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TRADE POLICY FRAMEWORK

# GUYANA

## A National Trade Strategy

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## DISCLAIMER



## NOTE

All references to dollars ($) are to United States of America dollars unless otherwise stated.

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| ACWL | Advisory Centre on WTO Law |
| ASYCUDA | Automated System for Customs Data |
| BIT | Bilateral investment treaty |
| CARICOM | Caribbean Community |
| CARIFORUM | Caribbean Forum |
| CSME | Single Market and Economy |
| CET | Common External Tariff |
| CVD | Countervailing duty |
| DDA | Doha Development Agenda |
| DDL | Demerara Distillers Limited |
| DoFT | Department of Foreign Trade |
| DSB | Dispute Settlement Body |
| EPA | Economic Partnership Agreement |
| EUIPO | European Union Intellectual Property Office |
| FAO | Food and Agriculture Organization of the United Nations |
| FDI | Foreign direct investment |
| FSI | Foreign Service Institute |
| FSO | Foreign service officer |
| FTA | Free trade agreement |
| FTAA | Free Trade Area of the Americas |
| GATS | General Agreement on Trade in Services |
| GDP | Gross domestic product |
| GEA | Guyana Energy Agency |
| GNBS | Guyana National Bureau of Standards |
| GNI | Gross national income |
| GTA | Guyana Tourism Authority |
| GVC | Global value chain |
| GUYD | Guyana Diaspora Project |
| ICSID | International Centre for Settlement of Investment Disputes |
| IOM | International Organizations for Migration |
| LDC | Least developed country |
| MFN | Most favoured nation |
| MoFA | Ministry of Foreign Affairs |
| MSMEs | micro-, small- and medium-sized enterprises |
| NACEN | National Advisory Committee on External Negotiation |
| RTA | Regional trade arrangements |
| TRIMs | Agreement on Trade-Related Investment Measures |
| TRIPS | Trade-Related Intellectual Property Rights |
| UAE | United Arab Emirates |
| UNCTAD | United Nations Conference on Trade and Development |
| VAT | Value-added tax |
| WIPO | World Intellectual Property Organization |
| WTO | World Trade Organization |

# EXECUTIVE SUMMARY

This document informs on a new trade strategy for Guyana and replaces an earlier strategy that was introduced in 2003. It provides an overarching vision of the principles and procedures for the long-term development of the country's trade, based on principles of competitiveness, transparency and the optimum use of Guyana's human and natural resources.

The report starts by reviewing a few key facts that frame the position of Guyana in the trading system: Guyana depends more on trade than do most other countries, its exports have long been dominated by raw materials, and have been complemented by an exodus of people. Guyana's trade dependence carries both opportunities and risks. Guyana, thus, faces significant challenges, but also has made notable progress since the drafting of the previous trade strategy. Its economy was growing much faster than that of the average developing country even before the latest oil discoveries and is also unusual for the degree of dependence on trade and the primary sector. This, in turn, makes the country more vulnerable to fluctuating world prices for its exports.

In this respect, Guyana has deviated considerably from the standard pattern whereby countries move up the ladder from the primary to the secondary and then to the tertiary sector. The main recent trends have involved shifts in the composition of the primary sector, with agriculture falling and minerals rising. One consequence of continued and growing dependence on the primary sector is that the nominal measures of its economic performance will be influenced less by changes in domestic production of raw materials than by fluctuations in global prices for these goods. It may be anticipated that the composition will adjust still further with the rise of oil, although it would be unfortunate if the interlude with hydrocarbons were followed only by a cyclical return to agriculture. The country would be on a stronger footing if it diversified into manufactures and especially services.

It is, nonetheless, necessary to ask hard questions about what else might deter those potential investors from choosing this country over the alternatives. The principal objective of trade policy is to reduce or eliminate any barrier that inhibits the country's capacity to take full advantage of opportunities in the trading system. External constraints such as partner countries' tariffs and non-tariff measures often matter less than internal constraints. A range of capacity limitations, from inadequate infrastructure to deficits in human capital, can adversely affect the country's ability to produce and export competitive goods or services. The same may be said for taxes or regulations that discourage entrepreneurship, or policies that tolerate inefficiency and corruption.

Other developing countries generally extend duty-free or low-duty treatment to the raw materials coming out of Guyana's mines, wells, and forests, but they often impose high tariffs on fish, raw and processed agricultural products, and alcohol. The picture is quite different for the major developed-country markets, of which only Japan still erects anything like a tariff wall on products of interest to Guyana. Virtually all of Guyana's exports to Canada, the European Union and the United States enter duty-free. The significance of foreign tariffs for Guyanese exports is small and sporadic, and the reduction or elimination of these barriers shall not be the principal object of trade policymakers' attention.

Guyana now has a large portfolio of regional trade arrangements, but should it negotiate more? When considering developing country partners, the principal attraction is the reduction of their tariff barriers. The most logical way to do so would be through the Caribbean Community (CARICOM); there are several Latin American countries that have shown varying degrees of interest in new negotiations. Considerations are more complicated for agreements with industrialized countries, as these are less about improving Guyana's market access than they are about trying to attract investment. No recommendation is made here regarding new negotiations with developed partners, but it would be prudent for officials to ensure they build and maintain the analytical and negotiating capacity necessary to make the most of whatever opportunities may arise.

The most important remaining barriers to foreign markets are non-tariff measures. While these are often lumped together, and many of them appear from an exporter's perspective to be protectionist, they can instead be grouped into three general types. One of them — which may actually be the rarest — are the measures imposed for reasons of commercial protection. These are to be contrasted with the fairly traditional restrictions that are legitimately imposed for the protection of the health and safety of consumers, and a newer class of restrictions that seek to serve larger environmental or social goals. It makes sense to approach most of these frictions with the expectation that consultation is preferable to litigation, but with the important proviso that Guyana ought not to forswear the alternative altogether.

Guyana is one of many smaller developing countries that have not yet been either a complainant or a respondent in any formal disputes in the World Trade Organization (WTO). It has instead preferred to handle its trade frictions through consultations with its partners. There are three reasons why that may indeed be the preferable route in most or all issues in the foreseeable future: The country's legal capacity in this area is limited, as is its capacity to retaliate in any dispute that might come to that juncture, and its experience thus far with consultations has produced some wins. It would nonetheless be prudent to prepare for the possibility of formal litigation in the future, as a respondent if not necessarily as a complainant, especially when this choice is not wholly within Guyana's control.

Trade-remedy laws offer another means of regulating trade at the border. Relatively, few small countries have decided to make the significant investment of their trade ministry's finite resources that would be required to conduct antidumping investigations and, if challenged, to defend the results in the WTO. These observations suggest that the arguments against enacting such a law must be weighed together with those in favour of this option. In the event that Guyana were, nonetheless, to decide that the benefits of adopting such a law outweigh the costs, it would be wise to complement this step by improving its capacity to engage in WTO dispute-settlement.

Guyana updated some aspects of its intellectual property regime over a decade ago and is currently engaged in further reforms. These should help both to secure the country's reputation for compliance with its obligations and to put Guyana on a firmer footing when demanding that its partners do the same. The two principal routes through which Guyana may take advantage of its unique intellectual property heritage are geographical indications and trademarks. Guyana's rights are more easily declared and enforced for geographical indications than for trademarks. Whereas there is only one place in the world known as Demerara, that does not prevent foreign producers from claiming the use of that name in trademark registrations.

The proposals put forward here are made with due regard to the relationship between trade and other areas of public policy. Three recommendations are styled as "national debates," and are meant to flag the conditional nature of the advice. In each case, the matter in question is one on which Guyanese stakeholders —including representatives of the public and private sectors— ought to engage in full consideration of the associated costs and benefits. Those points are to be distinguished from the items that are instead styled as "concrete recommendations," and are put in the form of declarative statements. These recommendations deal with matters that are more narrowly defined as trade policy, and for which the advice is not conditioned upon some wider consideration of the pros and cons.

The key elements of the trade strategy are based on the following core objectives and governing principles. Taken together, these six elements set the framework in which the more specific recommendations presented below should be considered.

- **First core objective: Inclusive and long-term development**. Development is more comprehensive than mere growth and is best conceived in generational terms. Commercial objectives should serve to expand opportunities and enhance the quality of life, with due attention to education, health and the environment, as well as the interests of marginalized communities. Those larger goals should be supported, and not subordinated, by domestic and international economic objectives including those elaborated in the country's Green State Development Strategy: Vision 2040.

- **Second core objective: A more diverse and resilient economy**. Guyana is not precisely a monocultural economy, but its successive reliance on a small range of primary products —some mineral and some agricultural— have made it vulnerable to price swings and the "Dutch disease." The interests of the country as a whole will be best served by greater diversification of the economy, including more value-added in primary industries and the development of other sectors that are not directly associated with these primary products.
- **First governing principle: Know the proper roles of the market and the state**. The market is a better arbiter of competitiveness than is the state. To the limited extent that the state intervenes, it should aim to reinforce rather than replace the market. This means providing public goods (*e.g.*, infrastructure and education), establishing and enforcing standards, and creating an enabling environment that ensures the rule of law and the sanctity of contracts.
- **Second governing principle: Consultation and transparency in decision-making**. To the limited extent that the state does intervene in the market, it should not play favourites. Active and effective trade policymaking depends critically upon consultation between the government and the private sector, and between the many different governmental bodies that are directly or indirectly involved in making and executing policy. Without such a cooperative and collegial approach, negotiators will not have the information they need to deal with their foreign counterparts, nor the support necessary to approve and implement these agreements at home.
- **Third governing principle: Attention to domestic constraints and external barriers**. Some external barriers remain to Guyana's exports, but tariffs and quotas are far less restrictive today than in past generations. The remaining barriers are mostly non-tariff measures and are often imposed for legitimate reasons of health and safety; failure to meet those standards may be more attributable to domestic capacity gaps than to foreign protection. Trade policymakers should devote just as much attention to addressing those capacity gaps as they do to any negotiations, consultations or litigation aimed at lowering the barriers their partners impose.
- **Fourth governing principle: Securing and practicing compliance with commitments**. Guyana will more easily attract foreign investment and promote trade if it enhances its reputation for the rule of law, both in its domestic policymaking and in its international agreements. Priority should be placed on fighting corruption, and in ensuring compliance with the commitments made in regional and multilateral agreements. These include trade pacts as well as other agreements that set social and environmental standards for minerals in general (the Extractive Industries Transparency Initiative) or more specific products of interest to Guyana such as diamonds (the Kimberley Process) and gold (the Minamata Convention).

These core objectives and governing principles are necessarily stated at a high level of abstraction and require judgment when applied to real-world problems. There may be instances in which conflicts are perceived between one and another of these six elements. As a general rule, the first core objective should carry greater weight than the second, and the governing principles are presented in roughly descending order of precedence.

The first proposed national debate should be on the question of whether oil revenues can offer trade tax relief. It is well outside the scope of this document to deal with the full range of issues associated with the development of oil and gas in Guyana. The state's dependence on trade taxes remains extraordinarily high, but the new oil revenue allows policymakers to reconsider the magnitude and the distribution of the tax burdens now imposed on trade. It is recommended here that Guyana conduct a top-to-bottom review of how its fiscal needs align with its other economic goals. Chief among those objectives should be the promotion of competitive, export-oriented industries in both the secondary (manufactures) and tertiary (services) sectors, with a view toward reducing or eliminating taxes on the capital goods and supplies on which they depend.

The second proposed national debate should be on the question of whether oil revenues ought to be dedicated to trade projects. The core objectives and guiding principles of this strategy stress the importance of diversification as well as knowing the proper roles of the market and the state. Any new spending should be based not just on what the state is now able to afford but be limited as well to those projects that can be properly defined as public goods. Proposals that are within the means of the state and that truly help to enable the market should be given a fair hearing, but those that distort or displace the market should be rejected. Macro interventions are those that entail major expenditures, and often concern infrastructure. Among the micro projects, an ideal intervention would be one in which the Government of Guyana helps to remove or relieve some existing barrier to the production and exportation of goods or services and does so in way that enables the market without supplanting it.

The third proposed national debate should be on the question of whether the benefits of new trade-remedy laws exceed the costs. This is a subject on which the present strategy does not make a definitive recommendation but does urge that no definitive action be taken without first giving full consideration to the costs, benefits, and possible alternatives. Policymakers should be fully aware of the costs and ought not to adopt new measures unless a convincing case can be made that they are lower than the benefits. In the event that moves forward, every effort should be made to ensure that, in both design and execution, they conform to WTO norms. At the same time, any gaps in the capacity of the Department of Foreign Trade (DoFT) officials — both with respect to the execution of these laws and the defense of trade-remedy measures in the Dispute Settlement Body (DSB) — ought to be given top priority in training.

The first concrete recommendation is that the export taxes be repealed. As fiscally insignificant as these taxes may be, they are nonetheless export-unfriendly in two senses. Even the lowest among them constitute a nuisance for the exporter, requiring the filing of one more document in a country that already obliges exporters to submit too much paperwork. It also sends the wrong message regarding the priority that Guyana places on encouraging entrepreneurship in general and export promotion in particular. It is, therefore, recommended that these export taxes be repealed in their entirety at the earliest available opportunity.

The second concrete recommendation is that the procedures for imports, exports and incentives be reformed. The heavy paperwork burden on imports and exports is one of the principal reasons why Guyana scores poorly in the Doing Business indicators. While steps are now being taken to reduce that burden, there is scope for further reform. It is recommended here that the aforementioned review of possible trade tax relief be complemented by an equally thorough review of all paperwork that is still required in order to import, export, or receive incentives and exemptions. That review should be conducted with a view toward eliminating altogether any reporting requirements or other filings that no longer serve a useful purpose.

The third concrete recommendation is that participation in the National Advisory Committee on External Negotiation (NACEN) be reinvigorated. One way to encourage greater participation in NACEN is to extend participation, if not necessarily full membership, to additional bodies that ought to be represented on this committee. It would also be useful to solicit the participation of the international donor community on an invitational basis, offering them a periodic opportunity to speak to and hear from NACEN members. Members of that community might also be encouraged to let the NACEN administrators know when they have an issue they would like to raise with the membership, and hence would like to be invited to the next meeting. Such a step would offer another means for greater coordination on matters of technical assistance and the like. Participation in NACEN might also be enhanced by extending further responsibilities to this body.

The final concrete recommendations are that capacity in the public and private sectors be promoted. The first and most important step in this direction is also the most general: Investments in education at all levels pay dividends over the long term. In addition to devoting some share of its new wealth to education in general, Guyana may consider a more targeted approach to capacity-building in both the public and private sectors. It may be appropriate to build upon existing programs through which the National Bureau of Standards assists firms to obtain certification in the standards administered by the International Organization for Standardization. The Ministry of Foreign Affairs (MoFA)'s own Foreign Service Institute (FSI) should be considered the first option for any such training, when the necessary resources and expertise permit. It is recommended that MoFA explore in depth the interest in, and costs associated with, the expansion of FSI's trade-related training to include other members of the national trade policy community. There are many options to help fill these needs. It is further recommended that better use be made of statistical and other information, complementing advances in the collection of trade data with improvements in data dissemination. Provided that it is done in a manner that protects such confidential business information as the prices paid or received for specific shipments of goods — a goal that can easily be met by aggregating data by product or time period — all data on exports and imports should be made available online in a user-friendly format. This will not only offer another valuable resource to analysts in the public and private sectors, but also free up time for the Bureau of Statistics (BoS) officials who might otherwise need to service the data requests of their patrons.

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# I.

# Introduction and overview

Trade policy encompasses the development and implementation of national laws, regulations, and standards to facilitate, promote or otherwise support trade relations between countries and the cross-border movement of tradeables. Effective trade policy is both a prerequisite for and a consequence of the negotiation and implementation of bilateral and multilateral trade agreements between and among countries. Making policy in this important and growing field is especially critical for small developing economies like Guyana whose productive capacity and consumption highly depend on imports and whose income including government revenue depends on export earnings. It is, thus, pertinent that policymaking be guided by an overall strategic vision.

This document provides an in-depth analysis of what may be a new trade strategy for Guyana. The study replaces an earlier strategy that was introduced in 2003.[1] It provides an overarching vision of the principles and procedures for the long-term development of the country's trade, based on principles of competitiveness, transparency and the optimum use of Guyana's resources. This trade strategy is set out in three steps. The first is to offer a factual overview of the evolution and status of Guyana's position in the global economy, so as to identify the most significant challenges and opportunities that the country faces. The second is to outline a framework of options to enable Guyana to deal with these challenges and opportunities. The third is to offer guidance on the choices that the country might wish to make, dividing these into two types: (i) on those issues that fall strictly within the scope of trade policy, such as export taxes, the strategy makes specific recommendations; and (ii) on other topics that involve wide inter-agency collaboration the strategy does not make a precise recommendation but suggests more detailed examination of the issues.

This strategy responds to three key changes in trade policy arena that emerged since the drafting of the last strategy. The first of these is a changing Guyanese economy, for which newfound oil wealth is only the most recent development. There have also been important shifts in patterns of national production and consumption, including a gradual decline in the share of income derived from agriculture, a rise in the contribution from minerals, and a growth rate that far exceeds the global and regional averages. The second development comes in greater state capacity, which in 2003 had yet to catch up with new developments in information technology and was held back by rapid rates of staff turn-over. Filling those capacity gaps, and providing a more reliable process for policymaking, were key goals of the previous strategy. Those resources and procedures have now advanced to the point where it is appropriate to place more stress on how best to sustain and deploy them. The third development comes in the diminution of trade negotiations as a factor in national policymaking. At the time of the last strategy, Guyana and its partners were actively pursuing negotiations in the WTO's Doha Development Agenda (DDA), the Free Trade Area of the Americas (FTAA) and the ACP-EU Economic Partnership Agreement. The first two negotiations quickly lost momentum, with the FTAA negotiations having been formally terminated in 2005 and there now being little expectation in Geneva that the DDA will be revived in the foreseeable future. The EU-CARIFORUM negotiations were concluded in 2007.

The years since the 2003 trade strategy have also seen the execution of many other strategies or trade-related initiatives in areas affecting trade policy. These include, among others, the *National Competitiveness Strategy* (2006), *Low Carbon Development Strategy* (2010), *National Mineral Sector Policy Framework and Actions* (2018), and *Green State Development Strategy* (2019). Other sectoral strategies or initiatives currently underway, or being proposed, cover issues ranging from natural gas and agricultural diversification to maritime transportation, investment promotion and intellectual property rights. Guyana has also benefited from studies and strategies developed or supported by such international partners. To cite just two such examples, the United Nations Food and Agriculture Organization (FAO) prepared an agricultural diversification study and the World Intellectual Property Organization (WIPO) is undertaking an audit of the country's intellectual property laws to draft a National Intellectual Property Strategy. The present trade strategy will, therefore, benefit from — even as it adds value to — these various initiatives.

A prefatory word is also in order regarding the many statistics that are presented in this document. Statistics are the lifeblood of the economic policymaker, not least in the field of trade policy. Much of the present analysis entails comparisons of Guyana's resources and performance with those of 19 global and regional comparators selected for this study. They include four Caribbean neighbours (Haiti, Jamaica, Surinam and Trinidad and Tobago) and five countries each in Latin America (Argentina, Brazil, Colombia, Costa Rica, and Mexico), other developing regions (China, India, Nigeria, Saudi Arabia, and South Africa), and among the developed countries (Canada, Japan, Norway, United Kingdom, and United States). Each of these groups include a mix of oil-importers and oil-exporters. These comparisons highlight several ways in which the Guyanese economy is distinct, while offering a comment of how well it could deal with challenges and opportunities. The document also presents a variety of statistical data on many aspects of Guyana's demography, production, and trade.

A word of caution is nonetheless in order. While every effort has been made to use the most reliable and up to date sources, there can be numerous sources of error in any statistical series. International comparisons can further be complicated by differences in exchange rates, shipping schedules, national accounting practices, and issues of fraud or lack of capacity. For these reasons, the many numbers presented in this document should be viewed as illuminating but potentially inexact representations of reality.

Against the above background, this document aims to provide such guidance first by assessing Guyana's resources and challenges, and then by offering a series of strategic and tactical recommendations. The first four parts of this strategy are factual and analytical and move progressively down from higher to lower levels of abstraction as follows: broad principles and foundations; economic trends; best practices in policymaking; and the available instruments and options. Key recommendations are advanced in Part V of the document.

The report starts by reviewing a few key facts that frame the position of Guyana in the trading system. Three points are especially pertinent: Guyana depends more on trade than do most other countries, its exports have long been dominated by primary products, and have been complemented by an exodus of people. These three facts, as elaborated upon in this Part I, colour all that follows in this strategy.

The data reported in Table 1 underline Guyana's trade dependence. It holds first place among the 20 selected countries shown here in its overall dependence on trade and is also number 1 for imports. It is only for exports that the country slips down a notch, but even there it is second only to Suriname; that is likely to change soon. Guyana's dependence on trade is best characterized neither as rising nor falling, but as recurring. Its trade-dependence was already high at the time of independence, and more recently saw a decade-long decline. Whereas in 1997 Guyana had the fourth most open economy in the world, with total trade equaling 209 per cent of its gross domestic product (GDP),[2] by 2017 this share had dropped to 106 per cent and Guyana then ranked in 53rd place. One may only speculate on just how far export-dependence will rebound once oil exports begin in earnest.

**Table 1. Exports and imports of goods and services as shares of gross domestic product, 2017 (per cent)**

| | Exports (A) | Imports (B) | Total (A+B) | Net (A-B) |
|---|---|---|---|---|
| **Caribbean** | | | | |
| Guyana | 45.2 | 60.9 | 106.1 | -15.7 |
| Haiti | 17.1 | 58.5 | 75.6 | -41.4 |
| Jamaica | 34.1 | 48.5 | 82.6 | -14.4 |
| Suriname | 52.5 | 38.4 | 90.9 | 14.1 |
| Trinidad and Tobago | NA | NA | NA | NA |
| **Latin America** | | | | |
| Argentina | 11.2 | 13.8 | 25.0 | -2.6 |
| Brazil | 12.6 | 11.6 | 24.2 | 1.0 |
| Colombia | 15.9 | 20.9 | 36.8 | -5.0 |
| Costa Rica | 33.7 | 33.1 | 66.8 | 0.6 |
| Mexico | 37.9 | 39.7 | 77.6 | -1.8 |
| **Other Developing** | | | | |
| China | 19.8 | 18.0 | 37.8 | 1.8 |
| India | 18.8 | 22.0 | 40.8 | -3.2 |
| Nigeria | 13.2 | 13.2 | 26.4 | 0.0 |
| Saudi Arabia | 39.7 | 26.8 | 66.5 | 12.9 |
| South Africa | 29.9 | 29.6 | 59.5 | 0.3 |
| **Developed** | | | | |
| Canada | 31.0 | 33.4 | 64.4 | -2.4 |
| Japan | 17.7 | 16.7 | 34.4 | 1.0 |
| Norway | 38.1 | 32.5 | 70.6 | 5.6 |
| United Kingdom | 30.1 | 31.3 | 61.4 | -1.2 |
| United States | 12.1 | 15.0 | 27.1 | -2.9 |

*Source:* Exports of goods and services as a percentage of GDP at http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS; imports of goods and services as a percentage of GDP at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS
NA = Not available.

High dependence on trade carries both opportunities and risks. The opportunity comes in making the most of a global economy's potential as a market for exports and as a supplier of goods and services that cannot be efficiently offered at home. The risks come in vulnerability, especially for such fungible natural resources as oil and gold. As long as these goods dominate national exports, the country must brace itself for the boom-and-bust cycles. The best means of dealing with the risk of falling prices is to manage earnings wisely when prices are high, not just by putting aside some profits for the proverbial rainy day but investing them so as best to serve the long-term interests of the people.

One matter of potential concern in Table 1 is the significance of the relatively high trade deficit. The net deficit on goods and services was equivalent to nearly 16 per cent of GDP in 2017. Haiti was the only comparator country to have a higher relative deficit, while trade in about half of the others was either balanced or in surplus. If one takes a mercantilist perspective, viewing imports as a loss and exports as a gain, this observation is problematic. It is less troubling, however, if one sees the imbalance in its larger context. Much depends on the faith that lenders have in the country, their willingness to help the country finance this imbalance in the short term, and Guyana's ability to manage the resulting debt over the long term. The available data suggest that this country was already in much better shape than most other developing countries even before the new oil discoveries. Its debt service as a share of its exports of goods, services and primary income was just 3.3 per cent in 2016 (the most recent year for which data are available). This was well below the average levels found in all low-income countries (6.5), the heavily indebted poor countries (6.7%), the least developed countries (8.2%), or the Latin American and Caribbean region (11.7%). Or, to consider a few of the comparator countries, Guyana's debt service in 2016 was a bit below those of India (5.1%) and Haiti (5.3%), and far below the levels in Brazil (10.6%) and Jamaica (37.3%).[3]

These considerations may soon be rendered moot by the expected increases in oil and gas exports. Much of the rising import bill in the recent past can be accounted for by the oil industry's increased demand for capital goods; imports of mining machinery grew from US$4.6 million (0.8 per cent of total imports) in 2000 to US$291.4 million (12.5%) in 2018. That surge of imports in the mining and minerals sector (broadly defined) is now giving way to an export boom, with that inflow of machinery imports being overtaken by the resulting outflow of hydrocarbons. Before the COVID-19 pandemic, it could have been

**Box 1. What does the COVID-19 pandemic imply for the strategy?**

No other factor has so dominated recent global events than the COVID-19 pandemic that was first emerging just when this strategy was in its final stages of development. Given the profound disruptions caused by this natural catastrophe, which has affected nearly all forms of economic activity at home and throughout the world, it is reasonable to ask whether any aspect of this strategy might need to be revisited. To the contrary, the pandemic underlines the importance of a key, two-part message that runs throughout the strategy: any economy that depends on exports of commodities must be prepared for gyrations in the prices that those goods fetch, and any government that hopes to engage effectively in trade policymaking must be prepared to adapt and adjust its plans in response to the frequent challenges and occasional crises that the world presents.

The pandemic's most immediate economic impact on Guyana's external sector came in global commodity prices, and above all, oil. The sudden decline in oil prices far exceeded the price swings reviewed in Part II of this strategy, briefly turning negative when oil traders demanded storage payments for excess product in a glutted market. Conversely, gold prices rose just as oil prices declined: the same ounce of that precious metal that sold for US$1549 at the start of 2020 got precisely one-third more (US$2067) in early August. These wild swings, and others that will inevitably follow for these and other goods, underline the importance not just of preparing for boom-and-bust cycles but also aiming for diversification of the economy.

The public and private sectors should also be prepared to deal with trade restrictions that Guyana's partners may employ in the coming years. Many studies have catalogued the varied barriers that the pandemic induced countries to impose, often affecting exports more than imports. The long-lasting impacts of the crisis have the capacity to wield an even greater impact. The International Finance Corporation speculates that the crisis may lead to a reconfiguration of global value chains by exposing "the vulnerability of extended and complex value chains to production disruptions" and encouraging producers to shorten or diversify these supply chains "through reliance on alternative partners (for example, nearshoring) or intensified efforts to bring home (such as reshoring) strategic value chains."[a] Guyana would also need to consider how to use its trade policy to support economic recovery from COVID-19 given the country's high importation of intermediate inputs that are used in its productive sectors.

