, competitively priced services
 - Greater liberalisation of services trade increased with mutual recognition and gradual convergence of different countries regulatory frameworks
 - Upgrading human capital
 - Opening up access to modern technologies such as telecommunications is to improve regulatory and competition policy with a view to stimulating investment and ensuring that high-quality services are provided at the lowest possible costs

Lessons Learnt

- There is a need to establish a legal framework for the regional liberalization of services that recognize the role of business facilitation beyond State-State dialogue.
- The legally binding personality is important so that there is a level of stability for the business environment
- A legal framework offers the potential for development support to sectors.
- The CSME is governed by the mandate provided by the 21st Intercessional Meeting of the Conference Heads of Government which outlined a number of legislative, institutional and administrative measures to be put in place by Member States.

Lessons Learnt

- Another important take away from the liberalization efforts through the coalition of service industries is the importance of business facilitation beyond the remit of RTAs
- Direct firm interface can produce a tangible, immediate influence on service sectors by reflecting market interest, and the Coalition of Services Industries have been instrumental in this regard.

Follow Up Arrangements

- One of the main follow-up arrangements that has learned from CSME implementation challenges is the CARICOM Aid for Trade initiative.
- This initiative has identified priority service sectors through extensive stakeholder consultations with public and private sectors, civil society and non-government organizations within CARICOM.

Follow Up Arrangements

The CARICOM Aid implementation projects designed to support the development and integration of these services are as follows:

- ***Modernisation of Caribbean Freight Logistics, Maritime Transport and Trade Facilitation:***

Upgrading port infrastructure and services, establishing innovating maritime transport, networks, and implementing customs and trade facilitation reforms

Follow Up Arrangements

- ***Modernisation of Maritime Cargo and Passenger Services in the OECS:***

Establishing fast-ferry services in the Southern Caribbean, developing a common shipping policy, and modernizing the fleet.

- ***Caribbean Renewable and Alternative Energy Roadmap:***

Developing a regional bio-energy strategy, implementing a strategy for promoting solar cooling technology, and s establishing a financing mechanism for micro-, small and medium-sized enterprises.

- ***Private Sector Innovation in the Caribbean:***

Promoting and financing innovation and establishing a trade financing mechanism.

Follow Up Arrangements

- Establishing MOUs – such as the Caribbean MOU on Port State Control (CMOU) - and business facilitation reflects the new dispensation of forging linkages with trade and investment partners which may not emerge through formal trade agreements.

Follow Up Arrangements

- CARICOM Ministers will focus over the next two years on unveiling the Single Information Communication Technology ICT Space as the digital layer of the CSME.
- The Single ICT Space will encompass the management of Regional information, human resources, legislation and infrastructure in the sector to elicit maximum benefit for the Region's populace.



THANK YOU