Some governments and intergovernmental organizations have tried to halt the retreat from globalization. UNCTAD presented a 10-point plan in April, 2020 that stressed the crucial need "to keep ships moving, ports open and cross-border and transit trade flowing, while ensuring that border agencies can safely undertake all necessary controls."[b] Several of the proposed steps are best characterized as enhanced and accelerated trade facilitation. Two months later, the OECD issued a four-point plan for dealing with the pandemic that shared much in common with the UNCTAD position.[c]

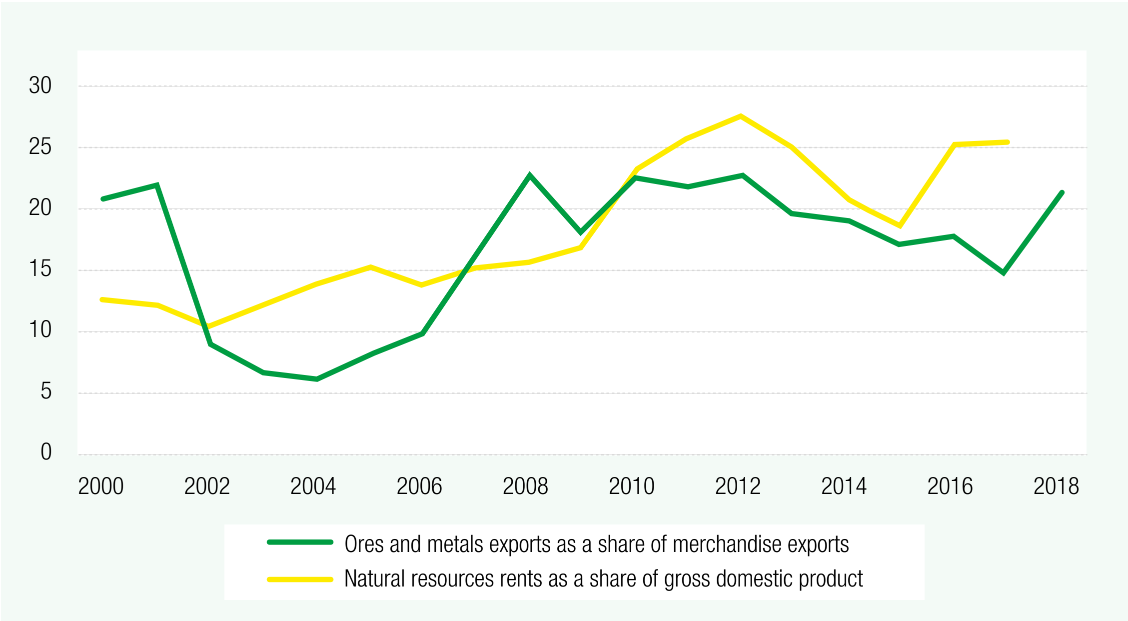
(a) See https://globalmaritimehub.com/wp-content/uploads/2020/06/IFC-Covid19-Logistics-final_web.pdf, page 5.
(b) See https://unctad.org/en/PublicationsLibrary/presspb2020d3_en.pdf
(c) See the June 12, 2020 statement at http://www.oecd.org/coronavirus/policy-responses/covid-19-and-international-trade-issues-and-actions-494da2fa/

reasonably anticipated that Guyana would produce and export the equivalent of one barrel of oil per person per day in just a few years' time. Box 1 discusses the likely impact of the fall in the oil price in the first half of 2020 on Guyana's trade policymaking strategy. Exports of that magnitude certainly have the capacity to diminish, and perhaps eliminate altogether, not just the trade deficit but also the associated debt. The real question instead is how best to manage that new wealth. This is not an entirely new issue for Guyana, which has long depended on exports of raw materials. As can be appreciated from the data illustrated in Figure 1, Guyana's dependence on rents from natural resources is large and rising. Even before the recent oil discoveries, ores and metals already accounted for a high share of exports, and natural resources dominated GDP. Herein lies the greatest challenge for the country, which is to ensure that the apparent blessing of these natural resources does not turn out to be just the opposite. Whether one refers broadly to the "resource curse," which has both commercial and security implications, or more specifically, to its economic component, many other countries have found that dependence on the primary sector can be hazardous.

Guyana has long exported not just its raw materials, but also its people. The data illustrated in Figure 2 speak to this defining characteristic of the Guyanese economy. The pace of outmigration was already fairly high during 1963–67, when there were 42,559 more persons emigrating than immigrating, and by 1983–87 these numbers rose to 102,648.

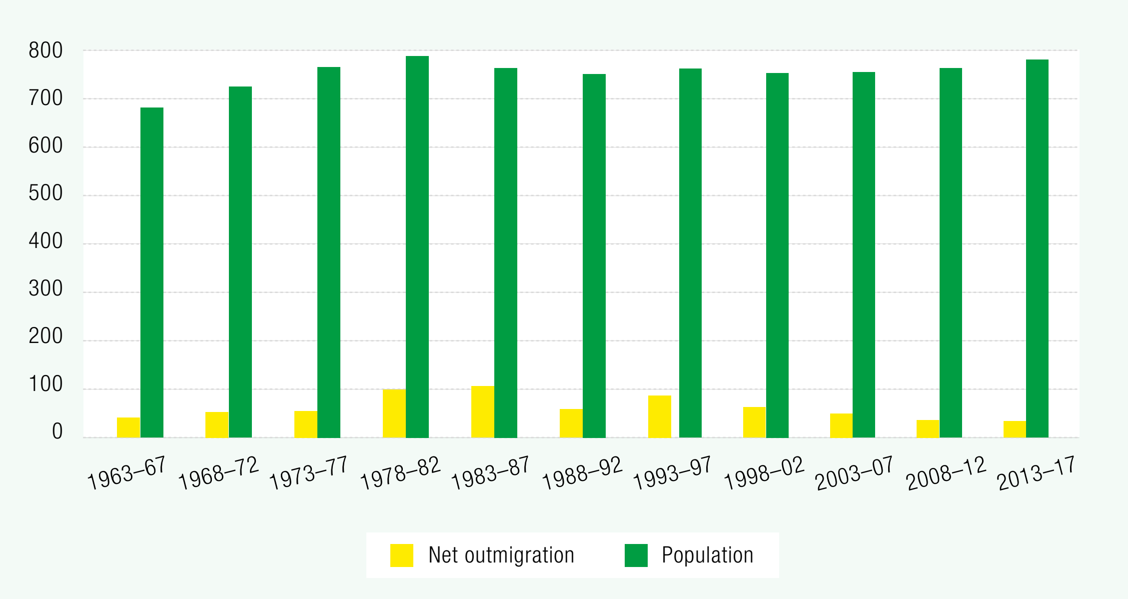
The rate of net emigration declined somewhat thereafter, falling to just 30,001 in 2013–17, but the overall result has been to slow — and sometimes even to reverse — population growth. There were nearly 1 per cent fewer people living in Guyana in 2017 (775,221) than in 1982 (781,246). Total growth from independence in 1966 (664,521) through 2017 was just 17 per cent, compared to increases over the same period of 124 per cent for the world as a whole and 153 per cent for all of Latin America and the Caribbean.[4] Projections posted by UNICEF anticipate that the net emigration rate will fall only slightly in the coming decades, but expect the annual rate of natural increase to drop more rapidly. The population is forecast to reach 853,000 by 2030, but then decline to 851,000 in 2040 and 815,000 in 2050.[5] There are thus no expectations that Guyana will pass the million-person mark any time in the foreseeable future.

**Figure 1. Measures of Guyana's dependence on natural resources, 2000–2018 (per cent)**




*Source:* World Bank data at https://data.worldbank.org/indicator/TX.VAL.MMTL.ZS.UN and https://data.worldbank.org/indicator/NY.GDP.MINR.RT.ZS

**Figure 2. Population and outmigration of Guyana, 1963–2017 (thousands of persons)**




*Source:* World Bank data at https://data.worldbank.org/indicator/SP.POP.TOTL and https://data.worldbank.org/indicator/SM.POP.NETM
*Note:* Population data are for the final year in each five-year period; net outmigration is the total for the period.

Although precise numbers are frustratingly absent, it is widely appreciated that Guyana's Diaspora is — by comparison to the size of its domestic population — one of the largest in the world.[6] Taking the long view, the country's evolving relationship with its overseas sons and daughters can be seen in three phases. The first was an extended period in which the exodus of Guyanese — many of whom were younger persons with great economic potential — offered a sad commentary on the perceived lack of opportunities in the land of their birth. The many thousands of persons who "voted with their feet" and sought their fortunes overseas represented a significant loss to Guyana, but in a second phase that Diaspora came to be seen as an important resource. The substantial stock of Guyanese abroad began not only to send home remittances, but also to support the economy as visitors and as a market for the export of "nostalgia foods" and other specialty products.

Guyana's relationship with the Diaspora is now entering a new era in which those same Guyanese who lent their talents to foreign lands constitute a corps of ready-made investment partners. That partnership may be especially important for a country in which significant swaths of the domestic business community are often seen as risk-averse, dedicated more to selling goods than producing them, and more prone than their foreign counterparts to petition the state for assistance or guarantees. There is a neat historical symmetry by which the discovery of new resources at home coincides with the flowering of entrepreneurship and expertise in a generation of expatriates who may show a greater willingness to leverage risks into rewards.

Against the characteristics of Guyana's economy laid out above, this study is structured as follows. Part II delves more deeply into these characteristics and trends in Guyana's economic performance. The analysis puts special emphasis on the growth in production, the shifts in the sectoral composition of the economy, and the evolving patterns of trade in goods and services. Part III takes this analysis to the next step by examining a series of strategic issues affecting how policy is made in Guyana, and tactical issues concerning the impact of these policies on specific sectors of the economy. Part IV considers the more precise options available to Guyana, with special emphasis on those external and internal barriers that must be overcome if the country is to make the most of its economic opportunities. Part V concludes by making a series of recommendations, both procedural and concrete, for reforms that will serve the goals of this strategy.

# II. Review of Guyana's trade and economic performance

The data reviewed in this section show that Guyana faces significant challenges, but also has made notable progress since the drafting of the previous (2003) trade strategy. Its economy was growing much faster than that of the average developing country even before the latest oil discoveries and is also unusual for the degree of dependence on trade and the primary sector. This, in turn, makes the country more vulnerable to fluctuating world prices for its exports.

## A. Overall economic performance: Income, investment and remittances

When compared with the other 19 countries whose statistics are summarized in Table 2, Guyana's current levels of gross national income (GNI) per capita might at first seem discouraging. Only three of the others have lower levels of income; the average citizen of China earns twice as much as the average Guyanese, and the average American citizen earns thirteen times as much. While these numbers suggest how far Guyana has yet to travel in its journey to prosperity, its recent pace has been quite fast. In the decade from 2008 to 2018, the country's GNI grew by 87 per cent (versus 36 per cent in the world as a whole) and its GNI per capita rose by 94 per cent (versus 24 per cent globally). The only countries among our comparators to beat Guyana's performance by a substantial margin were China and India, and only Costa Rica's economic performance was roughly on par with Guyana's. The country's strong performance is especially evident in its rising relative position among the Caribbean economies. As of 2008, Guyanese GNI per capita was just 54 per cent of the level in Jamaica. Ten years later, nearly all of that gap had closed.

The data also show that Guyana was uncommonly successful in attracting foreign capital even before the oil and gas boom was fully underway. The value of foreign direct investment (FDI) entering Guyana during 2009–2018 was equal to 75 per cent of the country's GDP.[7] That was not the highest value in the world — 30 countries did better — but it was nonetheless quite impressive. Guyana did more than twice as well by this measure as the average Latin American and Caribbean country (where FDI reached 33 per cent of GDP), and three times better than the average low- and middle-income country (24%). The only Caribbean Basin countries that attracted higher relative levels of foreign capital were banking centers. They include just one relatively large economy (*i.e.*, Panama) and four small countries whose combined population is even smaller than that of Guyana (*i.e.*, the Cayman Islands, Saint Vincent and the Grenadines, Saint Kitts and Nevis, and Grenada). The Economic Commission for Latin America and the Caribbean offers similarly encouraging data, showing that the US$495 million in FDI that Guyana attracted in 2018 marked a 25-year record high.[8] That was more than the country received in all of 2003–2007. In a later section the report will examine more closely the available investment data by origin and sector.

**Table 2. Economic performance of selected economies**

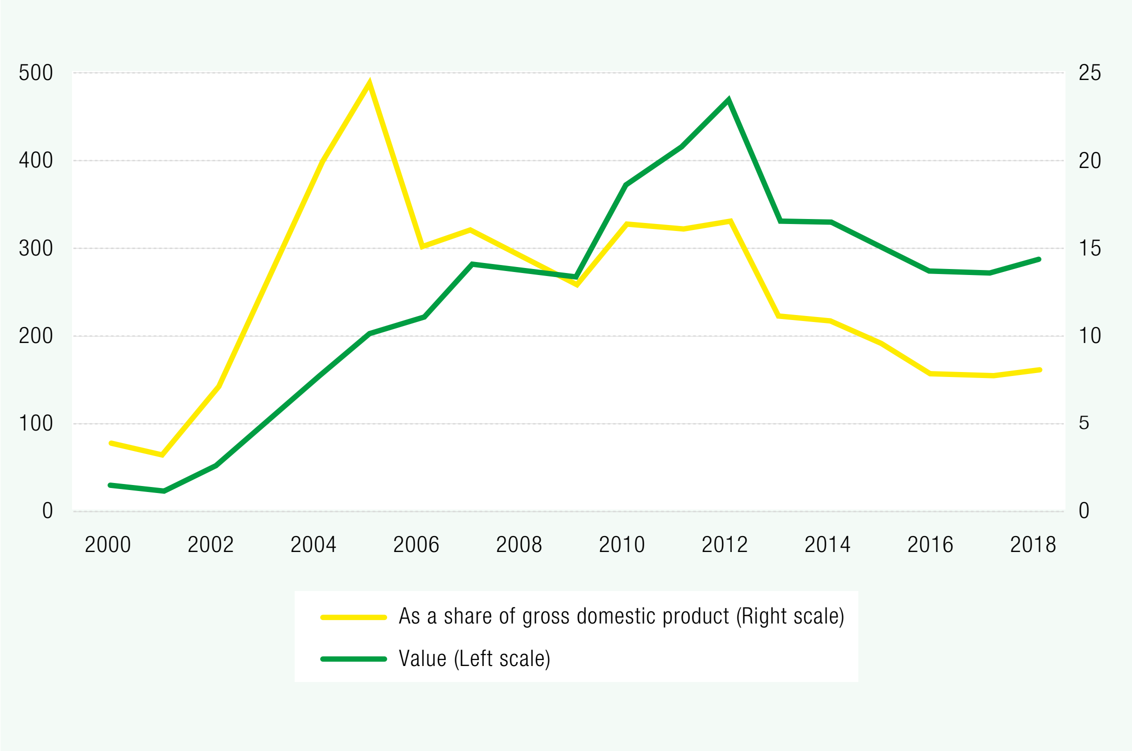
| | GNI Change 2008–2018 % | GNI per capita | | New foreign investment relative to GDP | |
|---|---|---|---|---|---|
| | | 2018 US$ | Change 2008–2018 % | 2009–2013 % | 2014–2018 % |
| **Caribbean** | | | | | |
| Guyana | 86.9 | 4 760 | 94.3 | 42.7 | 32.6 |
| Haiti | 48.2 | 800 | 29.0 | 9.0 | 9.2 |
| Jamaica | 15.1 | 4 990 | 9.4 | 13.3 | 28.3 |
| Suriname | -16.5 | 4 990 | -21.1 | 2.2 | 21.4 |
| Trinidad and Tobago | -12.6 | 16 240 | -6.4 | -5.2 | 0.2 |
| **Latin America** | | | | | |
| Argentina | 41.7 | 12 370 | 6.3 | 10.5 | 7.6 |
| Brazil | 11.2 | 9 140 | 19.9 | 16.3 | 19.2 |
| Colombia | 36.7 | 6 190 | 31.7 | 18.4 | 21.0 |
| Costa Rica | 89.2 | 11 510 | 80.7 | 29.1 | 25.9 |
| Mexico | 8.9 | 9 180 | -6.1 | 11.4 | 14.7 |
| **Other Developing** | | | | | |
| China | 193.3 | 9 470 | 205.4 | 16.1 | 9.2 |
| India | 126.4 | 2 020 | 102.0 | 9.1 | 8.8 |
| Nigeria | 17.7 | 1 960 | 0.0 | 9.4 | 4.0 |
| Saudi Arabia | 49.4 | 21 540 | 16.7 | 19.3 | 4.2 |
| South Africa | 28.4 | 5 750 | -3.8 | 8.0 | 5.0 |
| **Developed** | | | | | |
| Canada | 10.5 | 44 860 | -0.2 | 11.9 | 14.0 |
| Japan | -0.2 | 4 ,340 | 6.4 | 0.6 | 2.3 |
| Norway | -1.7 | 80 790 | -7.6 | 14.5 | -5.5 |
| United Kingdom | -3.0 | 41 340 | -14.4 | 8.1 | 20.2 |
| United States | 41.2 | 62 850 | 28.3 | 7.8 | 10.0 |

*Source:* Gross National Income growth from https://data.worldbank.org/indicator/NY.GNP.MKTP.CD, GNI per capita at https://data.worldbank.org/indicator/NY.GNP.PCAP.CD; foreign investment calculated from data at https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS.

The aforementioned exodus of Guyanese suggests a problematic past, but the silver lining in this outmigration came in the contributions that the diaspora made through remittances, visits, and a market for specialty goods.

Remittances, in particular, have been a key resource for Guyana, representing an unusually high share of national income. The data in Figure 3 nevertheless show that the magnitude of this flow has lately been contracting. As recently as 2005, remittances peaked at the equivalent of 24 per cent of Guyanese GDP;[9] that was far above the level then achieved by the average Latin American and Caribbean countries (3%). By 2018, remittances had fallen to just 7 per cent of Guyanese GDP. The peak year was either 2005 or 2012, depending on whether one counts remittances in absolute or relative terms, with a rapid fall thereafter. The traveling diaspora nonetheless remains a major source of income. In 2018, the Guyanese diaspora accounted for 35 per cent of all visitors. The share is especially high for arrivals from North America: 71 per cent of the visitors from the United States were born in Guyana, as were 72 per cent of those from Canada.[10]

**Figure 3. Guyana's remittance receipts, 2000–2018 (US$ millions and per cent)**




*Source:* Calculated from World Bank data at https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT and https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS

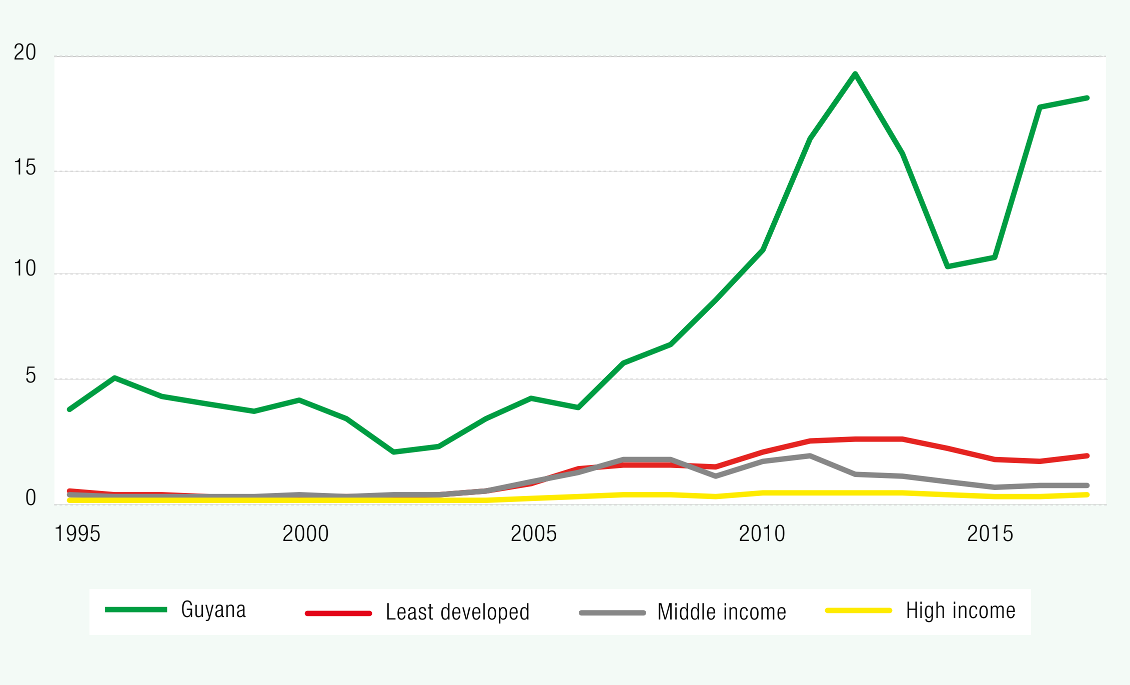
## B. The evolving composition of the economy

The classic means of characterizing any economy is to consider the relative importance of its three principal components: the primary sector (*i.e.*, agriculture, mining, forestry, and fisheries), the secondary sector (*i.e.*, manufacturing and construction), and the tertiary sector (*i.e.*, services). Most developed countries today went through an evolution by which the secondary sector gradually eclipsed the primary (especially agriculture) and was then eclipsed in turn by the tertiary sector.

Guyana has thus far deviated from that standard pattern. In place of seeing the emphasis go from agriculture to manufacturing, the main recent trends have involved shifts in the composition of the primary sector. That sector went from a colonial economy in which bauxite was king to an increasingly agricultural post-colonial economy, but lately agriculture has been waning while minerals have come back first with gold and now oil. The manufacturing sector has never been very large, being primarily devoted to the processing of such agricultural products as rice and sugar. Perennial hopes to develop a similar downstream capacity for the country's mineral industries have long been frustrated.

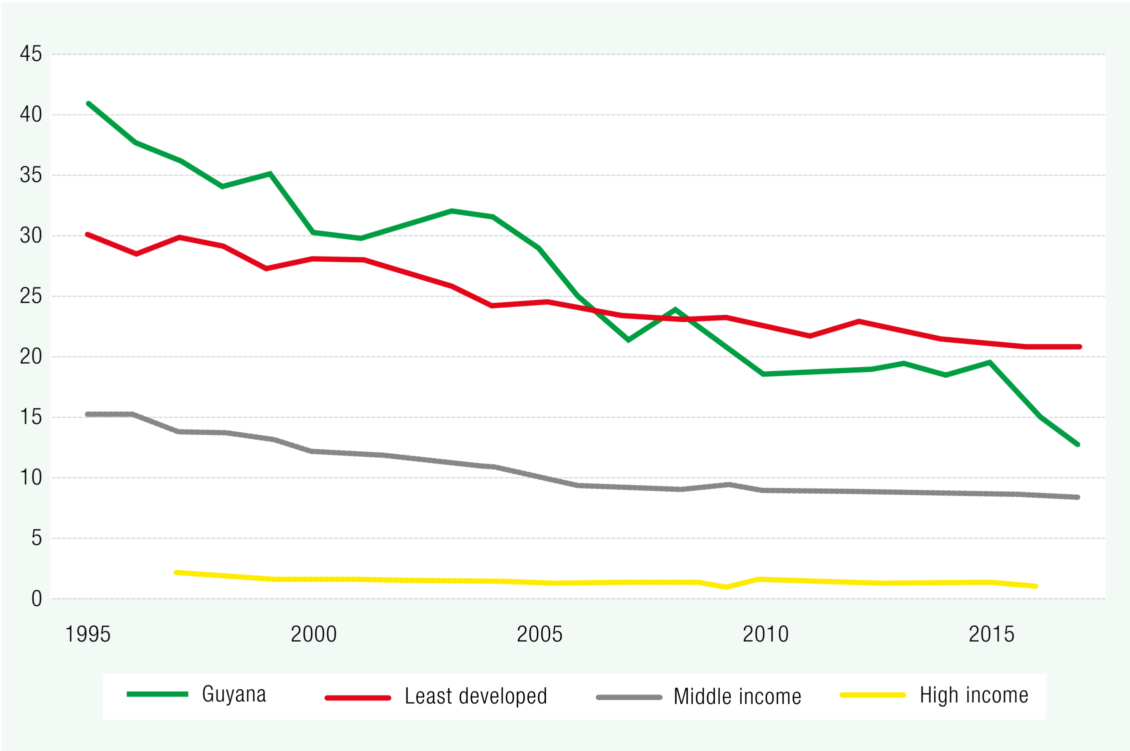
The data shown in Figures 4 through 7 compare these broad, sectoral trends for Guyana with other groups of countries at varying levels of income. The country's large and rising dependence on minerals, as illustrated in Figure 4, is vastly greater than other countries at any level of development. The relative importance of agriculture (Figure 5) and services (Figure 6) are both comparable to what one finds in the least-developed countries (LDCs), but even the LDCs have larger shares of their economies devoted to manufactures than does Guyana (Figure 7).

**Figure 4. Shares of minerals in gross domestic products, 1995–2017 (per cent)**



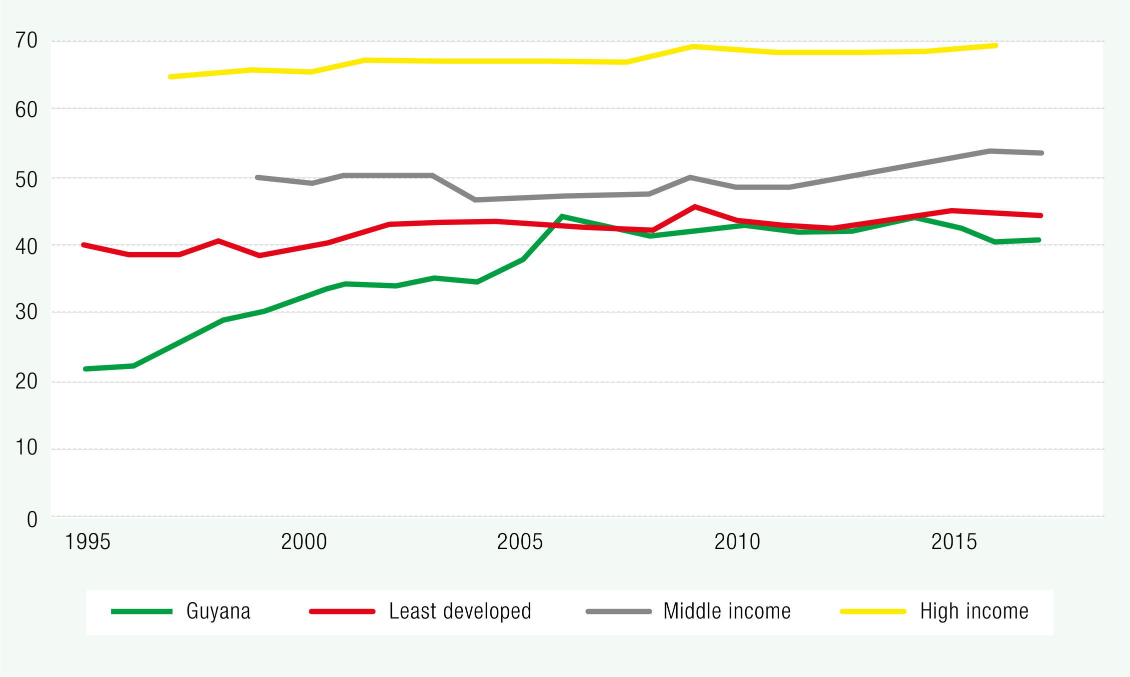

*Source:* Mineral rents as a percentage of GDP based on World Bank data at https://data.worldbank.org/indicator/NY.GDP.MINR.RT.ZS

**Figure 5. Shares of agriculture in gross domestic products, 1995–2017 (per cent)**



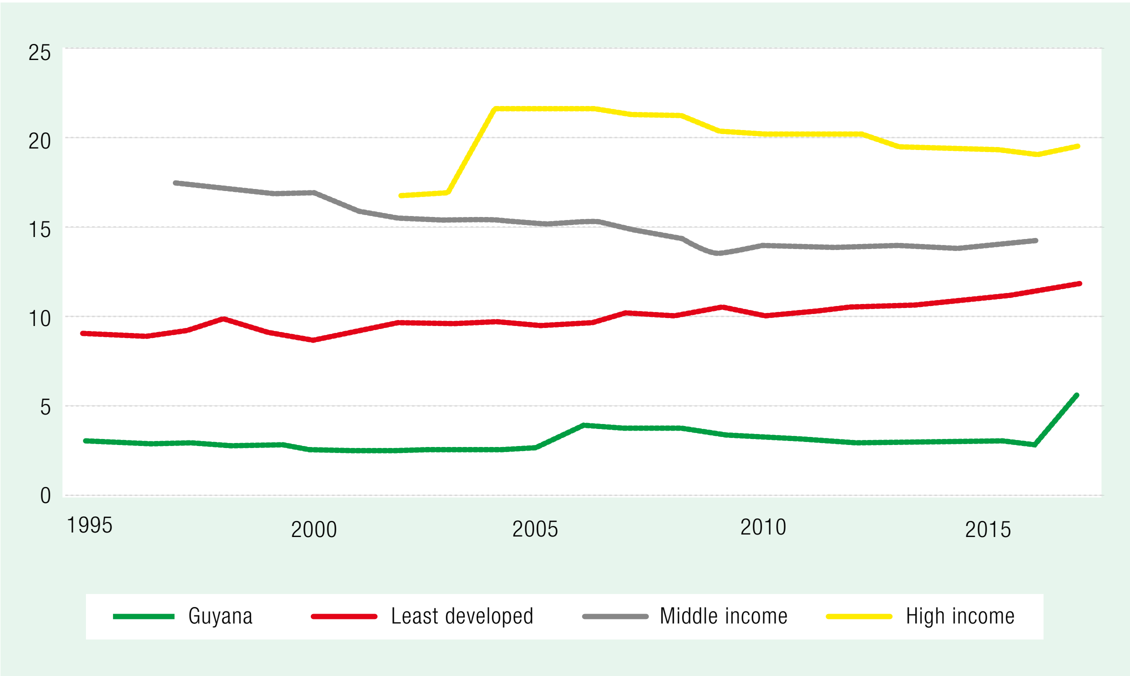

*Source:* Agricultural value-added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS
*Note:* Data are not available for agriculture in the high-income countries for the full period shown here.

**Figure 6. Shares of services in gross domestic product, 1995–2017 (per cent)**




*Source:* Services value-added as a percentage of GDP based on World Bank data at https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS
*Note*: Data are not available for middle- and high-income countries for the full period shown here.

**Figure 7. Shares of manufactures in gross domestic product, 1995–2017 (per cent)**




*Source:* Manufactures value-added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.IND.MANF.ZS
*Note*: Data are not available for middle- and high-income countries for the full period shown here.

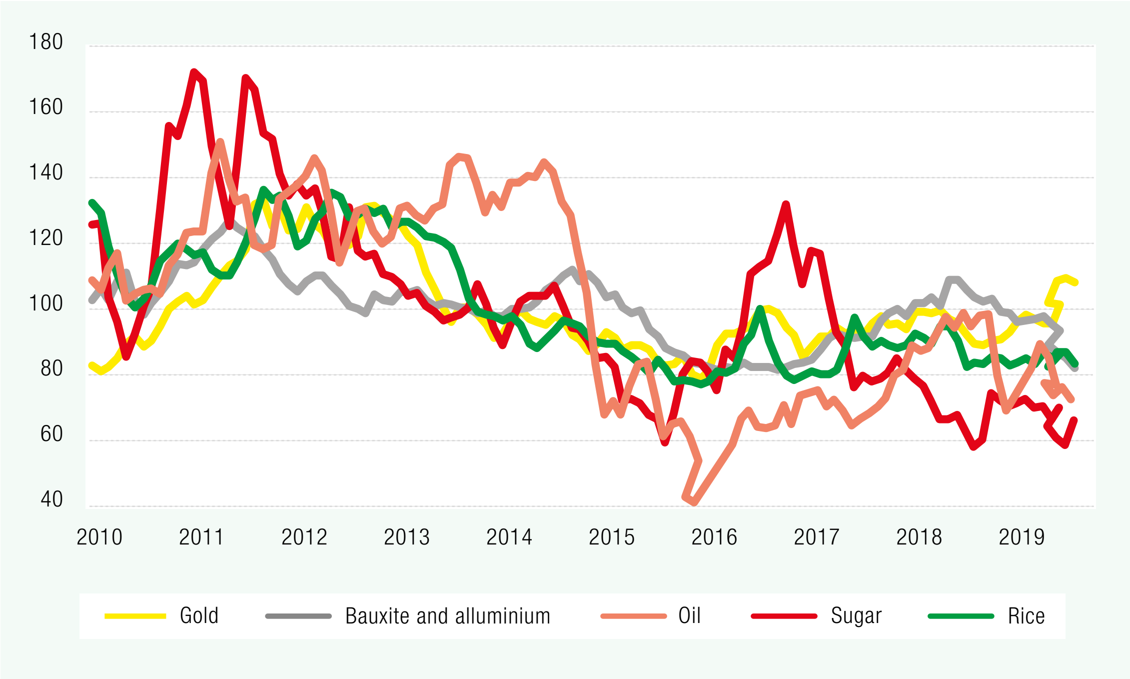
One key trend that Guyana shares with the wider world is the diminishing importance of agriculture. That sector's contribution to global production dropped from 8 to 4 per cent during 1995–2017, and the rate of decline was greater still for Guyana (*i.e.*, down from 41 to 13 per cent). Agriculture's shrinking slice of the national economy was partly offset by the rising share in mineral rents, which grew in that same period from 4 to 18 per cent. The net result is that the combined value of these two principal components of the primary sector fell from 45 per cent of GDP in 1995 to 31 per cent in 2017, and the composition of the primary sector was very different at the end of that period than it was at the start.[11] It may be anticipated that the composition will change still further with the rise of oil, although the eventual depletion of that resource leads one to wonder about the shape of the post-oil economy. It would be unfortunate if the interlude with hydrocarbons were followed only by a cyclical return to agriculture, as the country would be on a stronger footing if it diversified into manufactures and especially services.

While Guyana has more than kept pace with the world in the declining share of agriculture, the same cannot be said for a complementary trend at the other end of the economic spectrum. Whereas the world has seen services grow as a share of output and trade, Guyana has yet to achieve its potential in this tertiary sector. As can be seen from the data in Figure 6, the share of services in Guyana's GDP had been growing from 1995 through 2015 but stalled when it reached the approximate level of an LDC (41%). Even the group classified as "Caribbean small states" more than doubled their exports (up by 109 per cent). For Guyana, however, services exports rose by just 16 per cent. In fact, the only country with a poorer export performance than Guyana in this period was Eswatini (formerly known as Swaziland).[12] It is only on the import side of the services ledger where Guyana beat the world average. Whereas global imports of services rose by 240 per cent from 2000 through 2018, Guyana's imports were up by 428 per cent.[13] In short, the hopes for expanded services exports remain more aspirational than factual for Guyana.

One consequence of Guyana's continued and growing dependence on the primary sector is that the nominal measures of its economic performance will, to a very considerable degree, be influenced less by changes in domestic production of raw materials than by changes in global prices for these goods. Simply stated, a swing in the global prices for gold, rice, or (now) oil might make GDP in any given year seem significantly larger or smaller than it was the prior year even if there was no change in the actual output of the country's mines, wells, or fields. This point can be appreciated from the data in Figure 8, which show price fluctuations for Guyana's leading primary goods. The monthly data indicate the changes in the market values for sugar, rice, gold, bauxite, and oil, all expressed as deviations from the decade's average world prices for those five commodities. The data show that prices for these various commodities tend to move up or down in tandem. The average prices for all five of them were 57 per cent higher in 2011 than they would be in 2015, and the monthly swings can be even greater. Sugar fetched 2.8 times more money in July 2011 than it would in August 2018, for example, just as the price of oil was 3.6 times higher in April 2011 than in February 2016. The latest trends are not encouraging: Gold is the only one of these five commodities for which 2019 prices were higher than they averaged during the full period shown in Figure 8.

In short, Guyana has seen declining terms of trade in recent years. Looking to the future, the gains to Guyana will obviously be much greater if post-pandemic oil prices return to something closer to the average prices of 2011 to 2013 (ranging between US$82 and US$110 per barrel) than where they were during 2016 to 2019 (US$30–70). The initial results of the coronavirus crisis, coupled with a price war between Saudi Arabia and the Russian Federation, instead offer yet another illustration of just how vulnerable primary products may be to exogenous shocks: The same barrel of oil that sold for US$63 in early January, 2020 went as low as US$20 in March, and then went into negative territory. As long as Guyana remains dependent on exports of oil and other primary products — and indeed becomes increasingly tied to these exports — the principal determinant of its economic performance will remain outside the control of national authorities. Yet while they cannot set the prices of their exports, policymakers would be well-advised to plan for price volatility, and to position the country for a post-oil future.

**Figure 8. World prices for selected commodities exported by Guyana, 2010–2019 (100 = Average price for the full period)**



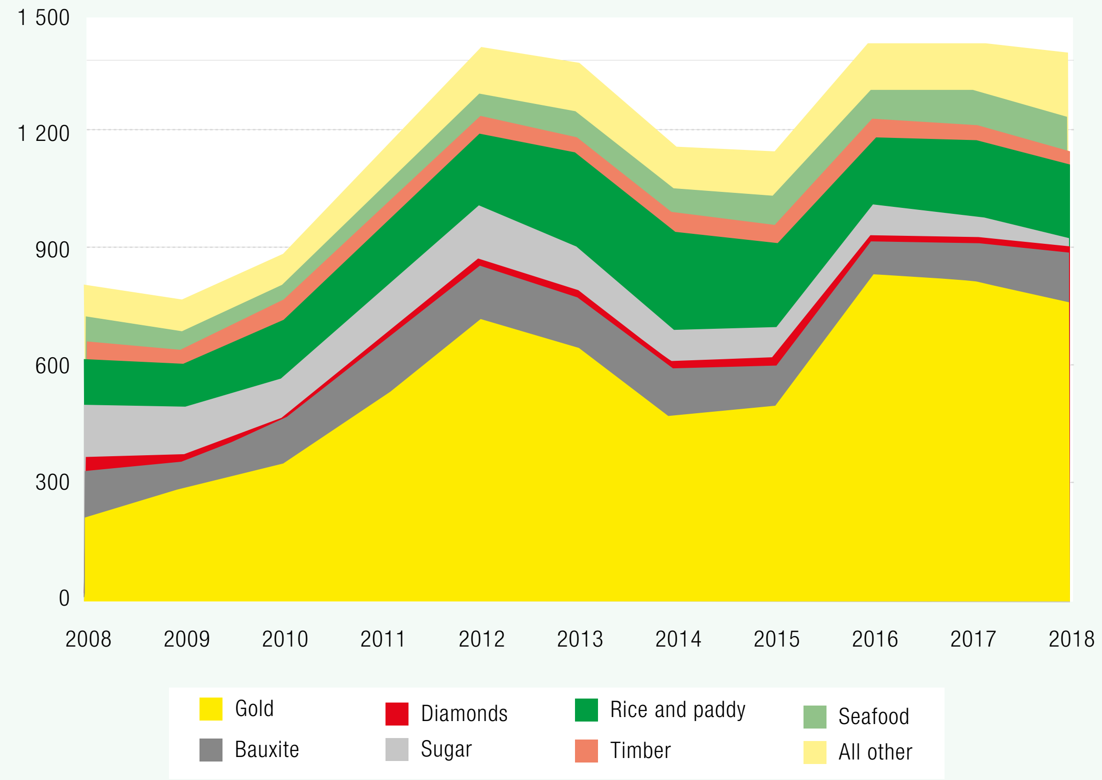

*Sources*: Data for gold calculated from World Gold Council data at https://www.gold.org/download/file/7593/Gold-Mining-Production-Volumes-Data.xlsx. Data for all other commodities from Federal Reserve Bank of St. Louis at https://fred.stlouisfed.org/series/IR14200, https://fred.stlouisfed.org/series/PSUGAISAUSDM, https://fred.stlouisfed.org/series/PRICENPQUSDM, and https://fred.stlouisfed.org/series/POILWTIUSDM

## C. Guyana's international economic performance: Exports of goods

The supremacy of primary products in Guyana's exports can be appreciated from the data in Figure 9. These numbers roughly reflect not just the general dependence on raw materials, but also the aforementioned shift from agriculture to minerals. As of 2008, sugar and rice collectively accounted for 31 per cent of Guyana's exports; by 2018, their share had fallen to 15 per cent. Over that same period, the share of exports accounted for by bauxite, diamonds, and especially gold rose from 46 per cent to 65 per cent. The shares devoted to seafood and timber were each 7 per cent at the start of that period; while seafood held that same share in 2018, timber's share fell to just 2 per cent in 2018. Although the distribution among these seven primary products shifted quite a bit, their overall dominance in the country's export basket changed very little: They collectively accounted for all but 9 per cent of Guyana's exports in 2008, and all but 11 per cent in 2018.

The unsteady rise in exports is subject to the price swings reviewed above. The positive side of the boom-and-bust cycle can be seen in the 77 per cent increase in exports from 2008 through 2012, when gold exports rose 252 per cent; not coincidentally, global gold prices hit their peak in 2012 (Figure 9). That may be one reason why Guyana's GDP rose so rapidly in that period, but what goes up can also come down. The subsequent decline in gold prices explains much of the stagnation in Guyanese exports since that year. The value of gold exports rose by just 7 per cent from 2012 through 2018, and exports of all other merchandise actually declined by 9 per cent in that same period. Those patterns are not universal: While exports during 2012–2018 were down by 15 per cent for bauxite and timber, and by 79 per cent for sugar, they rose during that period for diamonds (50%) and seafood (52%). Taken as a whole, however, these figures support the contention that the overall fortunes of the Guyanese economy owe much to the vicissitudes of global price trends.

**Figure 9. Composition of Guyana's merchandise exports, 2008–2018 (US$ millions)**

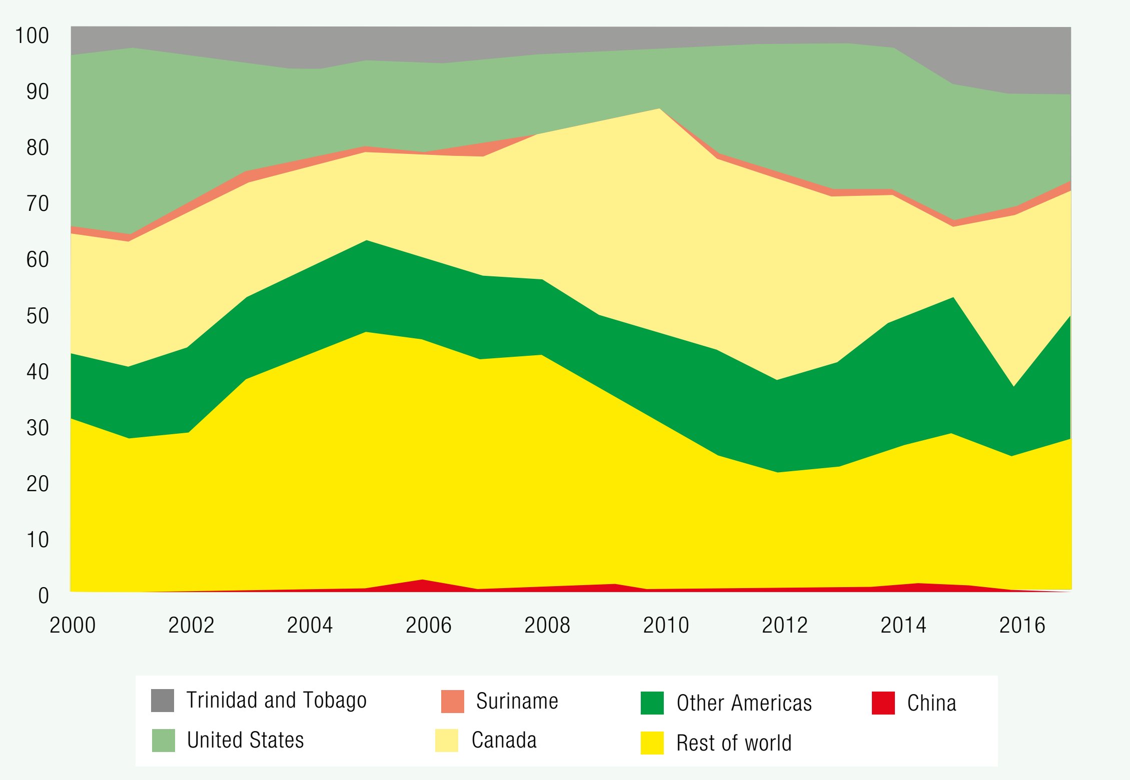



*Source:* Calculated from data supplied by the Bureau of Statistics
*Note:* "Seafood" is the combined value for shrimp and prawns plus fish and by-product. "All Other" includes reexports.

Figures 10 and 11 show where Guyana's exports go, as well as the origins of its imports. Viewed in broad outline, the regional distribution of Guyana's trade has changed little since 2000: Now as then, the Americas account for about three quarters of the country's merchandise exports and imports. The distribution within the region has nonetheless shifted a bit, with the United States declining somewhat both as an import and export partner, Trinidad and Tobago taking up some of that slack on both accounts, and Suriname becoming a growing source of imports.[14]

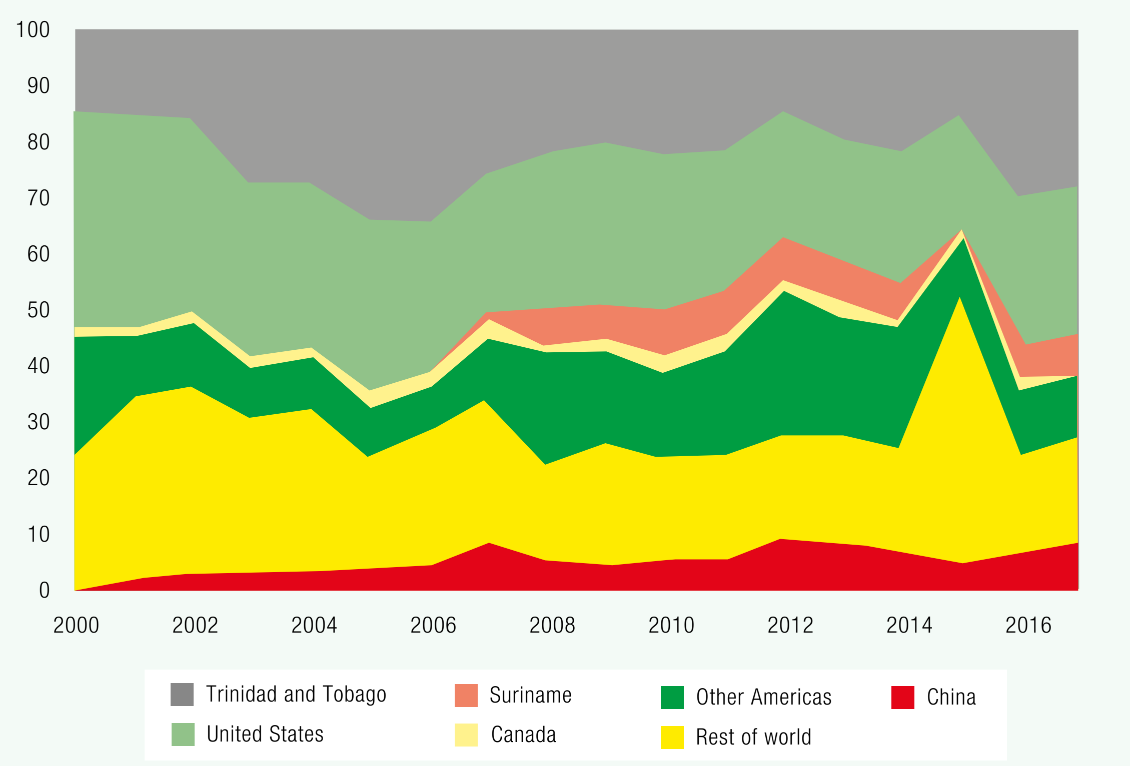
By comparison with much of the world, Guyana is also notable for the relatively small share of trade in goods that it conducts with China. That country's participation in total imports did rise substantially from 2000 (when it accounted for 3 per cent) to 2017 (9%), but the increase is small compared to Guyana's peers; over the same period, China's share of all Latin American and Caribbean imports increased from 2 to 18 per cent. And while the share of the region's exports that went to China rose over that period from 1 to 10 per cent, the percentage of Guyanese exports destined for China in 2017 (just above 1 per cent) was only marginally greater than it had been in 2000 (one-fifth of 1 per cent).[15]

**Figure 10. Destination of Guyana's exports of goods, 2000–2017 (per cent)**




*Source:* WITS data at https://wits.worldbank.org/CountryProfile/en/GUY

**Figure 11. Origin of Guyana's imports of goods, 2000–2017 (per cent)**




*Source:* WITS data at https://wits.worldbank.org/CountryProfile/en/GUY

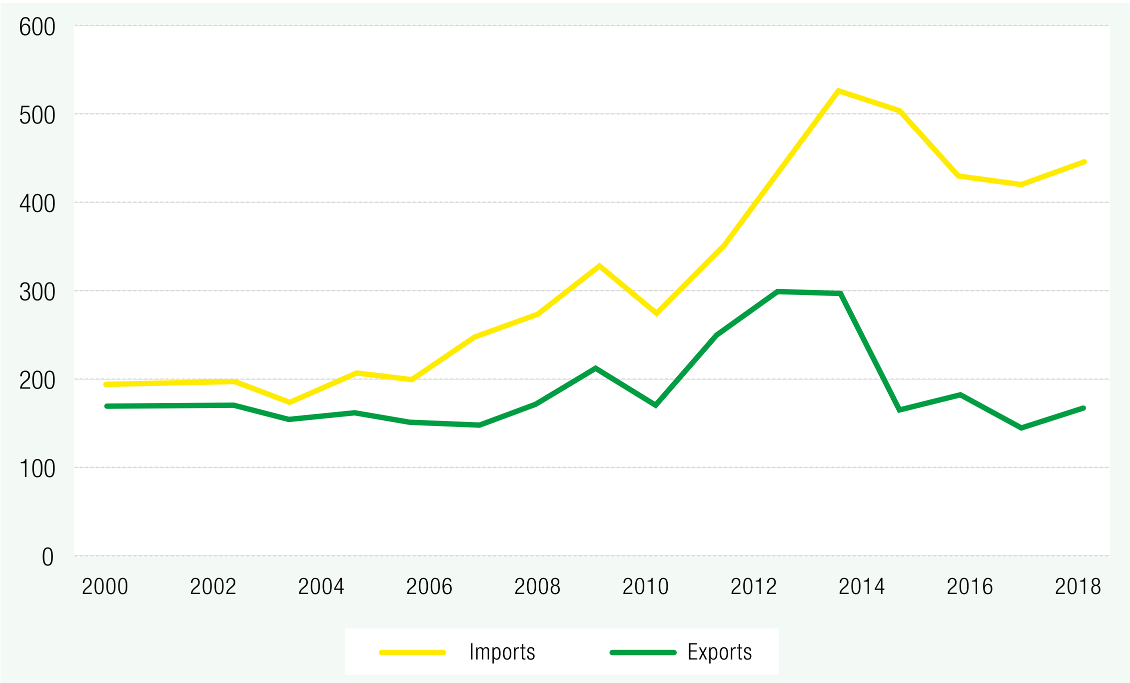
## D. Guyana's international economic performance: Services and foreign direct investment

As seen in Figure 12, Guyana runs a significant deficit in its trade in services. That deficit has grown quite substantially over the past two decades. Whereas imports more than doubled from 2000 to 2016, exports stagnated during that same period (apart from a temporary rise in 2010–2012). It would be ideal to have more detailed data on the specific components of Guyana's trade in services, thus allowing a more precise accounting of which services are most responsible for this trend. Anecdotal evidence suggests that, after travel and tourism, the largest contribution comes from business process outsourcing (*e.g.*, call centres and the like). Regrettably, the available domestic and international sources are not sufficiently detailed to quantify those shares or their growth over time.

Those increasing services imports need not imply a net cost to the country, insofar as many of these imports reflect broader economic growth elsewhere. Some of the imports can be attributed to higher consumption by a more prosperous public, and some is attributable to the rising fortunes of industry; these points could be more precisely defined if more detailed data were available. As a general principle, however, we may say that producers of goods rely on access to affordable transportation, banking, and legal services, and restrictions on services imports can be just as self-defeating as barriers to the importation of raw materials. Over the long term, Guyana has more to gain from concentrating on improving the competitiveness of its service industries by investing in education and infrastructure than it does from seeking to insulate its providers — and its consumers — from foreign competition.

As was stressed in the foregoing analysis, Guyana's interests in development and diversification would be best served by expanding its production of exportable services. It does not necessarily follow, however, that trade negotiations alone can achieve this objective. As is discussed in the concluding part, trade agreements have thus far played only a small role in promoting the expansion of global trade in services; this expansion owes much more to technological advances and autonomous liberalization. While Guyana's trade negotiators must be prepared to help shape agreements, and thus to expand the opportunities available to the country's services industries, actual outcomes will depend much more on the underlying

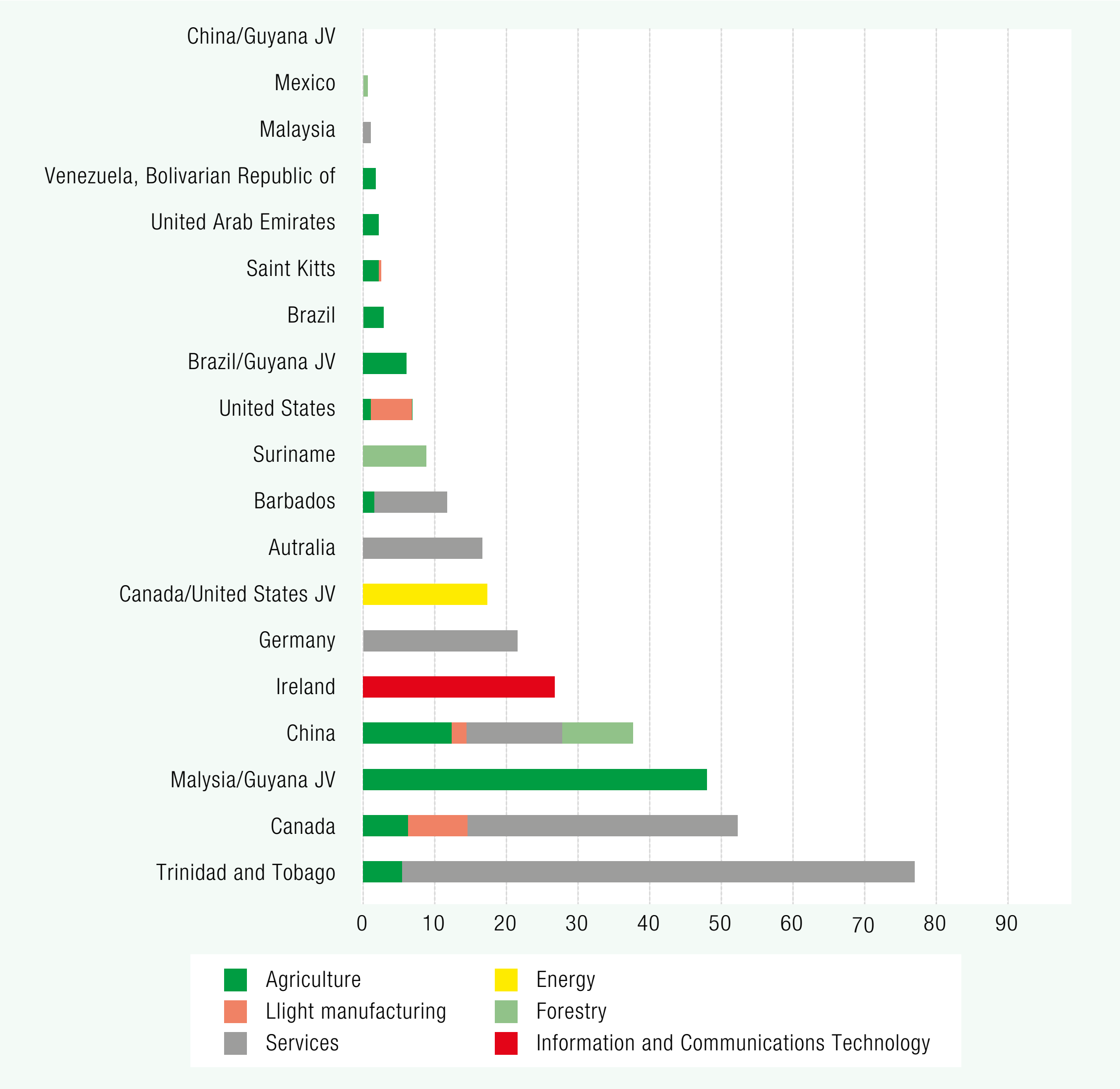
**Figure 12. Guyana's trade in services, 2000–2018 (US$ millions)**




*Source:* Calculated from World Bank data at https://data.worldbank.org/indicator/BM.GSR.NFSV.CD and https://data.worldbank.org/indicator/BX.GSR.NFSV.CD competitiveness of those providers. A competitive services sector depends above all on having a trained workforce that is supported by the necessary infrastructure, and new investments in education, telecommunications, and other backbones of the modern economy should pay dividends for generations to come. That investment comes in part from domestic sources, both public and private, and in part from FDI.

The trends illustrated in Figure 13 offer real encouragement on that last point. Guyana has been unusually successful in its recent efforts to attract FDI, as noted earlier, with the relative levels of capital entering the country being remarkably high even during 2009–2013 (*i.e.*, before the oil boom was fully underway). It is further encouraging to note just how much of that investment has been in services and in information and communications technology. During 2017–2019, the new investment proposals in Guyana on projects aided by GO-Invest totaled G$34 billion. More than half of these proposals were in services (G$18 billion), followed by agriculture (G$9 billion).[16] It is to be seen in the years to come just how far that investment may go in reversing the trends that are illustrated in Figure 12, and whether may reduce Guyana's services imports while also expanding its services exports.

**Figure 13. Proposed foreign direct investment assisted by GO-Invest, 2017–2019 (G$ millions)**




*Source*: Calculated from information supplied by GO-INVEST.
*Note*: Does not Include Data for Projects not Facilitated by GO-Invest.
JV = Joint Venture

# III. Strategic and tactical choices for Guyana's trade policy framework

Whereas the preceding part was principally about the performance of the economy, the focus now turns to the state. On the positive side, the state's capacity to make trade policy is now far greater than it was at the turn of the century. Compared to their predecessors, today's diplomats and civil servants have greater training, experience, and resources. On the negative side, there remain major challenges that inhibit either the capacity to make policy, or the extent to which prospective foreign investors find those policies attractive or credible. This part explores those issues first at the strategic level, and then turns to challenges in specific sectors.

## A. Strategic issue #1: Trade, development and governance

Guyana's principal objective is to develop by increased economic diversity. That can best be accomplished by shifting production from goods to services, and within the goods sector from product upgrading (*e.g.*, moving from raw and semi processed to finished goods at higher levels of sophistication). As a complementary trend, Guyana would also benefit from developing a more diverse range of partners in its export trade (also known as end-market upgrading). Upgrading may best be achieved by attracting foreign direct investment and inserting the country into global value chains (GVCs). There is much to recommend this country to the prospective foreign investor, including abundant raw materials and a labour force with a strong work ethic. It is nonetheless necessary to ask hard questions about what else might deter potential investors from choosing this country over the alternatives. Viewed at the highest level of abstraction, one of the principal barriers to Guyana's entry into GVCs is a matter of perception.

Reputation is the most valuable resource for a country that seeks to attract foreign investment. That point is especially important for non-mineral sectors; as long as prospective investors have a choice about where they will expose their capital and personnel, they will favour those markets with the lowest risk. Perceived problems with bribery and corruption, for example, will generally make them look elsewhere. The same may be said for other, more conventional elements that determine how "investor-friendly" an economy is perceived to be. All other things being equal, investors prefer to deal with countries that are associated with lower levels of taxation and regulation, and those in which the rule of law is respected, government is stable, and the authorities are not arbitrary, hostile or prone to demand unofficial payments.

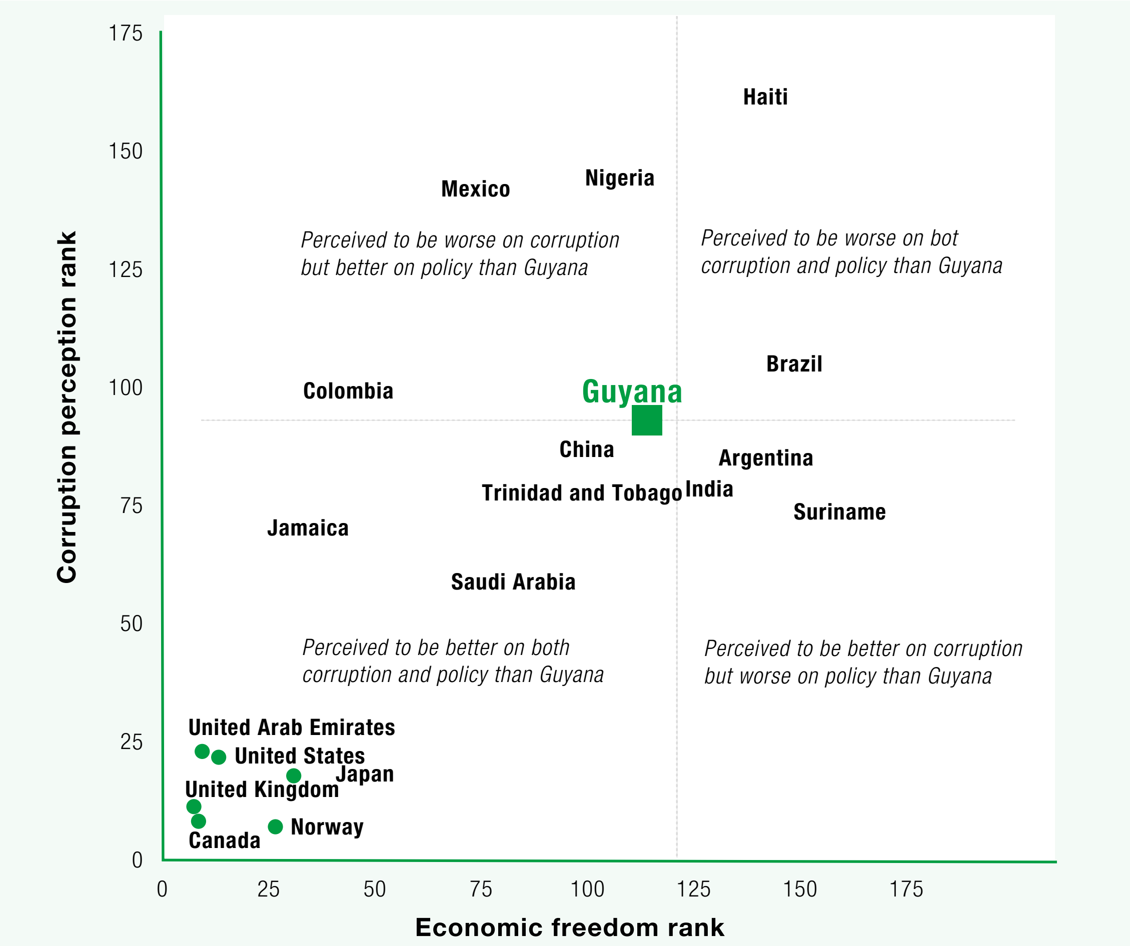
These two sets of considerations are illustrated in Figure 14, which show how Guyana is perceived *vis-à-vis* other countries with respect to its official and unofficial economic policies. Corruption is notoriously difficult to measure, as it is by definition done out of public sight, but one may nonetheless use Transparency International's Corruption Perception Index as a good indicator of a given country's reputation. This index is based on the surveyed perceptions of experts and businesspeople with respect to public sector integrity. Guyana ranks in 93rd place among 180 countries. That rank is a significant improvement since

2005 (the first year that the report included Guyana), when it took 117th place among 159 countries. It is nevertheless worth asking what additional steps might continue this improvement, especially at a time when oil is raising both the stakes and the risks.

The data in Figure 14 also show where Guyana and the comparator countries fit on the Index of Economic Freedom, as reported by the Heritage Foundation and the *Wall Street Journal*. The index is based on quantitative and qualitative factors grouped in four categories. These are the rule of law (property rights and freedom from corruption), limited government (fiscal freedom and government spending), regulatory efficiency (business freedom, labor freedom, and monetary freedom), and open markets (trade freedom, investment freedom, and financial freedom). In 2019 Guyana ranked number 113 out of 178 countries. This represented an improvement from 2015 (the first time it appeared on this index), when it held 123rd place.

Their differences notwithstanding, both indices suggest that considerable room remains for further reform. That point can be best appreciated by considering how these numbers might affect the decisions of a prospective foreign investor who looks at Guyana and the comparator countries. The largest number of countries — all of the developed, and five of the developing — outscore Guyana on both counts. The most appropriate contrasts can be made with two Anglophone Caribbean countries. Trinidad and Tobago may appear only modestly better to an investor than does Guyana, given its approximately equal score

**Figure 14. Measurements of economic governance**



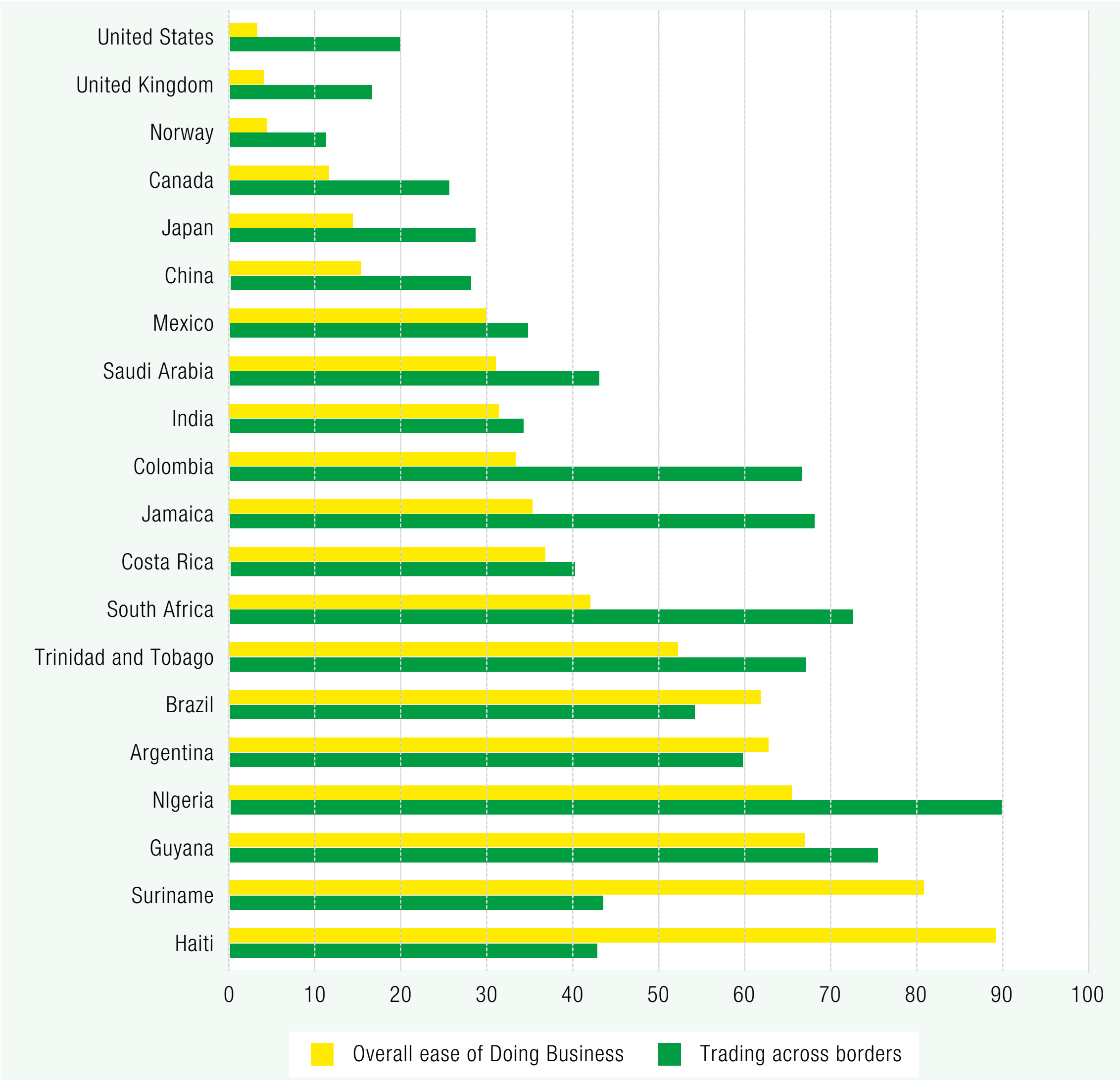

*Source:* Corruption perception index from Transparency International at https://www.transparency.org/cpi2019; economic freedom based on Heritage Foundation data at http://www.heritage.org/index/ranking
*Note:* Both indices are ranks, with lower numbers better than higher.

on economic freedom and a somewhat better ranking on the Corruption Perception Index, but Jamaica beats Guyana on both of these indices.

Another way to gauge a country's standing is to review its rank in the World Bank's Doing Business indicators. The overall results, as shown in Figure 15, again highlight shortcomings in Guyana's position. Looking first to the overall "ease of doing business" score, Guyana ranked in 134th place among 190 countries in 2019. Moreover, Guyana is moving in the wrong direction: It had held 98th place among 183 countries in 2009.[17] On the more precise measure of "trading across borders," Nigeria is the only comparator that holds a less enviable rank than Guyana. While space does not permit a full discussion of all measures that go into these comparisons, and the many steps that Guyana might contemplate in order to improve its overall business climate, this last measure speaks most directly to the core issues in this strategy. Part IV of the report will therefore return to this issue, with special attention paid to the excessive paperwork demands that current law imposes on traders.

These numbers are reiterated here not to chide the country for its performance, but in hope that they can spur reform initiatives and offer a means of judging results. Many countries have a committee or other

**Figure 15. Ranking of selected countries in the Doing Business data**




*Source:* Data calculated from World Bank Doing Business data at https://www.doingbusiness.org/en/rankings and https://www.doingbusiness.org/en/data/exploretopics/trading-across-borders body devoted to addressing its perceived shortcomings in the World Bank's Doing Business rankings. That was one focus in the Report on Enhancing National Competitiveness (2005), which explicitly called for improvements in Guyana's performance on the Doing Business indicators, and has more recently received emphasis in the pending *Green State Development Strategy: Vision 2040*.[18] That is a laudable goal that should not merely be reiterated, but given the priority necessary for its achievement.

## B. Strategic issue #2: Promoting transparency and avoiding the resource curse

The numbers illustrated in Figure 14 also speak to the supposed association between mineral wealth and corruption. This is a matter of serious concern to Guyana, insofar as it may be the most dangerous symptom of the Dutch disease: If development of a major oil industry exacerbates corruption, it could further crowd out the prospects for investment and growth in other sectors.

There is certainly a large and rich literature that addresses this issue, with numerous authors suggesting that a large oil sector may either invite corruption or, in the worst case, accelerate a country's existing propensities in that direction.[19] But is this supposed association between oil and corruption inescapable?

The data reported in Figure 14 suggests that it need not be. While there are examples of highly corrupt oil-exporting countries, the data also show others for which just the opposite is true. The United Arab Emirates, for example, is the only developing country among our sample that puts up numbers on corruption and economic freedom that rival those of the developed countries. And while Saudi Arabia does not score as well as its United Arab Emirates neighbour, that country's rankings on these two indices beat those of most other developing countries. Among the developed countries, oil-exporters such as Canada, Norway, and the United Kingdom are perceived to be marginally less corrupt than net-importers of oil such as Japan and the United States.

What all of this implies is that one need be neither fatalistic nor complacent regarding the moral hazard that oil wealth may pose. These new resources instead call for a clear-eyed acknowledgment of the risks, and a commitment to confront them directly. The best way to do that is through transparency, as promoted by an array of institutions — domestic and international, public and private — that are dedicated to promoting openness and the rule of law. They include the Guyana Extractive Industries Transparency Initiative, the Transparency Institute of Guyana Inc., the Extractive Industries Transparency Initiative, and the New Petroleum Producers Discussion Group. Taken together, these institutions offer a set of best practices intended to ensure that host governments and extractive industries deal with one another transparently. It is still early days for Guyana's experience as an oil exporter, and it has a much better opportunity than its predecessors did to adopt these practices and learn from both the positive and negative lessons of other producers with longer and sometimes bitter experience.

## C. Strategic issue #3: The continued need for coherence, coordination and consultation

Coherence is one of the most difficult challenges posed for any trade policymaker, whether at the level of domestic policy or within the international system. A lack of coherence could emerge at the domestic level if a country's trade and finance ministries, for example, have different policies with respect to the setting and collection of import tariffs; a similar problem may emerge at the global level if those two ministries receive contradictory advice from international organizations dealing with their respective areas of competence. The addition of new issues has vastly expanded the range of laws and policies, as well as the associated government bodies, whose policies may be affected by trade negotiations. Now that the field has come to incorporate such items as trade in services, investment, intellectual property rights and government procurement, there is hardly a single agency left whose interests are not somehow affected by the commitments that a trade ministry might make on behalf of the country.

In 1997, Guyana established the NACEN, an inter-agency coordinating body chaired by the Minister of Foreign Affairs that includes high-level representatives from all public- and private-sector bodies with a targeted role in trade and trade policy making. It advises the government in preparation for and participation in trade negotiations, including through input into the CARICOM Office of Trade Negotiations. While the NACEN has proven its worth and continued utility, it has often suffered from sporadic attendance on the part of some of its members. This is an issue that is taken up in Part V, when we turn to recommendations. Consultations are also conducted through the Inter Ministry Consultative Committee and the Business Labour Advisory Council, a pair of consultative mechanisms that each date from 2018. Guyana does not need to create any new bodies, but rather to make fuller use of the institutions that already exist.

The problem of coherence can also manifest itself at the external level. As it does at the national level, Guyana has access to the institutional machinery needed to coordinate action at the regional and multilateral levels. These include CARICOM's Council for Trade and Economic Development, as well as the Office of Trade Negotiations (successor to the Caribbean Regional Negotiating Machinery); the latter body deals with all manner of external relations, including the representation of Caribbean interests in multilateral bodies. The principal difference here is that the effective functioning of these institutions depends not just on Guyana, but also on its Caribbean partners.

## D. Tactical issue #1: Improving production and upgrading of traditional goods

As was stressed in Part II, the Guyanese economy is marked by its continuing (if shifting) dependence on the primary sector. Compared to other developing countries, the secondary sector remains small. At a time when many of its peers are becoming ever more engaged in global value chains, including the production of higher-value goods, Guyana has largely been confined to producing and exporting the same primary products that dominated the economy of our parents and even our grandparents. That is not for want of trying: Policymakers often hope to promote diversification of the economy, both vertically (*i.e.*, moving up the value chain for a given sector) and horizontally (*i.e.*, promoting the establishment and expansion of entirely new industries that are not unduly dependent on the country's natural resource bases). For example, Strategic Goal 11 in the Ministry of Natural Resources' *National Mineral Sector Policy Framework and Actions* is to "expand the number of businesses and economic activities that serve the mining sector (backward linkages) and that use the outputs of mining (forward linkages)."

The data reviewed here show both positive and negative trends, with important shifts in the production and exportation of traditional commodities. Whereas gold, bauxite and rice have done well, both in quantity and quality, the trends are not as favourable for diamonds and especially sugar.

Prior to the oil boom, Guyana was already the world's most gold-dependent country. The calculations in Table 3 show that the value of gold production in 2018 was equal to one-third of the total national economy. Thus, despite the fact that China's production of this metal was about 16 times larger than Guyana's, gold was more than 300 times more important for Guyana in relative terms. The data reported by the World Gold Council also imply that more than twice the share of GDP is tied up in this industry than the national accounts suggest, presumably because the latter numbers more accurately reflect the profits retained at home, but even if one takes the Bureau of Statistics' figure of G$110 billion in 2017 rather than the imputed value of US$1.2 billion that still amounts to a considerably higher share of GDP (15%) than any other country shown in the table.[20] This is one of several industries where the principal challenge comes from demands for greater environmental stewardship. Mercury has long been a critical element in the processing of gold but is also recognized as a serious hazard to public health. The Minamata Convention on Mercury, which is named after the Japanese city where the dangers of mercury poisoning were first discovered, is an international treaty designed to protect human health and the environment from emissions of mercury and its compounds. It was concluded in 2013 and ratified by Guyana in 2014. Parties with small-scale gold mining and processing industries must take steps to reduce the use of

**Table 3. Global mine production of gold, 2010–2018**

| | Total production in tonnes | | | Change 2010–18 % | Share of total | | Production relative to GDP (2018) % |
|---|---|---|---|---|---|---|---|
| | 2010 | 2014 | 2018 | | 2010 % | 2018 % | |
| China | 351.1 | 462.0 | 404.1 | 15.1 | 12.6 | 11.5 | 0.1 |
| Australia | 256.7 | 274.0 | 314.9 | 22.7 | 9.2 | 9.0 | 1.0 |
| Russian Federation | 203.1 | 252.7 | 297.3 | 46.4 | 7.3 | 8.5 | 0.8 |
| United States | 231.3 | 210.0 | 221.7 | -4.1 | 8.3 | 6.3 | 0.1 |
| Canada | 102.1 | 151.2 | 189.0 | 85.0 | 3.7 | 5.4 | 0.5 |
| Peru | 184.8 | 171.1 | 158.4 | -14.3 | 6.6 | 4.5 | 3.3 |
| Indonesia | 134.6 | 93.5 | 136.9 | 1.7 | 4.8 | 3.9 | 0.6 |
| Ghana | 94.3 | 106.3 | 130.5 | 38.4 | 3.4 | 3.7 | 9.3 |
| South Africa | 210.0 | 168.6 | 129.8 | -38.2 | 7.5 | 3.7 | 1.7 |
| Mexico | 78.8 | 113.4 | 115.4 | 46.5 | 2.8 | 3.3 | 0.4 |
| Brazil | 71.5 | 90.4 | 97.1 | 35.7 | 2.6 | 2.8 | 0.2 |
| Guyana | 11.9 | 17.3 | 25.6 | 114.4 | 0.4 | 0.7 | 33.3 |
| *Subtotal* | *1 930.2* | *2 110.7* | *2 220.8* | *15.1* | *69.1* | *63.4* | |
| *Rest of world* | *863.4* | *1 092.2* | *1 281.8* | *48.5* | *30.9* | *36.6* | |
| **World** | **2 793.6** | **3 202.9** | **3 502.6** | **25.4** | **100.0** | **100.0** | |

*Source* : Calculated from World Gold Council data at https://www.gold.org/download/file/7593/Gold-Mining-Production-Volumes-Data.xlsx; GDP shares calculated from World Bank data at https://data.worldbank.org/indicator/NY.GDP.MKTP.CD, based on 2018 production multiplied by a market value of US$46.9 million per tonne. Note that internationally reported values for the extracted wealth do not necessarily correspond to those actually captured by the exporting country and reported in the national accounts, and hence are reported here not as "Share of GDP" but rather "Relative to GDP."

mercury and mercury compounds. Guyana is legally obligated to meet these requirements and making gold "green" is also in the environmental interests of the country. That said, these new standards will be costly.

Other traditional minerals make smaller contributions to national wealth. The share held by diamonds was, as shown in Table 4, a small fraction of 1 per cent. Guyana's diamond mines yielded an average of 38 million carats per year in 2004–2008, according to the Diamond Producers Association, but this dropped to annual production of 13 million carats during 2005 per cent 2018.[21] By contrast, bauxite production is rebounding. Moreover, as shown in Figure 16, Guyanese producers have moved to a higher level of processing of this mineral at home. The more processed version of bauxite, calcined bauxite rose to 54 per cent of total bauxite exports in 2010–2018, compared to 39 per cent during 2000–2009.

Guyana's rice industry is an exception to the general rule of contraction in the agricultural sector, and also offers a good example of both product upgrading (*i.e.*, the move toward higher-value segments of this commodity market) and end-market upgrading (*e.g.*, by adding Mexico as a new market for the country's rice exports). Rice producers are expanding in both quantitative and qualitative terms, notwithstanding the post-–2015 set-back brought on by the *El Niño* weather pattern. As can be seen in Figure 17, from 2010 to 2019 the hectares harvested rose by 35 per cent, and production went up 89 per cent; this meant a 40 per cent increase in the per-hectare yield. The industry believes that its production could rise from 682,418 tonnes in 2019 to a million tonnes by the year 2029, for a further increase of 47 per cent.

The Guyanese rice industry is also moving to the higher rungs of that sector's value chain. This means capturing a greater share of the final price: Whereas paddy brought an average of just US$291 per tonne in 2019, producers could instead get US$374 for cargo (brown) rice and US$489 for white rice. The value rose higher for parboiled rice, whether cargo (US$446) or white (US$567), while the US$638 paid for

**Table 4. World diamond production, 2018**

| | Value US$Million | Country's share % | Carats Thousands | Average US$/carat | Production relative to GDP % |
|---|---|---|---|---|---|
| Russia | 3 983 | 27.5 | 43 161 | 92 | 0.2 |
| Botswana | 3 535 | 24.4 | 24 378 | 145 | 19.0 |
| Canada | 2 098 | 14.5 | 23 194 | 90 | 0.1 |
| South Africa | 1 228 | 8.5 | 9 908 | 124 | 0.3 |
| Angola | 1 224 | 8.5 | 8 409 | 146 | 1.2 |
| Namibia | 1 125 | 7.8 | 2 397 | 469 | 7.7 |
| Lesotho | 377 | 2.6 | 1 294 | 291 | 13.5 |
| Zimbabwe | 210 | 1.5 | 3 255 | 65 | 0.7 |
| Australia | 181 | 1.3 | 14 069 | 13 | <0.1 |
| Sierra Leone | 157 | 1.1 | 742 | 212 | 3.9 |
| Democratic Republic of the Congo | 136 | 0.9 | 16 391 | 8 | 0.3 |
| United Republic of Tanzania | 82 | 0.6 | 386 | 212 | 0.1 |
| Brazil | 55 | 0.4 | 251 | 219 | <0.1 |
| Liberia | 32 | 0.2 | 79 | 402 | 1.0 |
| Guinea | 18 | 0.1 | 293 | 61 | 0.2 |
| Guyana | 11 | 0.1 | 62 | 181 | 0.3 |
| *Subtotal* | *14 452* | *>99.9* | *148 269* | *97* | |
| *Rest of world* | *13* | *<0.1* | *162* | *800* | |
| **World** | **14 466** | **100.0** | **148 430** | **97** | |

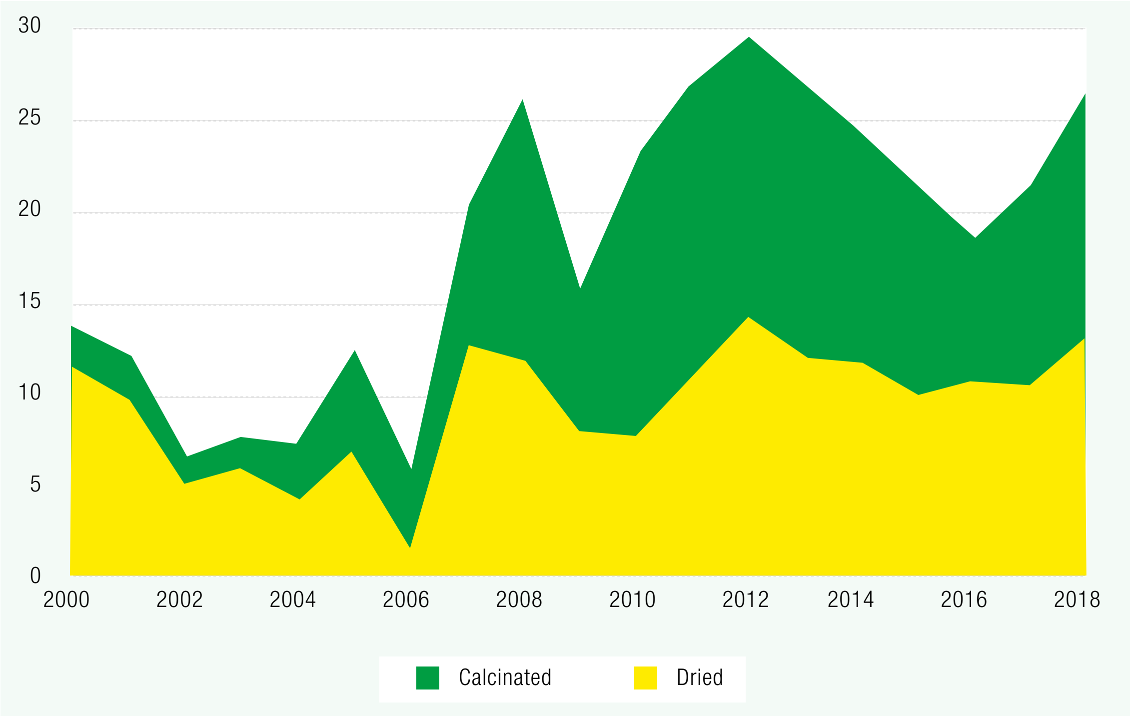
*Source:* Calculated from World Gold Council data at https://www.gold.org/download/file/7593/Gold-Mining-Production-Volumes-Data.xlsx; GDP shares calculated from World Bank data at https://data.worldbank.org/indicator/NY.GDP.MKTP.CD, based on 2018 production multiplied by a market value of US$46.9 million per tonne. Note that internationally reported values for the extracted wealth do not necessarily correspond to those actually captured by the exporting country and reported in the national accounts, and hence are reported here not as "Share of GDP" but rather "Relative to GDP."

packaged, parboiled rice was more than twice the price of paddy. Paddy's share of total export value fell from 22 per cent in 2018 to just 5 per cent in 2019, while the shares held by cargo and white rice rose from 59 to 72 per cent. The next steps in this climb would be to increase the share for parboiled rice (white or cargo), which rose modestly from 9 per cent in 2018 to 11 per cent in 2019, and to advance from there to the packaged forms of the product (which held steady at 4 per cent in both years).[22] Rice producers may need less assistance than any other Guyanese industry, being an efficient industry that can find a ready market for all it grows.

The same may not be said for sugar, which has been declining sharply for the better part of a decade. It is widely recognized that the costs of sugar production in Guyana cannot compete with those of Brazil and other major producers, and several estates have closed as a result. The one bright spot for this industry is in the increasing share of derivative products in exports, most notably molasses and rum. The data in Figure 18 show that during 2000–2012, raw sugar accounted for 94 per cent of all exports in this cluster; the share fell to 87 per cent in 2013–2018. Put another way, whereas in 2000 Guyana exported just 3 cents worth of rum for every dollar worth of sugar that it exported, by 2018 this value rose to 31 cents. These more lucrative products benefit from the special denomination of the Demerara name, a topic that we take up in Part IV.

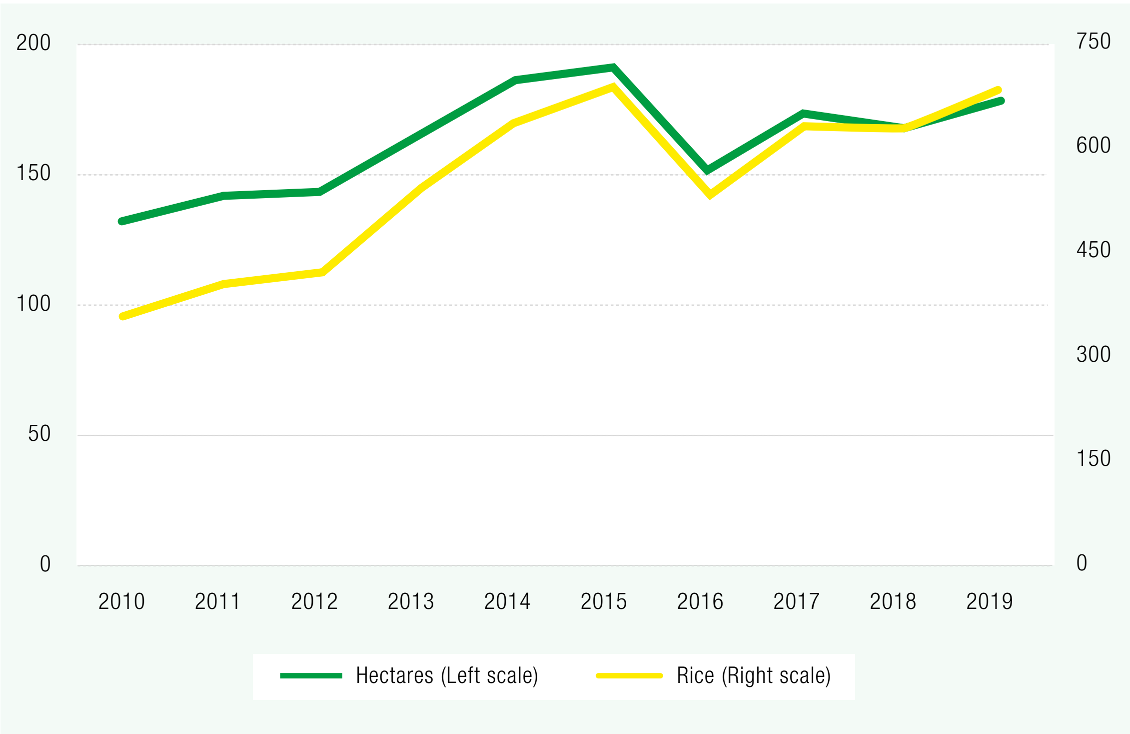
Can this same process of upgrading be carried over to the oil and gas sector? There is no such expectation with respect to the actual refining of hydrocarbons, but there are other ways to spread the benefits more

**Figure 16. Guyana's exports of bauxite, 2000–2018 (G$ billions)**



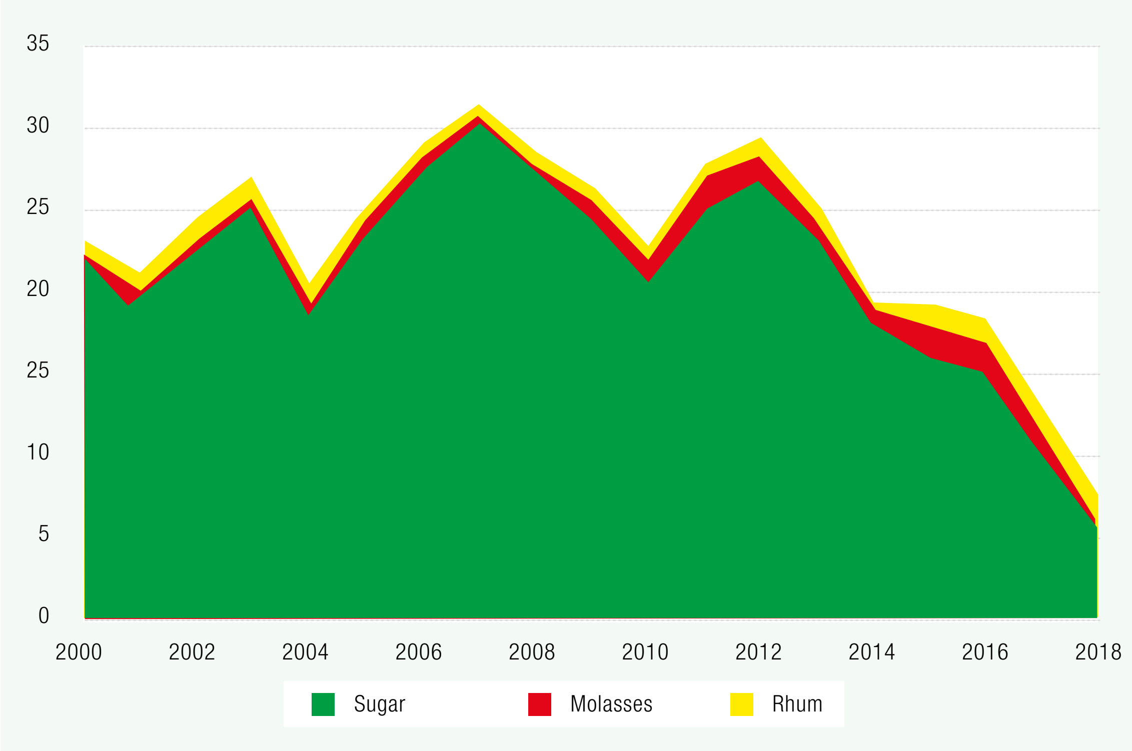

*Source:* Calculated from Bureau of Statistics data at https://statisticsguyana.gov.gy/wp-content/uploads/2019/10/Annual_Exports_Selected_Commodities_by_Value_1990_2019.xlsx

**Figure 17. Guyana's production of rice, 2010–2019 (thousands of hectares harvested and thousands of metric tonnes rice equivalent)**




*Source:* Calculated from data supplied by the Guyana Rice Development Board.

**Figure 18. Guyana's exports of sugar and related Products, 2000–2018 (G$ billions)**




*Source:* Calculated from Bureau of Statistics data at https://statisticsguyana.gov.gy/wp-content/uploads/2019/10/Annual_Exports_Selected_Commodities_by_Value_1990_2019.xlsx

broadly and a policy to encourage local content remains under development. Policy in this field demands balance among at least four competing objectives: the interest of foreign companies in access to the resources, the interest of the domestic companies in securing their own share of this wealth, the interests of economic policymakers in promoting efficiency in this and other sectors, and the need to ensure that Guyana remains compliant with its international obligations. That last consideration is significant, with the WTO's Agreement on Trade-Related Investment Measures establishing a general prohibition (with certain exceptions) on the imposition of certain "performance requirements" as a condition of foreign investment.[23] Thirteen WTO members have faced challenges in which other WTO members have complained that their laws and policies violate this core obligation of the Agreement on Trade-Related Investment Measures (TRIMs).[24] Guyana would do well to structure its policies so as to avoid becoming #14. That might be done in part by ensuring that the efforts to promote local participation in these projects do not cross the sometimes blurry line that separates soft encouragement from hard mandates.

## E. Tactical issue #2: Promoting services

As was noted in Part II, Guyana runs a large and growing deficit on trade in services. That is not necessarily a bad sign, insofar as many of those imports are consumed by the country's growing primary sector, but in the interests of economic diversification it would be desirable for Guyana to expand its production of exportable services.

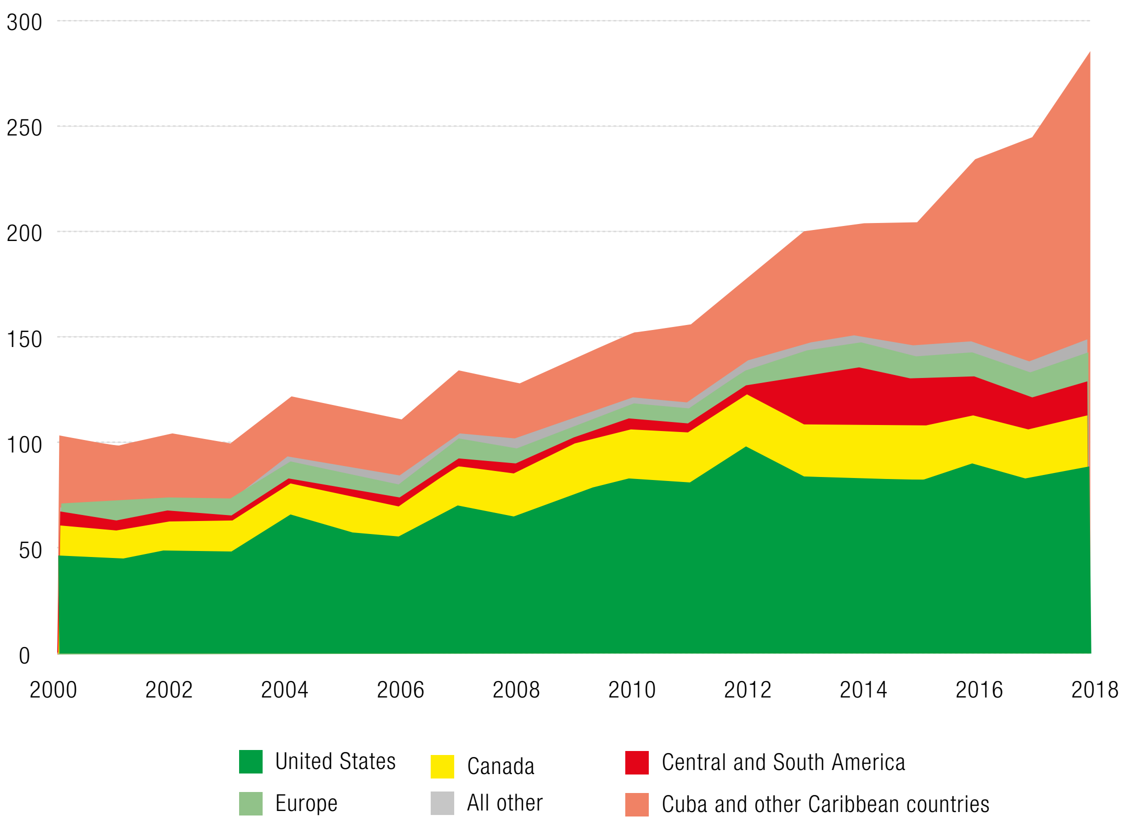
Potential growth sectors for services include information and communications technology, creative industries, call centers, coding and even an animation studio. Moreover, there are hopes for Guyana to become a major Caribbean center for higher education, including medical and law degrees. There are also new opportunities opening up the many services associated with the oil and gas industries. Space does not permit as detailed an examination of the specific status and needs of each of these industries as the one presented below on travel and tourism, but they do share some important points in common. Guyana's ability to compete in all of these activities, as well as other technologies that are still emerging, depends on continued investments in education.

There is one sense in which Guyana may find it easier to improve its capacity to export services than to export goods. Whereas the country has often been frustrated in its efforts to attract maritime transportation, it has recently achieved significant improvements in its telecommunications infrastructure. Those advances are at least as important to expanding export opportunities for services as more efficient shipping would be for the export of goods. And as discussed in Part V, these investments will ultimately matter more in determining actual outcomes for services trade than do the actual content of trade agreements.

The greatest immediate opportunities for expanded exports of services are in the cluster associated with tourism, such as transportation, hotels, restaurants, guides, and entertainment. The Guyana Tourism Authority (GTA) reports that the visitor's primary motivation for travel to Guyana was for holiday (64 per cent of all travelers), *versus* 20 per cent for business. The agency also estimates that the average international traveler spent G$222,216 per visit in 2018.[25]

As can be seen from the data in Figure 19, visitor arrivals in 2018 were nearly three times greater than they were at the start of the new millennium. Even so, growth in visits from the most lucrative partners has been flat for several years. Much of the apparent increase can be attributed not to tourism as normally

**Figure 19. Visitor arrivals in Guyana, 2000–2018 (thousands of persons)**




*Source:* Calculated from Guyana Tourism Authority data at https://www.guyanatourism.com/wp-content/uploads/2019/07/Visitor-Arrivals-by-Months-Main-Markets-YTD-May-2019-updated-July-3-2019.pdf

* Does not include Spanish-speaking Caribbean countries.

defined, but to a very special case. Many Cubans travel to Guyana to seek visas for entry to the United States, a unique traffic that spiked with a 2018 United States decision to transfer the processing of immigrant visa applications and interviews for Cuban nationals from the embassy in Bogotá, Colombia, to Georgetown.[26] Arrivals from that country consequently rose from just 595 in 2013 to 74,209 in 2018. This fillip was so large that it accounts for nearly all of the apparent 43 per cent increase in visitor arrivals over the preceding five years.[27] The continuation of this blip depends more on the evolving the relationship between Washington and Havana than it does on anything Georgetown might do.

The Guyanese tourism industry received a more welcome and sustainable boost in 2019, when the ITB Berlin travel show recognized this country as the number 1 "Best of Ecotourism" destination. The GTA further underlined its commitment to sustainable ecotourism later that year, signing a memorandum of understanding with the Protected Areas Commission. This agreement aims to ensure that tourism continues to contribute meaningfully to promoting values of Guyana's protected areas, supporting biodiversity conservation and improving the well-being of local people. The two agencies will work to support community-led tourism enterprise development and improve livelihoods and provide licensing and training services to tourism guides and businesses to help raise quality and sustainability. Even if environmental preservation were not intrinsically important, it would still carry the ancillary benefits of ecotourism revenues in some of the country's most disadvantaged areas.

The prospects for attracting more visitors from specific markets depends in part on the availability and convenience of flights. The biggest improvement in recent years came in 2018 and 2019, respectively, when American Airlines launched new, nonstop flights to Guyana from Miami and New York.[28] These routes greatly facilitate travel not only from the world's largest source of tourists, but also help to attract the many other travelers for whom these United States cities are convenient hubs. The eight other airlines now offering direct flights to Guyana from nine international airports are summarized in Table 5. There are as yet no carriers flying direct from Europe, nor indeed any other location outside of North America and the Caribbean Basin.

Guyana is thus at a competitive disadvantage *vis-à-vis* many of the other destinations in the Caribbean region. Consider the calculations that might be made by a resident of London who wants to visit an ecotourism site on the Northern coast of South America but is price-conscious and unwilling to make more than one stop along the way. Flying to Guyana via Miami is less convenient than a flight to Suriname via Amsterdam on several grounds: The total trip takes several hours longer, arrives at a less traveler-friendly

**Table 5. Airlines with direct flights to Georgetown (Status at the start of 2020; Airlines and destinations listed in declining order of frequency)**

| | Caribbean Airlines | American Airlines | Aruba Airlines | LIAT airline | Surinam Airways | Copa Airlines | GUM Air | Jet Blue | Trans Guyana Airways |
|---|---|---|---|---|---|---|---|---|---|
| Miami, United States | ✪ | ✪ | | | ✪ | | | | |
| New York (JFK), United States | ✪ | ✪ | | | | | | ⦿ | |
| Paramaribo, Suriname | | | | | ✪ | | ✪ | | ✪ |
| Port of Spain, Trinidad and Tobago | ✪ | | | ✪ | | | | | |
| Christ Church, Barbados | | | | ✪ | | | | | |
| Oranjestad, Aruba | | | ✪ | | | | | | |
| Havana, Cuba | | | ✪ | | | | | | |
| Panama City, Panama | | | | | | ✪ | | | |
| Toronto, Canada | ✪ | | | | | | | | |

⦿ = Proposed.

✪ = In effect.

*Source:* Compiled from information supplied by the Guyana Civil Aviation Authority.

hour, and costs at least GBP200 more. Suriname's advantage is greater still for a prospective traveler who lives in Paris or especially Amsterdam, and the only one-stop options from Berlin to Georgetown are prohibitively expensive.[29] This may help explain the stagnating arrivals from Europe, and also why in 2017 the number of tourists traveling to Suriname (278,000) was 13 per cent higher than those who traveled to Guyana (247,000). Arrivals in both of these countries were far below those for other nearby destinations, where the numbers are typically tallied not in the thousands but the millions.[30]

There remains real potential for growth in air traffic to Guyana. The country is working to increase connectivity by establishing the legal framework through the negotiation of air services agreements with other states. Guyana currently has 52 bilateral such agreements with other states and is a signatory to two multilateral air services agreements that encompass 40 countries.

## F. Tactical issue #3: A deepening partnership with the Guyanese Diaspora

Guyana has now entered a new phase in its relationship with the Diaspora. The remittances data reviewed in Part II show that the first- and second-generation Guyanese in the United States, Canada, and elsewhere are no longer contributing as large a share to GDP as they once did through that route, but that opportunity may pale in comparison to the value of the partnerships that may now be developed.

Guyana has expressed its commitment to engage with the country's overseas sons and daughters by establishing a Diaspora Unit in the Ministry of Foreign Affairs, and by pursuing the Guyana Diaspora (GUYD) Project. The GUYD is a partnership with the International Organizations for Migration (IOM) that seeks to engage the Diaspora and to facilitate the collection of data on skills, experiences, their return interest and plans of those willing to support development individually or through organizations and institutions. The GUYD is actively engaged with the Diaspora in Antigua and Barbuda, Barbados, Canada and the United States. Guyana and the IOM also collaborate with the United Guyanese Diaspora Global Network Corp (UGDGN), which was founded 2018 and is headquartered in Tampa, Florida. This nonprofit organization is committed to promoting and encouraging active engagement for social and economic development in Guyana by utilizing the collective strengths and potential of a united Guyanese Diaspora. In 2019 the UGDGN signed one Memorandum of Understanding (MoU) with the IOM, and another with Guyana's ambassador to the United States, to promote more structured and systematic engagement between the diaspora and these institutions. The UGDGN signed yet another memorandum of understanding with the Guyana Tourism Authority to engage the Guyanese Diaspora in various forms of tourism.

One of the objectives of the Ministry's Diaspora Unit is to create a One-Stop-Shop for overseas Guyanese who may wish to engage in investment, trade, doing business with Guyana, philanthropy or make contributions to Guyanese communities. An important first step in that direction is the mapping exercise that is now underway, with the GUYD Project staff analyzing the available skills and resources in the diaspora that can be employed by public and private organizations and institutions. This mapping is initially being carried out through an online survey, to be followed by interviews, introduction workshops and other activities.

# IV. Options for Guyana's trade strategy

In this part, the report outlines precise considerations of the specific instruments of trade policy. This review starts from the proposition that the magnitude of cross-border movement of goods and services is determined more by the competitiveness of national firms and the environment in which they operate at home than by the trade barriers that foreign governments choose to impose, waive, or remove.

There are three reasons why internal issues will outweigh external barriers for Guyana over the foreseeable future. First, the dominance of natural resources in exports ensures that the country faces even lower tariff and non-tariff barriers than do most developing countries. Second, trade negotiations are now being pursued at a slower pace than they were when the prior strategy was drafted. Whereas in 2003 there were still high hopes for multilateral and regional negotiations, the momentum behind those talks petered out in the years that followed. Third, to the reduced extent that Guyana is still engaged in extra-regional trade negotiations, those are largely conducted through the auspices of CARICOM. The net result is that while trade policymakers cannot ignore the external dimension, they are free to devote greater attention to serving as the interface between that dimension and the domestic polity.

## A. External issues #1: Tariff barriers and preferences

There was a time when a review of trade policy would focus primarily, or even exclusively, on the foreign tariffs and quotas that restricted a developing country's access to the markets of developed countries. After decades of negotiated trade agreements and grants of autonomous preferences, however, most of those barriers have been reduced or even eliminated.

The data shown in Table 6 summarize the tariff policies of Guyana and the 19 comparators. The average tariffs that the five developed countries actually apply on non-agricultural goods range from 0.5 to 4.2 per cent. These are sometimes lower than the countries' average bound rates — the maximum tariffs that they are permitted to impose under the terms of their trade agreements — but most of those bindings remain below 5 per cent. Even for agricultural products, where applied tariffs are generally much higher, the developed countries do not necessarily erect significant barriers to Guyana's exports under preferential market access conditions in a form of reduced or duty-free treatment granted to exports of developing countries through frameworks such as the economic partnership agreement between the Caribbean Forum (CARIFORUM) countries and the European Union or the Generalized System of Preferences (GSP).

With regard to developing-country trade partners, Table 6 nonetheless shows that average tariffs are significantly higher than they are in developed countries. Average rates on non-agricultural goods are typically in the range of 5–15 per cent, and those imposed on agricultural goods are higher still. Moreover, developing countries typically do not extend preferential treatment through means other than regional trade agreements (RTAs).[31]

**Table 6. Tariff policies of selected countries, 2017 (per cent)**

| | Trade taxes as share of Government revenue | Average tariffs on non-agricultural goods | | Average tariffs on agricultural goods | |
|---|---|---|---|---|---|
| | | Applied | Bound | Applied | Bound |
| **Caribbean** | | | | | |
| Guyana* | 36.4 | 9.3 | 50.1 | 21.8 | 99.7 |
| Haiti | NA | NA | 18.2 | NA | 21.3 |
| Jamaica | 33.9 | NA | 42.6 | NA | 97.3 |
| Suriname | NA | 9.2 | 16.3 | 18.5 | 19.9 |
| Trinidad and Tobago | NA | NA | 50.5 | NA | 88.7 |
| **Latin America** | | | | | |
| Argentina | 6.4 | 14.2 | 31.7 | 10.3 | 32.4 |
| Brazil | 1.8 | 13.9 | 30.8 | 10.1 | 35.4 |
| Colombia | 1.7 | 4.2 | 34.6 | 14.3 | 91.5 |
| Costa Rica | 5.7 | 4.6 | 43.1 | 11.6 | 43.2 |
| Mexico | 1.2 | 5.8 | 30.8 | 13.9 | 45.0 |
| **Other developing** | | | | | |
| China | NA | 8.8 | 9.1 | 15.6 | 15.7 |
| India | 11.1 | 13.6 | 36.0 | 38.8 | 113.1 |
| Nigeria | NA | NA | 49.7 | NA | 150.0 |
| Saudi Arabia | 2.9 | 5.1 | 10.4 | 7.3 | 15.2 |
| South Africa | 3.4 | 7.6 | 15.7 | 8.7 | 39.0 |
| **Developed** | | | | | |
| Canada | 1.5 | 2.1 | 5.1 | 15.9 | 15.0 |
| Japan | 1.4 | 2.5 | 2.5 | 15.7 | 19.3 |
| Norway | 0.2 | 0.5 | 3.0 | 44.9 | 133.6 |
| United Kingdom | NA | 4.2 | 3.9 | 12.0 | 12.8 |
| United States | 1.0 | 3.1 | 3.2 | 5.3 | 4.9 |

*Source:* Taxes on trade as a share of government revenue at https://data.worldbank.org/indicator/GC.TAX.INTT.RV.ZS. Average tariffs from WTO data at https://www.wto.org/english/res_e/publications_e/world_tariff_profiles19_e.htm. For the time being, tariff levels for the United Kingdom are those of the European Union.

* 36.4 per cent value for Guyana's trade taxes as a share of government revenue may not be fully comparable with the other values in the column, insofar as this number comes from the separate calculations in Table IV.5 below rather than the World Bank.

*Note:* Statisticians in the WTO have observed that when one country is shown to have a higher applied than bound rate, as in the case above for the United States, this is typically an artifact of the process by which the statistics are calculated to obtain the average rather than prima facie evidence of violations of the country's obligations.

NA = Not available.

The data in Table 7 confirm that, as a general rule, Guyana faces more tariff barriers in South-South than in North-South trade. The data presented here use a representative sampling of foreign markets so as to demonstrate the general shape of the tariff terrain. The data show that other developing countries generally extend duty-free or low-duty treatment to the raw materials coming out of Guyana's mines, wells, and forests, but they often impose high tariffs on fish, raw and processed agricultural products, and alcohol. Apart from the United Arab Emirates, where most tariffs are low, the developing countries shown here protect products such as rice and sugar with tariffs as high as 50 per cent (Ukraine), 65 per cent (China), or even 90 per cent (Panama). These observations suggest that Guyana could gain from trade negotiations — whether at the regional or multilateral level — that aim to reduce or eliminate these barriers. Of these three countries, Panama would appear *prima facie* to be the most natural partner for

**Table 7. Most favoured nation tariffs imposed by selected countries on products of interest to Guyana, 2019 (per cent)**

| | | Preferential access for Guyana | | | | Non-preferential Access | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Canada | European Union | Japan | United States | China | Panama | Ukraine | United Arab Emirates |
| **Mostly free market access** | | | | | | | | | |
| 2606.00 | Bauxite | Free | Free | Free | Free | Free | Free | Free | 5 |
| 2621.90 | Other slag and ash | Free | Free | Free | Free | 4 | Free | 2 | 5 |
| 2709.00 | Crude oil | Free | Free | Free | Specific | Free | Free | Free | 5 |
| 4407.29 | Tropical wood | Free | [0–4.9] | [0–6] | Free | Free | 5 | Free | 5 |
| 4407.99 | Non-coniferous woods | Free | [0–2.5] | [0–6] | Free | Free | 5 | Free | 5 |
| 7102.31 | Nonindustrial diamonds | Free | Free | Free | Free | 3 | 5 | Free | Free |
| 7108.12 | Gold | Free | Free | Free | Free | Free | 5 | 2 | Free |
| **Partly free market access** | | | | | | | | | |
| 0302.89 | Fish, fresh or chilled | Free | [8–22] | 2–10 | Free | 12 | 15 | Free | Free |
| 0303.89 | Frozen fish | Free | [7.5–22] | 2–10 | Free | 10 | 10 | 0–2 | 5 |
| 0305.69 | Fish in brine or salted | Free | [11–15] | 8.4–10.5 | [0–5] | 16 | 5 | 0–10 | 5 |
| 0306.17 | Shrimps and prawns, frozen | Free | [12] | [1] | Free | 5–8 | 10–15 | Free | Free |
| 1006.10 | Rice, paddy | Free | [Specific] | Specific | Specific | 65 | 0–90 | 5 | Free |
| 1006.20 | Rice, husked | Free | [Specific] | Specific | Specific | 65 | 90 | 5 | Free |
| 1006.30 | Rice, milled | Free | [Specific] | Specific | Specific | 65 | 90 | 5 | Free |
| 1701.14 | Cane sugar, raw | Free | [Specific] | Specific | [Specific] | 50 | 144 | 50 | Free |
| 1703.10 | Molasses | Free | [Specific] | Specific | Free | 8 | 15 | 10 | 5 |
| 1902.19 | Uncooked pasta | Free | [Specific] | Specific | Free | 15 | 15 | 15 | 5 |
| 2008.91 | Palm hearts | Free | [10] | [15] | [0.9] | 5 | 15 | 5 | 5 |
| 2103.90 | Sauces and preparations | [9.5] | [0–7.7] | [7.2–12.8] | [0–7.5] | 21 | 0–1 | 10 | 5 |
| 2203.00 | Beer | Free | Free | Free | Free | Free | 15 | Specific | Special |
| 2208.40 | Rum | [Specific] | [Specific] | Free | Free | 10 | 15 | Free | Special |
| 4418.50 | Wooden shingles and shakes | Free | Free | [2.9] | Free | 7.5 | 15 | Free | 5 |

*Source:* National tariff schedules and WTO data at http://tariffdata.wto.org/

*Notes:*

Specific = The item is subject to a specific tariff (i.e., one that is not ad valorem but denominated by the kilogram, litre, etc.).

Special = Beer, rum and other alcoholic products are subject to special restrictions for religious reasons.

Where ranges are shown, the item in question is imported under more than one 8-digit item to which different rates apply.

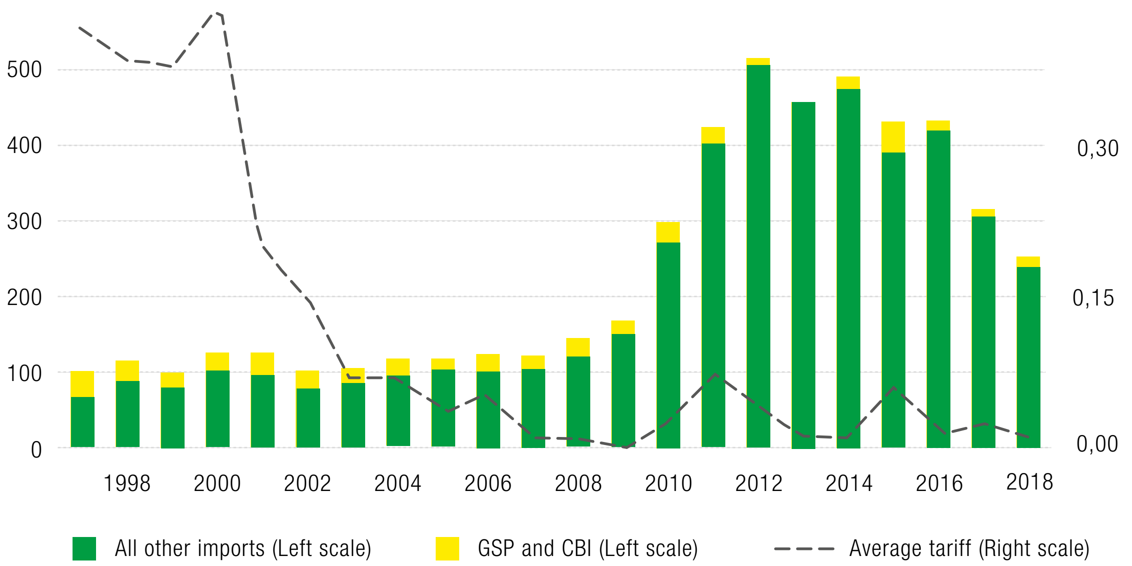
Products for which tariffs are shown in [brackets] are eligible for preferential treatment under trade programs or agreements

Guyana and its CARICOM neighbours to approach. It is worth noting that Panama signed a preferential trade agreement with Trinidad and Tobago in 2013, thus suggesting its interest in further integration with the Caribbean region.

The picture is quite different for the major developed-country markets, of which only Japan still erects anything like a tariff wall on products of interest to Guyana. Virtually all of Guyana's exports to Canada and the European Union enter duty-free, whether on a most favoured nation (MFN) basis, via the Canadian CARIBCAN program,[32] or under the terms of the EU-CARIFORUM Economic Partnership Agreement. Japan maintains relatively high tariffs on fish and imposes specific tariffs on rice and crude oil.[33] Nine of the 22 products shown in the table are subject to tariffs that are not reduced or eliminated by the Japanese GSP program.[34] In short, the Japanese market is one of the few developed countries for which Guyana might significantly benefit from either further reductions in MFN tariffs or the expansion of preferential treatment.

Given the continued place of the United States atop the list of Guyana's export partners, it is worth examining access to that market in some detail. The data illustrated in Figure 20, which track the changing tariff treatment of Guyanese goods in the United States market over the past two decades are representative of this broader trend in the elimination or reduction of tariffs that the developed countries impose on products of interest to Guyana. The average United States tariff on Guyanese goods was already less than one-half of 1 per cent at the turn of the century, and nearly all of these tariffs rapidly evaporated with the implementation of the Uruguay Round cuts during 1995–2004. Those reductions, combined with the preferential treatment extended under the GSP or the Caribbean Basin Initiative, mean that only a handful of Guyanese goods must pay duties when entering the United States. Looking back to Table 7, the few tariffs that remain on Guyanese goods tend to be relatively low and specific. The rate that the United States imposes on crude oil, for example, is just 5.25¢ or 10.5¢ per barrel (depending on the grade). With oil typically trading around US$50/barrel, that is little more than a nuisance. As for the United States duties on three classes of rice, as shown in Table 7, the *ad valorem* equivalent for all rice imported into that country in 2018 on a dutiable basis was just 1.4 per cent.

**Figure 20. United States tariff treatment of Guyanese goods, 1997–2018 (US$ millions and per cent)**




*Source:* Calculated from the United States International Trade Commission's DataWeb at https://dataweb.usitc.gov/

The overall conclusion is obvious: The significance of foreign tariffs for Guyanese exports is small and sporadic, and the reduction or elimination of these barriers need not be the principal object of trade policymakers' attention. They should be prepared to make the most of existing preferences, and also to engage actively in any opportunities they have to negotiate for the creation of new preferences or the reduction of MFN tariffs. That latter point is especially important when negotiating with most developing countries, and with some developed countries. That said, negotiators ought not to accord this objective a higher priority than it merits.

## B. External issues #2: Three types of non-tariff measures

The most important remaining barriers to foreign markets are primarily non-tariff measures (NTMs) which are policy measures other than tariffs that can potentially have an economic effect on international trade in goods. There is a wide array of NTMs but they can be grouped into three general types.[35] One of them — which are actually the rarest — are those NTMs that really are imposed to control the quantity or the price of imported for commercial protection. These are to be contrasted with the fairly traditional regulatory measures that are legitimately imposed for the protection of the health and safety of consumers such as sanitary and phytosanitary measures, and a newer class of restrictions that seek to serve larger environmental or social goals. These NTMs are most evident when it comes to trade in goods but can also be seen in the services sector. Just as exports of goods might be constrained by (for example) health and safety standards, exports of services can be constrained by partners' restrictions on visas or refusal to recognize the qualifications of Guyanese professionals.

The distinctions between the first and second types can be difficult to discern, as the lines may be blurry and subject to interpretation. They often oblige policymakers to choose between litigation and consultation as the best means of dealing with partner governments. Guyana generally prefers the less confrontational path and has scored some wins in this way. Lengthy consultations over the country's access to the Trinidadian markets for pineapples and peppers, for example, were recently brought to successful conclusions without resorting to formal complaints in the WTO.[36] Other problems remain, such as access for Guyanese honey, equine products and meat in Trinidad and Tobago, and for its catfish in the United States. These are issues for which technical solutions are still under development, but for which Guyana would be within its rights to bring formal complaints.

As discussed later in this part, the fact that Guyana has never yet pursued a formal dispute-settlement case in the WTO should not mean foreclosing this option in the future — especially not in cases where a partner's restrictions can be shown to violate its commitments. It makes sense to approach most frictions with the expectation that consultation is preferable to litigation, but with the important proviso that Guyana ought not to forswear the alternative altogether. If the country were to take litigation entirely off the table, it might undercut its leverage in consultations.

Not all sanitary and phytosanitary measures are illegitimate, as there certainly are products for which improper handling can pose real health threats. An exporter's inability to meet foreign standards on fruits, vegetables, meat, and (above all) fish are often best seen not as external but internal constraints, stemming from such shortcomings as unreliable sources of electricity (and hence an inability to keep meat and fish properly chilled) or a national food-safety system that still lacks the necessary laboratories to test for chemical residues or other impurities. There are three reasons why it is better to seek to comply with such standards than to fight them in court, the higher costs notwithstanding. The first is that legal challenges are unlikely to succeed as long as the standards are based on sound principles of science and public health. Second, provided that the standards are enforced fairly, all producers will bear the same costs. The third reason is that compliance may result in positive externalities: Meeting high foreign standards may not only promote exports, but also contribute to Guyanese public health by (for example) preventing the sale of goods that are adulterated, uninspected or otherwise unsafe.

Similar points may be made with respect to regulatory matters associated with the financial sector. On the one hand, it can be costly to come into compliance with measures taken by some of Guyana's partners with respect to Anti-Money-Laundering and Combating-the-Financing-of-Terrorism initiatives. On the other hand, failure to comply with such measures can leave an economy vulnerable to abuse by elements that are criminal or worse. Like other countries in the Caribbean, Guyana should work to comply with those measures that are reasonable while also raising concerns with its extra-regional partners whenever they make demands that exceed the country's regulatory capacity. There may be cases where cooperative efforts to raise that capacity will work to the benefit of both sides.

Guyana's developed country trading partners are also increasingly prone to condition market access on what may be broadly called the social issues that are tied to primary products. Whether it is a question of the environmental damage caused by gold mining everywhere or the human rights abuses associated with diamond production in some other countries, traditional Guyanese industries are required to meet such international standards as the Minamata Convention, the Kimberley Process, and the Convention on International Trade in Endangered Species of Wild Fauna and Flora. They must also meet the standards set by specific partners; in the United States, for example, they must comply with the Food Safety Modernization Act and the Marine Mammal Protection Act. The latter law offers a good example of these extra-commercial considerations. It makes sales of seafood to the United States contingent upon a partner's ability to prevent the "take" of animals such as dolphins, whales, seals, and otters. Similarly, the European Union expressed concerns in the first five-year review of the CARIFORUM trade agreement over illegal, unreported and unregulated fishing in the region.[37] Other laws in the developed countries likewise affect trade in wild birds, endangered species and other protected flora and fauna. Comparable issues arise with respect to oil and gas, where both the environment and governmental integrity are often seen to be at risk. Compliance with some of these new standards will necessarily place limits on production, as is the case for the fishing and timber industries. Other environmental concerns affect the costs associated with production.

Beyond these formal standards that are set by governments, whether through national legislation or international agreements, exporters must also contend with the private standards that may be set by foreign businesses and trade associations. To cite just one such example, GlobalGAP is a protocol developed by a group of European supermarket chains that demand of their partners a commitment to economic, social, and ecological responsibility. While standards of this sort are not enforced in the same way as national laws, they can be just as significant in the pervasive effect they have on the operations of exporters.

As in the case of the health-related standards discussed above, attempting to fight these official and private standards will typically be a losing proposition. Guyana's interests would be better served by seeking to meet these standards. A case can nevertheless be made for seeking aid to help producers achieve compliance with both categories of legitimate NTMs. To the extent possible, any needed technical assistance should be sought from those members of the donor community whose governments advance these standards. Failing that, these are objectives to which — as discussed in the recommendations — the Government of Guyana may wish to devote more of its own resources.

## C. External issues #3: Multilateral and regional negotiations and agreements

The activity most typically associated with a trade ministry is the negotiation of new agreements. This is a topic that took center stage in the previous trade strategy, but the global landscape features fewer negotiations today than it did then. The years since that strategy was drafted have seen the demise of major initiatives that were then underway, most notably the proposed Free Trade Area of the Americas and the WTO's Doha Development Agenda, as well as the conclusion of a key agreement between the Caribbean countries and the European Union. Both the failures and the accomplishment have tended to lower the profile of trade negotiations. Guyana nevertheless has options at both the multilateral and regional levels.

At the time of the previous trade strategy, Guyana was still non-resident in the WTO. That is to say, its membership in this multilateral body was not handled by a permanent mission in Geneva. While Guyana now has such representation, that mission sometimes has less business to transact at the WTO — where negotiations have largely stalled — than it does at the many other international organizations located there in that city. Those institutions include such trade-related bodies as UNCTAD, International Trade Center (ITC), WIPO and the World Health Organization. Nevertheless, the mission has to remain engaged in plurilateral discussions at the WTO, as issues discussed at this level are likely to gain more traction than on a wider multilateral platform. Noteworthy issues emanating from the 11$^{th}$ WTO Ministerial Conference are presently under plurilateral discussions are E-Commerce, Investment Facilitation for Development and Micro, Small and Medium-sized enterprises.

Regional negotiations have taken up much of the slack in the trading system. The data in Table 8 summarize the agreements in effect among a sampling of countries, some of which are Guyana's neighbours and others that are especially active in the negotiation of trade agreements. The data show that most of these countries now have multiple regional trade arrangements in place. Guyana is a party to seven such agreements, and also benefits from the preferences extended by countries such as Canada, Japan, and the United States. The number of Guyanese agreements is high by Caribbean standards, but lower than the number for several other developing countries in the Americas. Chile, for example, has 27 such agreements in effect.

There is practically no such thing anymore as "pure" regionalism or multilateralism in the trading system, as there are virtually no countries left that either (a) are actively and *exclusively* engaged in regional trade arrangements (*i.e.*, have one or more of these RTAs but are not WTO members) or (b) are actively and *exclusively* engaged in the WTO (*i.e.*, have no RTAs). Every WTO member now has at least one RTA, and some have a dozen or more. Those with the largest number of agreements, which include developed as well as developing countries, typically treat multilateral and regional negotiations as complementary rather than mutually exclusive options.

The data illustrated in Figure 21 show the RTAs in effect between Guyana and its partners, as well as some other countries in the Caribbean. Guyana is in three concentric Caribbean circles, the core one being a CARICOM Single Market and Economy (CSME), given its depth and extent of integration initiatives. The CSME offers more and better opportunities among its members, and a common tariff wall against non-members in the form of common external tariffs (CET). In addition to the revenue implications, the CET regime, and supporting rules of origin, is an important tool in support of Guyana's export diversification as its structure can influence the cost of production to local enterprises.

While the export regime for oil and gas is the responsibility of the Department of Energy, DoFT will need to monitor the application of the CET and its special carve out that creates a guaranteed regional market for regional suppliers of oil and gas.

The CSME also facilitates the movement of factors of production with a view towards supporting the attainment of international competitiveness by its members.

The wider circles of Figure 21 are for the remaining CARICOM members, and a CARIFORUM that incorporates the Dominican Republic.[38] Guyana also has a Partial Scope Agreement with Brazil. That 2001 bilateral agreement provides preferential access to a wide range of goods and was followed in 2013 by a Framework Association Agreement that addresses political, economic and trade issues. Georgetown and Brasilia are presently negotiating over further liberalization, with the negotiations centering on expanded quotas for sugar, rice, and red peppers, and market access for several tariff lines.

Guyana signed the EU-CARIFORUM Economic Partnership Agreement in 2008, and it entered into force the next year. From a purely tariff perspective, the agreement represented only an incremental improvement over the prior arrangements between the European Union and the former colonies of its most prominent

**Table 8. Preferential programs and agreements of selected countries**

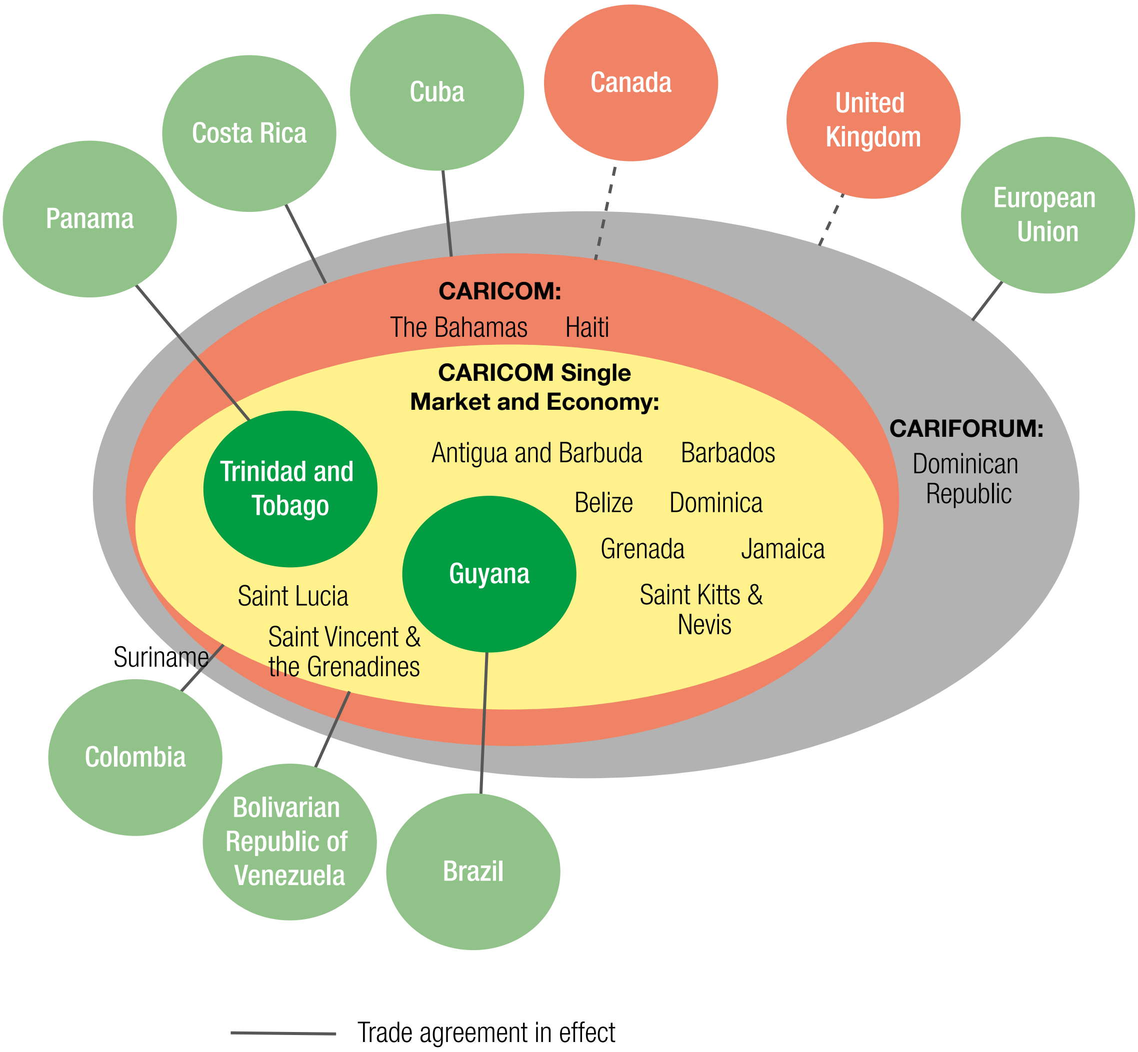
| | Developed countries | | | | Developing countries | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Canada | European Union | Japan | United States | Chile | China | Peru | Singapore | Total RTAs* |
| **Caribbean** | | | | | | | | | |
| Guyana | ○ | ✪ | ○ | ○ | | | | | 7 |
| Haiti | ○ | ✪ | ○ | ○ | | | | | 1 |
| Jamaica | ○ | ✪ | ○ | ○ | | | | | 6 |
| Suriname | ○ | ✪ | ○ | ○ | | | | | 6 |
| Trinidad and Tobago | ○ | ✪ | | ○ | | | | | 7 |
| **Latin America** | | | | | | | | | |
| Argentina | | ✪ | ○ | ○ | ✪ | | | | 9 |
| Brazil | | ✪ | | | ✪ | | | | 9 |
| Colombia | ✪ | ✪ | ○ | ✪ | ✪ | ◌ | ✪ | | 11 |
| Costa Rica | ✪ | ✪ | ○ | ✪ | ✪ | ✪ | ✪ | ✪ | 13 |
| Mexico | ✪ | ✪ | ✪ | ✪ | ✪ | | ✪ | | 19 |
| **Other Developing** | | | | | | | | | |
| China | ◌ | ○ | | | ✪ | — | ✪ | ✪ | 15 |
| India | | ◉ | ✪ | ○ | ✪ | ◉ | | ✪ | 15 |
| Nigeria | ○ | ◉ | ○ | ○ | | | | | 1 |
| Saudi Arabia | | | ◉ | | | ◉ | | ✪ | 3 |
| South Africa | | ✪ | ○ | ○ | | | | | 6 |
| **Developed** | | | | | | | | | |
| Canada | — | ✪ | ✪ | ✪ | ✪ | ◌ | ✪ | ◉ | 14 |
| Japan | ✪ | ✪ | — | ◉ | ✪ | ◉ | ✪ | ✪ | 17 |
| Norway | | ✪ | | | ✪ | ◉ | ✪ | ✪ | 30 |
| United States | ✪ | ◉ | ◉ | — | ✪ | ✪ | ✪ | ✪ | 14 |
| **Total RTAs*** | **14** | **43** | **17** | **14** | **27** | **15** | **16** | **23** | |

* "Total RTAs" includes all agreements in force (including some not shown), but not one-way preferences.
— = Own country or group.
◌ = Preferential agreement formally declared to be under consideration (by China).
○ = The country in the row is the beneficiary of one-way preferences extended by the country in the column.
◉ = Preferential agreement under negotiation or pending approval.
✪ = Preferential agreement in effect.
Data not shown for the United Kingdom because it was still a member of the European Union at the time of writing.
*Source:* RTAs from WTO data at https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm (but note that the data on total RTAs for Guyana and other CARICOM countries include some agreements that are not covered by the WTO's RTA database). Preferences from WTO data at http://ptadb.wto.org/ptaList.aspx

members. While the European Union granted duty- and quota-free access for all products except arms and ammunition to all CARIFORUM States, most of those products had already received preferential treatment for decades. The first (2015) five-year review of the Economic partnership Agreement (EPA) found that trade in neither direction was greatly affected by the agreement, but also recognized that this general rule applied less to Guyana than to other Caribbean states.

On the import side, Guyana was (together with the Dominican Republic and Suriname) among the few exceptions to a general pattern in which the CARIFORUM States actually imported less from the European

**Figure 21. Regional trade arrangements of Guyana and its Caribbean partners**




*Source:* UNCTAD.

Union than they did prior to the agreement. On the export side, the aforementioned five-year review found that "Guyana and Suriname performed better than other CARIFORUM States as their economic output was bolstered by the mining and export of gold, bauxite, diamonds and petroleum." The review also found that the "investment and trade in services provisions have not yielded the benefits as originally envisaged," primarily because "CARIFORUM service suppliers have faced problems in taking advantage of the commitments on the temporary presence of natural persons for business purposes."[39] The second five-year review of the agreement is expected to be completed in 2020.

The CARIFORUM-UK economic partnership agreement was signed in 2019, on the understanding that it will now take effect as a consequence of the United Kingdom's departure from the European Union. This agreement, which has a transition period until December 31, 2020, essentially maintains the *status quo* as provided under the EU-CARIFORUM agreement.

Should Guyana negotiate any additional RTAs? When considering developing country partners, the principal attraction is the reduction of their tariff barriers. The most logical way to do so would be through

CARICOM; there is little likelihood that Guyana will want to negotiate any new RTAs on a purely bilateral basis. There are several Latin American countries that have shown varying degrees of interest in new negotiations with CARICOM. These potential candidates could include — in descending geographic order — Mexico, the Central American countries (individually or collectively), Panama, Ecuador, and Chile. Further negotiations are also possible to deepen CARICOM's existing ties with Colombia, Cuba and the Dominican Republic.

Considerations are more complicated when it comes to agreements with the major industrialized countries. These agreements are less about improving Guyana's market access, for which there is little left to achieve, than they are about trying to attract new investment by establishing the *bona fides* of one's economic reforms. The commitments that developing countries make in North-South RTAs are typically wider and deeper than those made in the WTO. There is no immediate prospect that CARICOM might build upon the CARIFORUM agreement by negotiating anything similar with the United States, but it is possible that such an initiative might arise sometime in the future; the recent announcement of United States negotiations with Kenya suggests that Washington is at least open to the idea of expanding its portfolio of trade agreements with developing countries. A more ambitious agenda would foresee CARICOM negotiations outside the Western hemisphere. As has already been seen, tariff barriers in Japan remain a problem for Guyanese exporters. While no specific recommendation is made here to propose negotiations with Japan or any other developed partner, it would be prudent for officials in Guyana to ensure they build and maintain the analytical and negotiating capacity necessary to make the most of whatever opportunities may arise to reach new or deepened agreements.

There are other types of agreements that fall short of free trade agreements (FTAs) but may serve to advance Guyana's economic relations with specific partners. One option is the bilateral investment treaty (BIT). BITs and related agreements offer fora in which countries can bring formal complaints in the event of disputes. Guyana has BITs in effect with China, Germany, Republic of Korea, Switzerland, and the United Kingdom. It also has treaties that are signed, but not yet in force, with Brazil, Cuba, Indonesia, and Kuwait,[40] as well as a BIT with the United Arab Emirates that was concluded in 2019 and is awaiting signature and ratification. Discussions are also underway with India and Iran. Guyana has been a member of the World Bank-affiliated International Centre for Settlement of Investment Disputes (ICSID) since 1969, although it did not fully adhere to the agreement throughout that period.[41]

Bilateral investment treaties and ICSID membership provide for the settlement of investment disputes. In actual practice, however, Guyana has been involved in very limited litigation. The only ICSID case in which it was ever a party was *Booker plc v. Co-operative Republic of Guyana* (ICSID Case No. ARB/01/9). At issue was the repayment of outstanding debt related to the expropriation of a sugar enterprise in the 1970s. This case began in 2001 and was settled in 2003.[42] Guyana has also been involved in investor-state disputes in the Caribbean Court of Justice, where private entities brought cases against Guyana over trade-related matters.

## D. External issues #4: Consultation *versus* litigation

If Guyana has only limited experience with investment disputes, its engagement in formal trade disputes is even scantier. It is one of many smaller developing countries that have not yet been either a complainant or a respondent in any formal disputes. That is not unusual, as the great majority of the cases brought to the WTO's Dispute Settlement Body involve developed countries and/or the larger developing countries. Guyana has instead preferred to handle its trade frictions through consultations. There are three reasons why that may indeed be the preferable route in most or all issues in the foreseeable future: The country's legal capacity in this area is limited, as is its capacity to retaliate in any dispute that might come to that juncture, and its experience thus far with consultations has produced some wins. It would nonetheless be prudent to prepare for the possibility of formal litigation in the future, as a respondent if not necessarily as a complainant — especially when one considers that this choice is not wholly within Guyana's control.

Guyana is not unique in its preference for consultation over confrontation. As a general rule, the Anglo-Caribbean countries are not major participants in the dispute-settlement procedures of the WTO or other institutions. Antigua and Barbuda is the only one among them ever to initiate a case in the WTO, and even it did so only in the famous Internet gambling complaint against the United States; the legal costs in that unique case were borne not by the government, but by the foreign owners of the affected firms. The general Caribbean inclination toward dispute-avoidance rather than dispute-settlement can be seen in the fact that the members of the CARICOM-EU Economic Partnership had not even appointed the list of 15 arbitrators called for in that agreement by the time of its first five-year review.[43]

Guyana cannot assume that it may never be the subject of other countries' complaints in the WTO. As discussed below, for example, such challenges might be anticipated if the country were to arm itself with an antidumping law of its own. And as discussed above with respect to NTMs, the country would do well not to forswear the possibility that existing disputes might, if not resolved amicably at the technical level, be escalated into formal complaints.

It is certainly not recommended here that Guyana become a frequent litigant in the WTO, nor even that it brings a single complaint in the immediate future. It would be irresponsible, however, to be unprepared. Every WTO member is well-advised to develop the capacity needed to act either as a complainant or a respondent. One simple and inexpensive way to build that capacity is to follow the advice that countries are often given to have their Geneva-based diplomats participate as third parties in disputes between other countries. Guyana has already been a third party in three cases (each of them involving the European Union's sugar export subsidies). A WTO member need not have a direct interest in a case, or play an active role in its adjudication, in order to participate as a third party. Other members recognize that sitting in on deliberations is one means by which those unfamiliar with the process can "learn the ropes" of the dispute-settlement system.

Developing countries can also receive help from the Advisory Centre on WTO Law (ACWL), an institution that renders legal assistance in dispute-settlement cases. Among the services offered are legal advice on WTO law, support in WTO dispute-settlement proceedings. The ACWL's role in most cases is to assist the complainant country rather than the respondent; in other words, joining this body is more useful if the country wants to go on the offense, and less helpful if it finds itself on the defense. Were Guyana to join the ACWL, it would be classified as a Category C country (*i.e.*, a WTO members accounting for less than 0.15 per cent of world trade) and thus required to make a US$50,000 contribution to the endowment fund (payable in four years). That membership would make legal services available to it at a lower rate than is typically charged by trade lawyers. There are no other Anglo-Caribbean countries that have decided to make this commitment, although there are some other countries in the Caribbean Basin — such as Colombia, the Dominican Republic, and Venezuela — that have thought it worthwhile to join the ACWL. The option is not recommended here, but in the event that Guyana were to become a more active litigant it would do well to bear it in mind.

## E. External issues #5: Antidumping and other trade-remedy laws

Trade-remedy laws offer another means of regulating trade at the border. The most significant of these is the antidumping statute, a mechanism by which countries may impose additional duties on imports found to be sold at less than fair value. This may happen if (for example) an exporter sells a product at a lower price in a foreign market than it does in its own market. A related instrument is the countervailing duty (CVD), used to impose penalty tariffs on products that are found to benefit from subsidies. While the number of countries that employ antidumping laws is on the rise, the CVD law is less frequently invoked. Countries are even less inclined to impose restrictions under safeguards, which are intended to deal with imports that are fairly traded but nonetheless found to be injurious. The safeguard laws were often invoked in the concluding decades of the 20th century, especially by developed countries, but the mechanism has rarely been used since the conclusion of the Uruguay Round in 1994. The reforms agreed to in those negotiations — and as interpreted in dispute-settlement panels — have made it virtually impossible for any country to win any challenges to safeguard measures that are brought to the WTO.

Guyana is among the few WTO members that has never been subject to a single antidumping or CVD order. It is far from being alone, however, in never having imposed such an order on another member. Relatively few small countries have decided to make the significant investment of their trade ministry's finite resources that would be required to conduct such investigations and, if challenged, to defend the results in the DSB. Trinidad and Tobago is the only Anglo-Caribbean country that has been a fairly frequent user of the antidumping mechanism. It initiated a dozen investigations between 1996 and 2003, and one more in 2014; these investigations resulted in the imposition of eight orders. Only a few other small countries in the Caribbean Basin[44] have resorted to this mechanism. The Dominican Republic, Jamaica, and Panama, for example, each initiated five or six investigations since the founding of the WTO in 1995. The Dominican Republic imposed three orders, and Jamaica four; none of the Panamanian investigations led to actual orders.[45]

These observations suggest cautionary notes that Guyana should consider before adopting and implementing an antidumping law. In addition to considering the positive case for adopting such a law — to wit, that it provides another means of defense against the unfair trade practices of foreign firms — policymakers should weigh the arguments against enacting such a law. If they were to conclude that those negative arguments outweigh the positive, Guyana would do well to hold this option in abeyance. In the event that Guyana were to decide to go forward, it would be wise to complement this step by improving its capacity to engage in WTO dispute-settlement. Disputes tend to engender new disputes in the WTO, where no less than 22 per cent of the 593 complaints that countries filed against one another from 1995 through 2019 were focused on antidumping cases; many of the remaining disputes concerned either safeguards (10%) or CVD cases (22%).[46] Altogether, 18 of the 32 developing countries that imposed one or more antidumping measures between 1995 and 2018 had to defend themselves at least once on this count. Trinidad and Tobago again offers a case in point: The two challenges that Costa Rica lodged against this country's antidumping orders were the only cases in which Trinidad and Tobago has ever been a respondent in a WTO dispute.[47] In fact, no other CARICOM member has ever been a respondent for any other reason.

## F. The external and internal issue of intellectual property rights

While some of the issues explored here are clearly associated with other countries' laws and policies, and some are unique to Guyana, the topic of intellectual property straddles that distinction. On the one hand, Guyana — like nearly all developing countries — is sometimes subject to complaints from developed partners who contend that the country has yet to come into full compliance with its commitments under the WTO's Agreement on Trade-Related Intellectual Property Rights (better known as the TRIPS Agreement). On the other hand, the country has considerable intellectual property of its own to protect. That is especially true for the unique agricultural and agro-processing products associated with the Demerara region.

Guyana updated some aspects of its intellectual property regime over a decade ago and is currently engaged in further reforms. These should help both to secure the country's reputation for compliance with its obligations and to put Guyana on a firmer footing when demanding that its partners do the same. A WIPO-sponsored audit identified gaps in national laws, and its recommendations gave rise to a draft copyright bill that is at present on the Ministry of Legal Affairs' legislative agenda. This draft reflects international best practices and has received WIPO's positive endorsement. It will strengthen enforcement of actions against infringement.

The two main routes through which Guyana may take advantage of its unique intellectual property heritage are geographical indications and trademarks. The principal difference between these two sets of rights is that geographical indications identify a good as originating from a particular *place*, whereas a trademark identifies a good or service as originating from a particular *company*. The TRIPS Agreement sets the rules for geographical indications, requiring in Article 22 that members provide the legal means for interested parties to prevent "the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good." Similarly, TRIPS defines trademarks to include "[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings" (Article 15), and provides that the "owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion" (Article 16). In order to establish and exercise their rights fully, producers who associate their product with a place are well-advised to secure both types of rights in their own national legislation, to register them with their trading partners, and — when necessary — to defend those rights in domestic, foreign and international courts.

In 2017 Demerara Distillers Limited (DDL) was certified by the Intellectual Property Office of the Commercial Registry, in accordance with sections 12 and 21 of Act No. 15 of 2005, as the registered proprietor of geographical indication "Demerara Rum." Together with similar decisions on Demerara Molasses and Demerara Sugar, this was the first registration of GIs in Guyana. A next step could be to strike deals with foreign governments that exchange recognitions by which they agree to recognize — and to enforce — one another's rights. Consider the deal struck in 2012 between the United States and Brazil, in which the former recognized Cachaça as a distinctive product of Brazil, and the latter recognized Tennessee Whiskey and Bourbon Whiskey as distinctive products of the United States; in a comparable deal reached in 2020, Bolivia agreed to designate those two types of whiskey as distinctive products of the United States in exchange for the United States designation of Singani as a distinctive product of Bolivia.[48] Arrangements of that sort are quicker to negotiate and approve than are other, more wide-ranging trade agreements that might require the approval of national legislative bodies. The same may be said for recognitions that are exchanged in the context of existing agreements, such as the CARIFORUM agreement with the European Union as well as the successor treaty by which the United Kingdom will retain those close relations with the CARIFORUM countries.

Guyana's rights are more easily declared and enforced for geographical indications than for trademarks. Whereas there is only one place in the world known as Demerara, that does not prevent foreign producers from claiming the use of that name in trademark registrations. The lengthy dispute over the Demerara name in Canada is instructive. This case ended when Canadian courts ruled in 2010 and 2011 against the Guyana Sugar Corporation (GuySuCo) in a lawsuit brought by Bedessee Imports Limited over the "Demerara Gold" label. Nor is this case unique, as some other foreign firms have likewise registered trademarks that incorporate the term Demerara.[49]

The data summarized in Table 9 show that while three Guyanese interests have secured trademark protection for names featuring terms such as Berbice, Demerara, and Guyana, so too have such names been claimed by registrants that are incorporated in either Canada or the United States. Eleven of the 25 registrations or applications shown in the table are held or filed by non-Guyanese persons or firms. GuySuCo and DDL, together with the latter firm's European affiliate, jointly account for the great majority of the country's active or pending trademark registrations abroad. DDL is especially protective of its trademark for the El Dorado brand of rum, which is actively registered in the European Union Intellectual Property Office (EUIPO) and WIPO as well as twelve countries;[50] the United States is notably not among these countries.

## G. Internal issues #1: Guyana's tariffs and other taxes on trade

One of the great decisions that Guyana faces today is how its monetary and fiscal policies ought to respond to the rise of oil wealth. While monetary issues fall well outside the scope of this strategy, the fiscal

**Table 9. Status of selected Guyana-related trademarks in selected countries**

| | Australia | Canada | EUIPO | Switzerland | United States |
|---|---|---|---|---|---|
| Berbice Gold | | ⦿ GSC | | | [⦿ *] |
| Caribbean Gold | | [✪ CHT] | | | [✪ CHT] |
| Demerara | | | ✪ DDL | ⦿ DDE | ✪ DDL |
| Demerara Crystals | | | | | ⦿ GSC |
| Demerara Gold | [✪ BIL] | [✪ BIL] | ✪ GSC | | [✪ BIL] |
| Demerara Rum | ✪ DDL | ✪ DDL | | | |
| El Dorado | ✪ DDL | ✪ DDL | ✪ DDL | ✪ DDL | |
| Guyana Gold | | [✪ CHT] | | | |
| Guyana Gold Extra | | | | | [✪ CHT] |
| GUYSUCO | | ✪ GSC | | | ✪ GSC |
| Real Guyana | | [✪ ABL] | | | [✪ **] |
| Royal Guyana | | | | | [⦿ **] |

*Source:* Assembled from data in the WIPO Global Brand Database at https://www3.wipo.int/branddb/en/

*Note:* Pending applications are not shown here for countries in which there is already an active registration.

Non-Guyanese registrants shown in [brackets]

* Applications pending from the Guyana Sugar Corporation and Berai Import-Export Corporation (United States).

** Application pending, or active registration, by an individual United Ststes citizen.

⦿ = Pending

✪ = Active

EUIPO = European Union Intellectual Property Office

Guyanese registrants:
DDE = Demerara Distillers Europe (Guyana and Netherlands)
DDL = Demerara Distillers Limited (Guyana)
GSC = Guyana Sugar Corporation (Guyana)

Foreign registrants:
ABL = AFN Broker LLC (United States)
BIL = Bedessee Imports Limited (Canada)
CHT = Carlton Hall Trading Group (Canada)

issues are critical to the country's trade. That is true on both sides of the equation: New sources of revenue open up the prospect for tax and tariff relief, while also providing the means to finance projects that may enhance competitiveness. This is an issue to which we will return in Part V, where it is recommended that Guyana engage in a comprehensive national debate on how best to utilize this wealth. The discussion in this section highlights key points that should be taken into account in such a debate.

Were this question to be considered just a few years ago, the resulting debate might be dominated by the fact that Guyana is unusually dependent on trade taxes for its government revenue. That point was already seen in Table 6. Whereas most developing countries typically receive less than 10 per cent of their revenue from import and (usually to a lesser degree) export taxes, and in developed countries these taxes usually contribute less than 2 per cent, trade taxes account for nearly two-fifths of Guyana's government revenue. This is one of two complicating factors for any initiative that may involve the reduction or revision of tariffs, insofar as any proposals to reduce tariffs on either an autonomous or negotiated basis may be constrained by the fiscal needs of the state. The same may be said for Guyana's membership in CARICOM. This regional organization's CET offers only limited scope for unilateral modifications in the rates.

The fact that Guyana now has an alternative source of government revenue creates a wider policy space. While it is outside the scope of the present document to consider in depth how the country should utilize its oil wealth, it is entirely appropriate for trade policymakers to ask whether the current taxes on trade best serve the interests of producers and consumers. There is certainly an argument to be made for the continuation of some taxes that serve to promote the interests of infant industries, be they current or potential startups, and Guyana must also operate within the spirit and the letter of its regional obligations. Neither or those points should prevent us from considering reforms that may reduce or eliminate other taxes that are merely burdensome.

Some of that burden falls on producers, raising the prices they must pay even for those capital goods and supplies that are not produced either in Guyana or in other CARICOM countries; those increased prices make it more difficult for them to compete in domestic, regional, or extra-regional markets. Some of that burden falls more directly on consumers, raising prices they pay even for staple goods. Space does not permit an exhaustive review here of which goods ought to be considered for tax relief; that would require a far more detailed examination that takes into account a wide range of fiscal, legal, commercial, industrial, and consumer issues. Such a review is instead one of the key recommendations of this strategy, as presented in Part V, which proposes a series of questions to guide a top-to-bottom examination of Guyana's current and projected revenues and needs. The more limited goal here is to define the existing taxes in greater depth

The data in Table 10 specify Guyana's trade-related taxes.[51] The weight of trade taxes in overall government revenue has varied little over the past decade, falling in the range of 36–40 per cent of the total. The vast majority of this revenue is derived from taxes on imports, which variously take the form of import duties, the value-added tax (VAT), and excise taxes on certain imported goods. That last category of trade-related taxes, which is budgeted to account for 17 per cent of government revenue in 2019, raises significantly more revenue than do the import duties (9%) or the VAT on imports (12%). There may nonetheless be other arguments in favour of retaining some excise taxes, such as the public health benefits of taxing the consumption of alcohol and tobacco. Should Guyana wish to use the revenues emerging from oil as an opportunity to provide tax relief on the economy in general, and more particularly in support of its trade, VAT reform may offer the path of least resistance. It may be fiscally possible to reduce or eliminate VAT on capital goods and other items that are principally consumed by export-oriented industries.

More difficult questions arise when it comes to import duties, as any reforms in this area must conform with CARICOM rules. It is important to note, however, that the CET is neither absolutely comprehensive nor immutable. For one thing, CARICOM rules provide two lists of goods for which flexibility is allowed in the application of the CET. List A encompasses numerous items that figure prominently in consumers' cost of living, for which the CET sets the maximum rates; countries are free to collect tariffs at rates that fall below this ceiling. If Guyana wished to provide import tax relief, one means of doing so is to reduce or eliminate the tariffs collected on List A items.

The CET also provides for a List C, which consists of items that can be quite important in countries' tax revenue. There the CET sets minimum rates, allowing countries to collect tariffs at rates above this floor. Were Guyana to consider tariff relief on these goods, it would need to get the approval of its CARICOM partners. That is certainly possible, as it is within the authority of the CARICOM countries to revise any part of the CET — within the limits of WTO obligations. That latter constraint is more theoretical than practical for most goods, insofar as most of the binding rates to which Guyana and its CARICOM partners have agreed in the WTO are far above any tariffs that they might actually apply.[52] Even so, there can be problems: The last time that the WTO conducted a trade policy review of Guyana in 2015 it identified 16 tariff lines on which the country's applied tariffs exceeded its bound rates.[53]

The data reported in Table 11 show how Guyana and two of its CARICOM partners actually implement the CET on a range or representative products. For most of these items, the bindings in the WTO are at least twice as high as the CET rates. The more important question concerns how these countries implement the CET. Only ten of the 25 products shown in the table are applied by all three countries precisely at the CET. Nine other products are on lists A or C, and hence permit variations, but one or more of these

**Table 10. Revenue generated by the trade taxes of Guyana 2010–2019**

| | 2010 Actual | 2017 Actual | 2018 Revised | 2019 Budget | Change 2010–2019 % |
|---|---|---|---|---|---|
| **Value (G$ thousands)** | | | | | |
| Total trade taxes | 43 543 746 | 70 968 435 | 84 026 568 | 93 692 031 | + 115.2 |
| Taxes on imports | 42 113 801 | 68 744 562 | 81 441 765 | 90 984 427 | + 116.0 |
| Import duties | 8 301 782 | 16 272 912 | 19 611 534 | 21 771 266 | + 162.3 |
| VAT on imports | 14 876 795 | 23 360 841 | 25 847 946 | 28 803 794 | + 93.6 |
| Excise tax on imports | 18 935 224 | 29 110 809 | 35 982 285 | 40 409 367 | + 113.4 |
| Petroleum products | 9 437 342 | 21 745 357 | 27 342 610 | 30 965 814 | + 228.1 |
| Motor vehicles | 7 702 350 | 5 442 870 | 6 577 885 | 6 987 041 | – 9.3 |
| Tobacco | 1 077 028 | 1 078 296 | 1 202 342 | 1 478 122 | + 37.2 |
| Alcoholic beverages | 718 504 | 844 285 | 859 448 | 978 390 | + 36.2 |
| Export duties | 6 704 | 22 646 | 30 995 | 37 243 | + 455.5 |
| Travel tax | 1 423 241 | 2 201 227 | 2 553 808 | 2 670 361 | + 87.6 |
| All other revenue | 64 331 727 | 124 091 878 | 132 845 269 | 144 630 646 | + 124.8 |
| **Grand total** | **107 875 473** | **195 060 313** | **216 871 837** | **238 322 677** | **+ 120.9** |
| **As a share of grand total (per cent)** | | | | | |
| Total trade taxes | 40.4 | 36.4 | 38.7 | 39.3 | – 1.1 |
| Taxes on imports | 39.0 | 35.2 | 37.6 | 38.2 | – 0.8 |
| Import duties | 7.7 | 8.3 | 9.0 | 9.1 | + 1.4 |
| VAT on imports | 13.8 | 12.0 | 11.9 | 12.1 | – 1.7 |
| Excise tax on imports | 17.6 | 14.9 | 16.6 | 17.0 | – 0.6 |
| Petroleum products | 8.8 | 11.2 | 12.6 | 13.0 | + 4.2 |
| Motor vehicles | 7.1 | 2.8 | 3.0 | 2.9 | – 4.2 |
| Tobacco | 1.0 | 0.6 | 0.6 | 0.6 | – 0.4 |
| Alcoholic beverages | 0.7 | 0.4 | 0.4 | 0.4 | – 0.3 |
| Export duties | <0.1 | <0.1 | <0.1 | <0.1 | 0.0 |
| Travel tax | 1.3 | 1.1 | 1.2 | 1.1 | – 0.2 |
| All other revenue | 59.6 | 63.6 | 61.3 | 60.7 | + 1.1 |
| **Grand total** | **100.0** | **100.0** | **100.0** | **100.0** | **—** |

*Source:* Compiled and calculated from Ministry of Finance Estimates of the Public Sector Current and Capital Revenue and Expenditure for the Year 2012 as Presented to the National Assembly Volume 1 (2012) and Estimates of the Public Sector Current and Capital Revenue and Expenditure for the Year 2019 as Presented to the National Assembly Volume 1 (2019) at https://finance.gov.gy/wp-content/uploads/2017/05/volume_1_2012.pdf and https://finance.gov.gy/?smd_process_download=1&download_id=6346

three countries deviate from the CET for another eight products. This is a matter of some concern within CARICOM, where consistency in the application of the CET is under scrutiny and debate.

As for the items on which CARICOM members are given flexibility, Guyana's practice to date has generally been to apply rates that are equal to or higher — but usually not lower — than those of its regional partners. This can be seen in some products that are produced in Guyana, and for which there may be an import-substitution argument (*e.g.*, beef and beer), and for others on which there may be public-health arguments (*e.g.*, wine and cigars).

**Table 11. Tariffs of Guyana and CARICOM partners on selected products (per cent)**

| | Applied MFN tariffs | | | CARICOM CET | WTO Binding |
|---|---|---|---|---|---|
| | Guyana | Jamaica | Trinidad and Tobago | | |
| **All three countries apply the CET** | | | | | |
| 1001.00 Wheat | Free | Free | Free | Free | 100 |
| 1905.90 Bread, pastry, cakes, etc. | 20 | 20 | 20 | 20 | 100 |
| 2711.12 Propane, liquefied | Free | Free | Free | Free | 50 |
| 3209.10 Paints and varnishes | 15 | 15 | 15 | 15 | 50 |
| 4901.10 Printed books | Free | Free | Free | Free | 50 |
| 6109.10 T-shirts of cotton | 20 | 20 | 20 | 20 | 50 |
| 6204.61 Women's or girls' trousers | 20 | 20 | 20 | 20 | 50 |
| 8903.99 Yachts and other vessels | 20 | 20 | 2 | 20 | 50 |
| 9403.60 Wooden furniture | 20 | 20 | 20 | 20 | 50 |
| 9405.40 Electric lamps and lighting fittings | 20 | 20 | 20 | 20 | 50 |
| **One or more countries vary from CET** | | | | | |
| 2103.90 Sauces and preparations | [20] | [20] | [2.4-20] | 15-20 | 100 |
| 2401.10 Tobacco | [5] | [5] | [Free] | 0-5 | 100 |
| 2709.00 Petroleum oils, crude | [Free] | 0-5 | [Free] | 0-5 | 50 |
| 2902.50 Styrene | [5] | 0-5 | [Free] | 0-5 | 10 |
| 7610.90 Aluminum structures and parts | [5-10] | [0-5] | 0-10 | 0-10 | 50 |
| 8471.49 Desktop computers | [Free] | [Free] | [Free] | 0-5 | 50 |
| 8517.12 Telephones, cellular | [5-20] | [20] | 0-20 | 0-20 | 50 |
| 8517.62 Switching and routing apparatus | 0-5 | 0-5 | [Free] | 0-5 | 0-50 |
| **The CET provides for flexibility** | | | | | |
| 0202.30 Meat of bovine animals | 40 | 40 | 15 | List A | 100 |
| 0203.29 Meat of swine, frozen | 40 | 40 | 40 | List A | 100 |
| 0207.14 Chicken cuts, frozen | 0-100 | 0-100 | 40 | List A | 100 |
| 1005.90 Maize | 30 | Free | Free | List A | 100 |
| 2203.00 Beer | 100 | 40 | 10.5-13.2 | List C | 100 |
| 2204.21 Wine | 100 | 40 | 58.3 | List C | 100 |
| 2402.10 Cigars | 100 | 40 | 65.7 | List C | 100 |
| 2710.19 Petroleum oils, not crude | 0-25 | 0-15 | 0-30 | Lists A&C | 50 |
| 8703.23 Passenger motor vehicles | 5-45 | 5-30 | 0-60 | List C | 50 |

*Source:* Calculated from tariff schedules posted at the World Trade Organization at http://tariffdata.wto.org/Default.aspx?culture=en-US
*Notes:*
Most product descriptions are shortened here for reasons of clarity.
List A includes items on which suspension of the rates of duty has been granted to Member States for an indefinite period/ List C includes items in respect of which minimum rates of duty have been agreed with the actual rates to be applied by individual Member States.
Deviations from the Common External Tariff shown in [brackets]

Guyana has various measures in place that provide for tariff exemptions. One such scheme grants exemptions on selected manufactured and agricultural imports originating from non-CARICOM trading partners as an investment incentive. Part III(A) of the First Schedule to the Customs Act offers lower than MFN rates to eight groups of products, such as vitamins, non-iron/steel pipes and fittings, consumable metallurgical chemicals and reagents, and protective clothing and protective equipment; full exemptions are applied to goods listed in Part III(B). Still other proposals would expand the scope of these exemptions. Strategic Goal 23 in the Ministry of Natural Resources' *National Mineral Sector Policy Framework and Actions*, for example, is to "reduce mining costs for all classes of miners" by making "tax concessions on fuel, spares, machinery, and equipment predictable and more attuned to the various classes of [small and medium-scale] miners." There are good arguments to be made for exemptions of this sort, but — as discussed in Part V — it is advisable to consider these issues on an economy-wide rather than a sectoral basis.

## H. Internal issues #2: Export taxes

The data reviewed above show that Guyana imposes taxes not just on imports, but also on exports. These are a legacy from an earlier era in which it was hoped that imposing taxes on the export of primary products might create an incentive for the local production of value-added goods. The export taxes are provided for in the First Schedule, Part 1 of the Revised Common External Tariff of the Caribbean Community. That schedule explicitly exempts manufactured articles (other than those provided for), and sets the following rates:

- Precious stones other than cut and polished: G$3.00/carat
- Bauxite: G$0.45/tonne
- Unrefined cane sugar: G$1.00/tonne
- Molasses: G$1.00/100 litre
- Greenheart, round piling and hewn: G$0.29/cubic meter
- Greenheart, sawn: G$5.09/cubic meter
- Aquarium fish: 5%
- All other (non-manufactured) articles: 1.5%

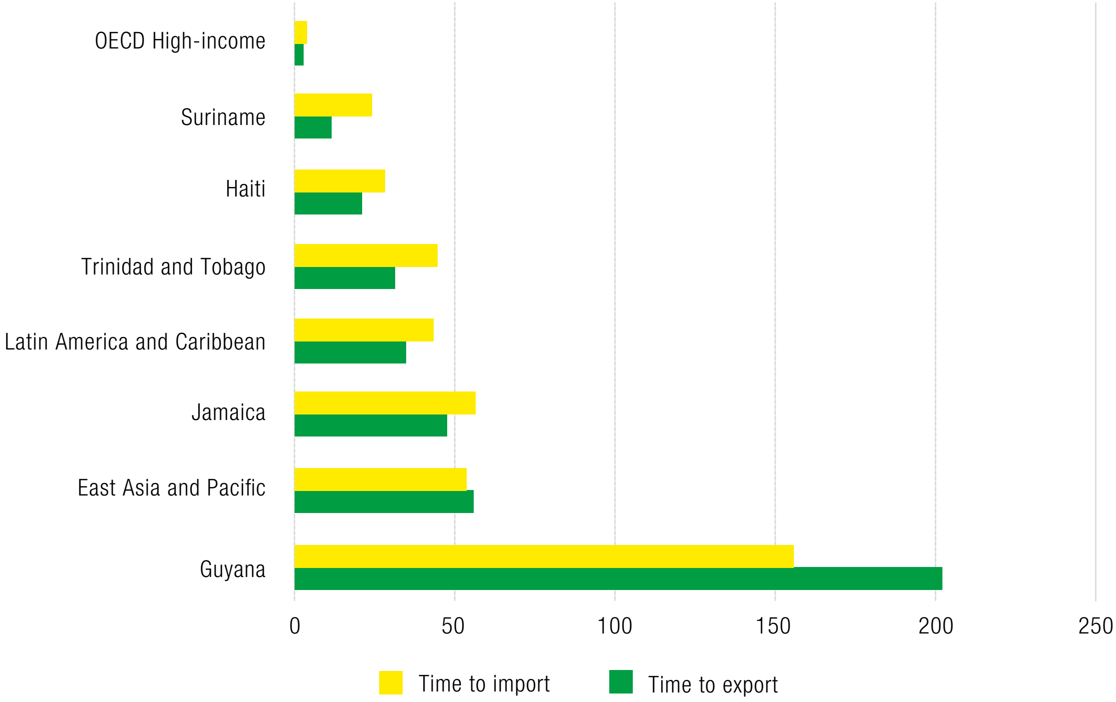
This is a subject to which we will return in Part V. While it would be unwise to undertake a revision of the import taxes without first conducting a comprehensive national debate on the fiscal consequences of the new oil wealth, and also taking account other aspects of these taxes, the case for repealing the export taxes is so strong as to require no such review. Striking them from the books will eliminate a disincentive to exports while having close to zero impact on government revenues. Doing so would not mean giving up a stimulus to downstream products, as they are set at levels far too low to play a meaningful role in any business plan.

## I. Internal issues #3: The processing of imports and exports

As was discussed in Part III, Guyana does not score as well as it could on such comparative measures as the World Bank's Doing Business indicators. The country has an especially unenviable ranking when it comes to the "trading across borders" component, where it beat only one of the 19 countries used as comparators in this strategy (see Figure 15, Part III). The reason for that poor ranking is shown in Figures 22 and 23, which report the World Bank's calculations of the amount of time and money required to comply with the border documentation that countries require for imports and exports. Guyana's worst performance in the Doing Business data is its score on "time to import" and especially "time to export," where compliance is vastly more time-consuming than in other countries.

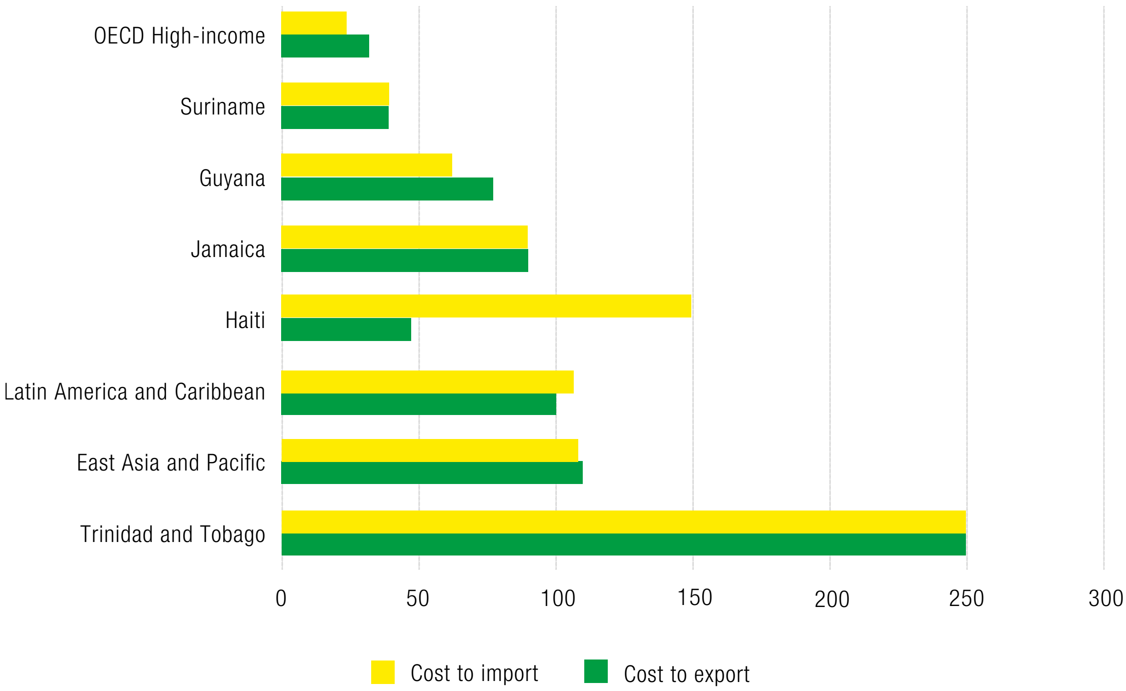
These numbers are the trade policy equivalent of a self-inflicted wound, and reform in this area could be the single most significant step that Guyana can take toward enhancing its competitiveness in the global economy. There are some reforms now underway that may alleviate part of the paperwork burden imposed on importers and exporters, starting with the implementation of the Trade Facilitation Agreement and the

**Figure 22. Time required to comply with border documentation (hours)**




*Source:* World Bank Doing Business data at https://www.doingbusiness.org/en/rankings
*Note:* The time and cost for documentary compliance are those needed to obtain, prepare, process, present, and submit documents that are required for imports or exports

**Figure 23. Money required to comply with border documentation (US$)**




*Source:* World Bank Doing Business data at https://www.doingbusiness.org/en/rankings
*Note:* The time and cost for documentary compliance are those needed to obtain, prepare, process, present, and submit documents that are required for imports or exports

assistance that UNCTAD is extending for full implementation of the Automated System for Customs Data (ASYCUDA) system. These twin steps will carry multiple benefits, the most important being significant reductions in the time and money required for traders to comply with Guyana's border formalities. The full implementation of ASYCUDA may also produce much more user-friendly statistical data for policymakers, private sector analysts, academics and other stakeholders. Other important reforms are at various stages of development and implementation, including a single-window program and the implementation of a better risk-management program for the targeting of customs inspections and — with support from the International Trade Centre — establishment of a Trade Information Portal.

While those reforms may produce major results not just in Guyana's Doing Business rankings, but indeed in the business that actually gets done, there are further reforms that ought to be considered. Perhaps the most important of these, concern not the more efficient processing of the paperwork now required for imports and exports, but more fundamental consideration of whether the additional paperwork required under other laws still serves a useful purpose. One systemic source of delay is a set of outdated laws by which other government agencies are given authority to block trade in certain products or categories of goods. Automatic and non-automatic import licences are required for numerous products, as governed by (among other statutes) the Trade Act (2012) Cap 91:01 and the Official Gazette (1996). Prior to applying even for an automatic licence, importers must obtain either the endorsement or a no-objection permit from the relevant sector-specific authorities. These authorities variously include the Guyana Rice Development Board, the Guyana Sugar Corporation and the ministries of Agriculture and Health, among others. Even though under normal circumstance these licence applications are processed within 48 hours, they still constitute a barrier to trade that may crimp the operation of exporters both directly (by delaying their shipments abroad) and indirectly (by delaying their access to imported capital goods and supplies).

Some of these requirements are quite obviously anachronistic. Consider the rule by which imports and exports of petroleum products are subject to no-objection determinations by the Guyana Energy Agency (GEA). This authority stems from laws that predate independence by a few years, and the discovery of oil by more than a generation.[54] Other laws affect the movement of goods that might have important implication for human health or environmental quality, such as pesticides, plant diseases, heavy metals and other hazardous substances. Not all of these authorities are as obviously outdated as the one granted the GEA, but they each contribute to the general slowdown in exports and imports. All of them merit a close reexamination.

# V. Conclusions and policy recommendations

Having reviewed the challenges and opportunities that Guyana faces, as well as the recent evolution and future prospects for its economy, this final part turns to recommendations. Before presenting those recommendations, however, it is appropriate to define a few limits.

The proposals put forward here are made with due regard to the relationship between trade and other areas of public policy. Promoting Guyana's commercial interests is only one of several areas of legitimate concern for government and society, which must also take into consideration such diverse matters as social harmony, environmental quality, and national security. Moreover, in many cases the proposed policies entail revision of existing laws. That fact alone makes a national dialogue inescapable for any matters of even modest controversy. A key distinction is thus drawn here between those relatively narrow matters for which firm recommendations are appropriate, and other issues for which this strategy proposes that the national authorities and stakeholders give due consideration to their options.

The three recommendations below that are styled as "national debates," and put in the form of questions, are meant to flag the conditional nature of the advice. In each case, the matter in question is one on which Guyanese stakeholders — including representatives of the public and private sectors — ought to engage in full consideration of the associated costs and benefits. Those points are to be distinguished from the items that are instead styled as "concrete recommendations," and are put in the form of declarative statements. These recommendations deal with matters that are more narrowly defined as trade policy, and for which the advice is not conditioned upon some wider consideration of the pros and cons.

None of these recommendations propose major changes in the existing network of trade agreements. This strategy starts from the proposition that Guyana's memberships in both the WTO and CARICOM are foundational and permanent, and that it is incumbent upon trade policymakers to ensure that Guyana and its trading partners abide by their commitments in these organizations. No proposals are made here for the negotiation of new trade agreements, either as bilaterals (between Guyana and a partner) or regional agreements (between CARICOM and a partner). It is instead assumed that such proposals will arise from time to time, and that Guyana's negotiators will use the principles and tools discussed here to prepare and pursue the country's objectives in the resulting negotiations.

It must also be noted that some issues are so horizontally important, affecting both the traded and the untraded sectors, as to be outside the scope of this strategy. One is monetary policy, a topic that is intimately related to the new oil wealth but is most properly managed by the Bank of Guyana and the Ministry of Finance. Guyana's ability to avoid the Dutch disease will depend critically upon how successful those agencies are in sterilizing the injections of cash that are just now beginning. While there are several options at their disposal, ranging from the "parking" of funds offshore to the full (United States.)

dollarization of the economy, this is not the proper place to consider the advantages and disadvantages of these approaches. The recommendations that follow nevertheless consider how that oil wealth may affect Guyana's revenues and its government spending, insofar as both sides of the fiscal equation concern trade policy. Another issue not discussed here is the generation and distribution of energy. While there are few objectives more critical to the overall economy than ensuring the reliability and affordability of the electrical supply, this is by no means an issue that is unique to traded sectors.

## A. Core objectives and guiding principles for the new trade strategy

The key elements of the trade strategy can be reduced to a single sentence: Guyana will direct its trade policy to the long-term pursuit of competitiveness and diversification through the removal of barriers to competition (both domestic and foreign), devising its priorities on the basis of transparency and communication at home, and through active engagement with its regional and global partners. That broad statement of objectives is more fully developed in Box 2, which presents two core objectives that set the overall goals and four governing principles that define how they ought to be pursued. Taken together, these six elements set the framework in which the more specific recommendations presented below should be considered.

The most important of these objectives privileges the country's long-term interests over its short-term temptations. There is nothing new here, as it will be recalled that inter-generational equity is a constitutional requirement,[55] yet it bears repeating at a time when Guyana must decide how best to manage a hydrocarbon windfall. The second core objective stresses that the inevitable dependence on this one resource for the foreseeable future should be harnessed so as to position the country for prosperity long after the oil and gas are depleted.

The first governing principle sets the tone for the remaining three, as there are proper roles for both the market and the state in the development and execution of the country's trade policy. The most important role of the state is to provide an enabling environment for the market, devising policies that encourage Guyanese to keep themselves and their capital at home while also attracting foreign investors. This strategy seeks to highlight reforms that serve the larger purpose of a market-oriented trade policy that is developed through consultation and transparency, aiming at the removal of both domestic and foreign barriers and conducted with due regard to the rule of law. That last point is especially important, considering the risks that could be posed to the country's reputation not just by obvious danger of corruption but also by any reforms that are enacted and executed in haste As necessary as it is to update laws and institutions, this must be done without deviating from any commitments made to Guyana's partners in the WTO and CARICOM.

These core objectives and governing principles are necessarily stated at a high level of abstraction and require judgment when applied to real-world problems. There may be instances in which conflicts are perceived between one and another of these six elements. As a general rule, the first core objective should carry greater weight than the second, and the governing principles are presented in roughly descending order of precedence; knowing the proper roles of the market and the state, for example, logically precedes the need for consultation and transparency between those two sections of the national policy. One may imagine cases in which some tension is perceived between promoting economic diversification (thus implying the second core objective) and limiting the role of the state (thus implying the first governing principle). The best way to reconcile such tensions is to choose those policy instruments that meet both criteria. Just as overcoming foreign obstacles does not require the country to subsidize its exports, so too can local value-added be promoted through means other than production subsidies or other excessive forms of state intervention.

**Box 2. Core objectives and governing principles for Guyana's new trade strategy**

**First core objective: Inclusive and long-term development**

Development is more comprehensive than mere growth and is best conceived in generational terms. Commercial objectives should serve to expand opportunities and enhance the quality of life, with due attention to education, health and the environment, as well as the interests of marginalized communities. Those larger goals should be supported, and not subordinated, by domestic and international economic objectives.

**Second core objective: A more diverse and resilient economy**

Guyana is not precisely a monocultural economy, but its successive reliance on a small range of primary products — some mineral and some agricultural — have made it vulnerable to price swings and the "Dutch disease." The interests of the country as a whole will be best served by greater diversification of the economy, including more value-added in primary industries and the development of other sectors that are not directly associated with these primary products.

**First governing principle: Know the proper roles of the market and the state**

The market is a better arbiter of competitiveness than is the state. To the limited extent that the state intervenes, it should aim to reinforce rather than replace the market. This means providing public goods (*e.g.*, infrastructure and education), establishing and enforcing standards, and creating an enabling environment that ensures the rule of law and the sanctity of contracts.

**Second governing principle: Consultation and transparency in decision-making**

To the limited extent that the state does intervene in the market, it should not play favourites. Active and effective trade policymaking depends critically upon consultation between the government and the private sector, and between the many different governmental bodies that are directly or indirectly involved in making and executing policy. Without such a cooperative and collegial approach, negotiators will not have the information they need to deal with their foreign counterparts, nor the support necessary to approve and implement these agreements at home.

**Third governing principle: Attention to domestic constraints and external barriers**

Some external barriers remain to Guyana's exports, but tariffs and quotas are far less restrictive today than in past generations. The remaining barriers are mostly non-tariff measures and are often imposed for legitimate reasons of health and safety; failure to meet those standards may be more attributable to domestic capacity gaps than to foreign protection. Trade policymakers should devote just as much attention to addressing those capacity gaps as they do to any negotiations, consultations or litigation aimed at lowering the barriers their partners impose.

**Fourth governing principle: Securing and practicing compliance with commitments**

Guyana will more easily attract foreign investment and promote trade if it enhances its reputation for the rule of law, both in its domestic policymaking and in its international agreements. Priority should be placed on fighting corruption, and in ensuring compliance with the commitments made in regional and multilateral agreements. These include trade pacts as well as other agreements that set social and environmental standards for minerals in general (the Extractive Industries Transparency Initiative) or more specific products of interest to Guyana as diamonds (the Kimberley Process) and gold (the Minamata Convention).

## B. Negotiations as a complement and not a substitute: The example of trade in services

Another foundational matter concerns the utility of trade policy as a means of promoting development. There are limits to what might reasonably be expected from this one field of public policy, and we would do well to remember that it is best treated as a complement rather than a substitute for a broader development strategy. This point can be illustrated with the example of trade in services. Trade policy is an important component of the country's broader aspirations to develop competitive services but must share that distinction with such allied fields of public policy as education and energy.

Let us start from the premise that Guyana's interests will be best served by diversification. It will do well to move not only from the production of raw materials (the primary sector) to more advanced manufactured products (the secondary sector), but also to transcend goods altogether by improving its competitiveness in services (the tertiary sector). Combining that goal with the observation that trade in services has become an increasingly important topic in trade negotiations, one might understandably conclude that development through diversification can best be achieved by negotiating the right kind of trade agreements. As logical as that conclusion may appear, it is not actually warranted by the facts. While Guyana's trade negotiators must be prepared to handle this topic when they deal with their counterparts, and to conduct all of the analytical and consultative work that necessarily precedes these negotiations, their work is more about creating opportunities than determining outcomes. It must be acknowledged that the opportunities in the trading system will be set more by decisions made outside Guyana than by the best efforts of Guyanese negotiators.

It is sometimes said that when one owns a hammer, all problems look like nails. For the trade negotiator, the natural response to any problem in international economic competition is to consider how it might be solved by negotiating a new agreement with one's partners. That approach is less helpful for services than it is for goods, however, insofar as there are three respects in which Guyana may be frustrated by attempts to expand production and trade through the negotiated reduction of foreign barriers to its exports. Two concern the limited progress that negotiations in this field have achieved in general, and the third concerns the specific capacity of Guyana and its CARICOM partners to win meaningful concessions from their partners.

While services have become an increasingly important element in trade negotiations, most agreements on the issue produce relatively few commitments that actually result in the removal of barriers. Whether one looks at bilateral, regional, or multilateral agreements, the general tendency has been for countries to make commitments that merely "lock in" the actual levels of access that they already permit. In many cases, their commitments fall short even of that modest ambition. The scheduled commitments that countries make in the WTO's General Agreement on Trade in Services (GATS), for example, are often less liberal than what they actually provide for in national laws and policies that have typically grown more liberal over time. The gap between commitments and actual practices has only grown wider in the generation since the Uruguay Round those GATS commitments were made in 1994. There are only two important exceptions to this general rule: Countries that have acceded to the WTO since 1995 (*e.g.*, China) have sometimes been obliged to make more serious GATS commitments, and developing countries that negotiate RTAs with developed countries often face demands that they make GATS-plus commitments that may actually require changes in their national laws.

Another reason why trade negotiations offer limited prospects for increased exports of services is that services offer less scope for preferential treatment that do goods. It is quite easy for countries to discriminate in favour of selected partners when it comes to goods: Customs officials can readily apply different tariffs to any given item when it is imported from different countries. That sort of discrimination is not so easily implemented when it comes to regulating services through behind-the-border measures. There are some exceptions, such as the granting of visas or mutual-recognition agreements in professional certification, but as a general rule the types of issues that arise in cross-border services trade are handled more on an economy-wide than a discriminatory basis. To the limited extent that countries do make liberalizing commitments on trade in services in their RTAs, they often implement these commitments in ways that benefit both their partners in that agreement and third countries. The only difference then is in the legal rights that result; while the other party to the agreement has a *de jure* right to demand that a commitment be honored, the benefits extended to third parties are only *de facto*.

These two points together yield a third reason why the utility of trade negotiations may be limited. At issue here is asymmetrical leverage: Countries making commitments that are implemented across-the-board will be reluctant to make any such deals with partners whose economies are smaller than their own. Far from being an influential *demandeur* in such negotiations, Guyana and other CARICOM countries are more likely be on the receiving end of demands. For example, consider what might happen if these regional partners were to negotiate an FTA with the United States. There is every reason to expect that the United States negotiators would treat services as one of the key issues on which they sought substantial new commitments from their Caribbean counterparts, but that they would be highly reluctant to make significant concessions of their own in this area. The principal area of "give" on the part of the United States would instead be on Caribbean access to the United States market for goods. This has been the general pattern for North-South negotiations in recent decades: The developed countries offer to remove the remaining barriers to their goods market in exchange for concessions on services, investment and intellectual property rights, but they make few or no concessions to developing countries' demands in services.

These observations are not intended to undercut the importance of services negotiations in general, or the work of services negotiators in particular, but instead to underline the importance of treating trade negotiations as one of many elements in a whole-of-government approach. While trade in services is large and growing, that growth can be attributed much more to technological advances and autonomous liberalization than to trade agreements. The most important steps that Guyana can take to advancing its competitiveness in this area are thus not diplomatic but domestic. This includes making vital investments in education at all levels and ensuring that its backbone infrastructure (especially the electrical and telecommunications systems) are efficient and reliable. It also means close cooperation between government and industry, including the Coalition of Services Providers, so as to identify and deal with bottlenecks in the development of capacity and competitiveness. Only then can Guyana's services providers be well positioned to take advantage of whatever opportunities may be created by trade agreements or (perhaps more significantly) the autonomous liberalization of its partners. In the absence of that domestic capacity, any expected benefits from trade negotiations may be more hypothetical than real.

It is for this reason that the strategy does not treat services different from goods with regard to their place in negotiations. This topic merits the same attention from policymakers as any other issue when preparing for negotiations, and the greater complexity of the underlying issues will require that they devote even more time to consultations with stakeholders in the services sector than when preparing for negotiations on goods. Coordination will be needed between negotiators, regulators, and educators so as to ensure that the positions taken in these negotiations are consistent with national priorities. Viewed in its larger context, however, this is an area where trade policy complements domestic policy and not the other way around.

## C. National debate #1: Can oil revenues offer trade tax relief?

It is well outside the scope of this document to deal with the full range of topics associated with the development of oil and gas in Guyana. Issues of energy, environmental, and monetary policy are best left to the authorities that have jurisdiction over those subjects. There are nevertheless several respects in which the development of these resources will profoundly affect matters of specific concern to trade policymakers, which we might broadly divide into the two sides of the fiscal equation. On the revenue side, as discussed here, this new source of revenue allows for a reconsideration of tax burdens that currently fall disproportionately upon trade. On the spending side, as taken up in the next section, some of that new wealth might be directed towards projects affecting the country's capacity to provide competitive goods and services at home and abroad.

As was discussed in Part IV, trade taxes are extraordinarily high in Guyana. The state's dependence on this revenue might ordinarily preclude a full consideration of the alternatives, but the new oil revenue allows policymakers to reconsider the magnitude and the distribution of the tax burdens now imposed on trade. Viewed in the abstract, reductions in the tax burden could serve the interests not just of consumers, but also those producers and exporters who would benefit from lower prices on capital goods and supplies. Abstractions are not a sufficient basis for policymaking, however, and the country should instead base any decisions on a wide-ranging consideration of its options.

It is recommended here that Guyana conduct a top-to-bottom review of how its fiscal needs align with its other economic objectives. Chief among those objectives should be the promotion of competitive, export-oriented industries in both the secondary (manufactures) and tertiary (services) sectors, with a view toward reducing or eliminating taxes on the capital goods and supplies on which they depend. Some of the imports that are now subject to tariffs and other taxes are produced neither in Guyana nor in other CARICOM countries; those goods should be prioritized for relief. Some of them may compete with current or potential domestic production; those goods may still warrant infant-industry support. In either case, a full review is necessary in order to make rational decisions. Such a review should explore this issue from all angles, starting with the following questions:

- What level of revenue can the government reasonably expect from the oil and gas wealth, and over what period of time? How sensitive might those projections be to new discoveries, fluctuations in global oil prices, and other considerations?
- How much of that increased revenue might be efficiently and wisely spent on government-financed projects, as discussed in the next section?
- What impact might the plans for revenue and spending have on efforts to sterilize the cash injections, and thus prevent onset of the Dutch disease?
- To what degree might this revenue offset existing tax burdens? Can it be used to reduce tariffs and taxes on trade?
- To the extent that the government has greater leeway to reduce tax burdens, what are the economic implications of variously doing so with respect to import tariffs, VAT taxes on imported and domestic goods, and excise taxes on imported and domestic goods?
- What are the legal implications of doing so? How might Guyana's international obligations limit its autonomy in the targeting of such reductions? This question concerns not just the CARICOM rules, but also the need to comply with WTO rules concerning subsidies.
- Can tax relief be devised in such a way as to facilitate the expansion of existing industries, and the creation of new ones, by giving special consideration to the capital goods or supplies consumed by export-oriented industries?
- To what extent might the interests of some import-substituting industries require the retention of current tariff and tax rates?
- What implications might tax and tariff reductions have on the cost of living, especially with respect to consumer costs for food and other essentials?
- To what extent can any reduction in import tariffs be accomplished within the flexibilities that CARICOM's CET provides? Are there any items for which Guyana might wish to reduce or eliminate tariffs, either on a temporary or permanent basis, for which the Council for Trade and Economic Development approval will be necessary? How might that be affected by the consideration now underway within CARICOM over an updated list of goods produced by member states?

That list of questions is not exhaustive, as there are many additional considerations — economic and otherwise — that may need to be taken on board. When weighing reductions in tariffs and excise taxes on some products, for example, there may be legitimate concerns over the positive externalities now associated with higher taxes on goods that cause non-communicable diseases (*e.g.*, alcohol and tobacco). Other stakeholders may have interests with respect to how such reforms affect specific communities. These are wide-ranging questions that the present strategy can only suggest and cannot possibly answer.

## D. National debate #2: Should oil revenues be dedicated to trade projects?

One of the more difficult decisions that Guyana must make in the coming years is how best to spend its windfall. Even those countries that manage to avoid the curse of corruption from mineral wealth can fall prey to the all too real temptation to spend lavishly, often on projects that might not otherwise merit funding. This is one reason why the core objectives and guiding principles of this strategy stress the importance of diversification as well as knowing the proper roles of the market and the state. Any new spending should be based not just on what the state is now able to afford but be limited as well to those projects that can be properly defined as public goods. Proposals that are within the means of the state and that truly help to enable the market should be given a fair hearing, but those that distort or displace the market should be rejected.

Consider what this means for the core objective of economic diversification. It is ultimately the market that ought to decide whether the next stage in the processing of a good — or even the next several stages — can most efficiently be performed in the country where a primary product is farmed, mined, or fished. In keeping with the strategy's pro-market principles, the government ought to encourage such investment by removing barriers, and even by making limited interventions, but it ought not to replace them with mandates or subsidies that may be equally distorting and even more open to abuse. Similarly, the efforts to promote local content should not come at the expense of other non-traditional goods. From spices to animation services, many new goods and services are now making their way into Guyana's export basket. Efforts to promote local processing of primary products ought not to skew the market in ways that unintentionally discourage investment in new industries.

The new investments that the state might make in economic diversification can be broadly divided into two categories, the macro and the micro. Macro interventions are those that entail major expenditures, and often concern infrastructure. Consider the perennial proposals for improvement in the Demerara waterway and other parts of the national maritime network. It could take considerable investments to perform the necessary dredging, clearance of wrecks and other hazards to navigation, and construction of improved and expanded port facilities. Beyond the purely economic costs and benefits, such projects also entail significant implications for the environment and the involved communities. The same may be said for the evolving discussion over Guyana's potential to serve as Brazil's gateway to the Caribbean. A proposed land link would facilitate shipping access from ports in Guyana for trade to and from Roraima and the Amazonas.[56] Beyond the commercial, environmental, and social issues at stake, those proposals entail sensitive questions of foreign policy.

It is far beyond the scope of the present strategy to give a simple thumbs-up or thumbs-down to macro proposals of this sort. Just as the preceding recommendation called for a national debate on how Guyana might best manage the opportunities to revise its revenue base in the new economy, so too must decisions on macro projects be made only after weighing a variety of factors that extend well beyond commercial calculations. The new oil wealth makes such undertakings more feasible, and thus allows the country to pose the right questions but does not make the answers self-evident.

There is firmer ground when considering micro projects, which might roughly be defined as those involving amounts no higher than a few million United States dollars. An ideal intervention at the micro level would be one in which the Government of Guyana helps to remove or relieve some existing barrier to the production and exportation of goods or services and does so in way that enables the market without supplanting it. Consider the issues of quality and safety that are paramount for all foodstuffs. One specific intervention by which government can help local producers make the transition to higher-value goods is to reduce the costs associated with testing in order to ensure that these goods meet foreign standards. Without an expansion in domestic capacity, local producers may either be forced to pay higher prices for testing abroad or, worst of all, to forego exports altogether. Expanding the capacity of the Guyana National Bureau of Standards (GNBS) to conduct such operations could have a high return on investment. The GNBS estimates that establishing the needed laboratories may cost a total of US$3.1 million. The most significant expenses would be for mass metrology (US$290,952), chemistry (US$536,747), building materials testing (US$585,643), and energy efficiency testing (US$750,000). While those initial costs can be substantial, and the operating budgets for personnel and supplies can also be high, the net benefits to the country can be greater still.

It is also worth exploring ways that these revenues may contribute to the development of export-ready services (or services supplied to export-oriented goods producers). This might entail targeted educational and training projects, limited assistance to start-ups, or financial support for associations representing the services sector.

This is not to say that the government ought to subsidize production or exports of either goods or services, nor that it ought to cross the line that separates the provision of public *versus* private goods. Whereas the infrastructure and testing services noted above can both be considered public goods, the same cannot be said for the capital goods that local industry may need to expand local value-added. It would not be appropriate for government to provide the machines needed to pasteurize milk, slaughter and process meat, or otherwise process foods through extrusion, baking, packaging, etc., nor should it be in the business of retooling rice mills to handle expanded capacity. Those are all items for which the government might help to promote investment, such as through match-making services, but cannot directly fund. The same may be said for certain services that local producers will sometimes seek from government, such as the development of labels for packaged foods. The expressed need for those services speaks to a market demand that ought to be answered by someone with the entrepreneurial spirit to enter the market. There is certainly a role for government in helping that budding service-provider acquire the needed computer and business skills, as is discussed below with respect to education and capacity-building, but the state need go no farther than that.

## E. National debate #3: Do the benefits of new trade-remedy laws exceed the costs?

One of the more specific options that Guyana faces in the near future concerns the development of a new trade-remedy law on antidumping and related matters. This is a subject on which the present strategy does not make a definitive recommendation but does urge that no definitive action be taken without first giving full consideration to the costs, benefits, and possible alternatives. Policymakers should be fully aware of the costs and ought not to adopt new measures unless a convincing case can be made that they are lower than the benefits. Most other developing countries, particularly the smaller ones, have ultimately concluded that their net interests are not best served by enacting and implementing such laws.

Guyana is still at the preliminary stages of drafting trade remedies legislation, with the Ministry of Legal Affairs considering draft bills on anti-dumping and on subsidies and CVDs. There are already active debates underway regarding specific details (*e.g.*, which agency or office ought to be in charge of such matters),[57] but deliberations over these matters should not preclude consideration of the underlying question: Are these laws advisable in the first place? On the positive side, they would offer an option for dealing with unfair trade practices. On the negative side, they could draw away personnel and other resources that could be needed in analysis, negotiations and trade promotion. And as was implied in Part IV, policymakers should also consider whether the country is prepared to handle the dispute-settlement claims that may arise in the WTO from countries against which it might deploy these laws. Antidumping and CVD cases are among the most frequent causes of complaint heard by the WTO's DSB. Guyana has never yet been either a complainant or a respondent in a formal WTO dispute, but there is a strong chance that could change if Guyana gets into the trade-remedies game.

This is a topic that ought to be explored fully before any final action is taken to enact the pending legislation. The ensuing national debate should take into consideration the interests not only of industries that might be negatively affected by unfair import competition, but also those exporters who could find themselves the subject of similar action by partner countries. The net conclusion may well be that enacting new legislation in this area will bring more costs than benefits. If either or both of these draft bills move forward, every effort should be made to ensure that in both design and execution they conform to WTO norms. At the same time, any gaps in the capacity of DoFT officials — both with respect to the execution of these laws and the defense of trade-remedy measures in the DSB — ought to be given top priority in training.

It is recommended here that if Guyana proceeds to develop an antidumping law (with or without the additional option of CVDs), it should not complement that undertaking with the development of a safeguard law. The reason is simple: Rulings in the WTO dispute-settlement system since the new system came into effect in 1995 have consistently gone against all countries that have availed themselves of the safeguard option. Barring a change in the formal terms of the WTO Safeguards Agreement, or in how that agreement is interpreted, the only way that any WTO member can utilize this option with impunity is to hope that no other WTO member formally challenges the measure.

## F. Concrete recommendation #1: Repeal the export taxes

As reviewed in Part IV, Guyana imposes a series of export taxes that are small but burdensome. These rates have the unique quality of being both too low and too high, depending on the product in question. Most of the specific taxes on traditional, primary products are set at rates so low that they would not have been very significant even in an earlier generation when the Guyanese dollar was valued much higher, and commodity prices were much lower, than they each are today. It is therefore not surprising that these taxes raise so little money. In 2019 export taxes are expected to contribute an entirely negligible share (less than 0.02%) of total government revenue. It is also doubtful that these taxes offer any real incentive to downstream industries. The 1.5 per cent tax on most non-manufactured exports is a notable exception to the general rule of triviality. For a non-traditional exporter, it is very possible that this tax imposed by Guyana could be — depending on the product and market in question — as high as or higher than any tariffs that that exporter may be required to pay to the government of the importing country.

As fiscally insignificant as these taxes may be, they are nonetheless export-unfriendly in two senses. Even the lowest among them constitute a nuisance for the exporter, requiring the filing of one more document in a country that already obliges exporters to submit too much paperwork. It also sends the wrong message regarding the priority that Guyana places on encouraging entrepreneurship in general and export promotion in particular. It is therefore recommended that these export taxes be repealed in their entirety at the earliest available opportunity.

## G. Concrete recommendation #2: Reform procedures for trade and incentives

Despite the fact that the Government of Guyana has moved progressively away from the directing role in the economy that it once held, first by eliminating policies in which the state competed with the market and later by reining in the degree of discretion exercised by government officials in the provision of incentives, there nonetheless remain some residual elements of those past policies. As discussed in Part IV, the heavy paperwork burden on imports and exports is one of the principal reasons why Guyana scores poorly in the Doing Business indicators. Steps are now being taken to reduce that burden: Guyana is implementing the Trade Facilitation Agreement, in part by moving from paper to electronic filing, and is adopting the ASYCUDA system. These are positive developments that ought to result not just in the statistical improvement of the Doing Business score, but in a real reduction in that actual costs of trade. There is nevertheless scope for further reform.

It is recommended here that the aforementioned review of possible trade tax relief be complemented by an equally thorough review of all paperwork (or its electronic counterpart) that is still required in order to import, export, or receive incentives and exemptions. That review should be conducted with a view toward eliminating altogether any reporting requirements or other filings that no longer serve a useful purpose. For those that do serve such a purpose, due consideration should be given to how government might ease compliance. That might variously be done by shortening or consolidating forms, providing for their electronic filing, or otherwise ensuring that they can be completed, filed and processed as expeditiously as possible.

It is recommended that all interested agencies engage in an equally thorough review of all laws by which agencies other than the Guyana Revenue Authority are granted authority in approving the import or export of specific goods, with a view toward balancing the facilitation of trade with the other goals that originally gave rise to these authorities. This review is proposed without prejudice to the outcome, as there may be some goods for which the risk of harm to human health or the environment outweighs the economic harm of an inefficient customs system. Depending on the nature of the goods and the economic or other hazards that may be associated with them, the appropriate reforms may entail anything from retention to revision to repeal of the law in question. Other options include the granting of general import and export licenses to traders or users that can demonstrate their compliance with proper precautions, or a narrowing of the goods or activities for which the input of these agencies is sought, or short and strict time limits within which agencies might lodge any objections to a given transaction.

The same principle applies to other comparable procedures that might affect investment and trade in services. Among the issues that could be addressed so as to improve market efficiency, as well as the equilibrium between demand and supply, may include such reforms as visa regulations to attract special skills, clustering, and a one-stop shop by industry sector (*e.g.*, for permits and licenses). The objective here should be to ensure that the regulatory procedures achieve their underlying objectives without undue delays, uncertainties or transaction costs.

This same review should consider how government might best reduce the level of discretion that it still exercises in the granting of incentives. To the extent possible, it is best to replace any programs that require a decision by government with permanent reforms. For example, in place of providing for discretionary exceptions to certain tariffs it is better to reduce or eliminate the tariff in question — provided that this can be done in a manner consistent with the country's fiscal needs and its obligations to CARICOM and WTO partners. Such reforms are easier and less costly to implement and monitor, and are less susceptible to waste and fraud, than are discretionary measures that depend upon civil servants' judgment as to which firms ought to receive special favour. Beyond the advantage of being less susceptible to corruption or favouritism on the part of the state, and leakage or a gaming of the system on the part of the recipients, permanent reforms give greater confidence to the prospective domestic or foreign investor that the country's policies are fair, predictable and less prone to abuse.

## H. Concrete recommendation #3: Strengthen participation in consultative mechanisms

It is recommended that government work to expand and enhance consultation through the existing network of public-private bodies, including the NACEN.

Expansion should entail incorporating other trade-related consultative mechanisms under the umbrella of NACEN. This would allow for more integrated discussions of trade matters and a natural expansion of participation in NACEN. Noteworthy in this regard, should be relevant consultative mechanisms required under the Caribbean Single Market and Economy, including the Business Labour Advisory Committee (BLAC) and the Inter-Ministry Consultative Committee (IMCC); and the Coalition of Services Providers (CSP), which is meant to enhance public-private dialogue on trade in services.

It would also be useful to solicit the participation of the international donor community on an invitational basis. Such a step would offer another means for greater coordination on matters of technical assistance and the like, and thus reduce potential waste and redundancy.

Participation in NACEN might also be enhanced by extending further responsibilities to this body. NACEN should be tasked with maintaining a unified catalogue of foreign barriers to its exports (tariff and non-tariff). While MoFA has encouraged the private sector and other stakeholders to bring all such barriers to trade to its attention, NACEN could make this process more frequent, inclusive and transparent. It may also be advisable to task NACEN with conducting regular reviews of Guyana's status in the World Bank's Doing Business data, or at least those parts that are related to trade, with a view toward addressing specific shortcomings and improving the national standing in those high-profile rankings.

## I. Concrete recommendation #4: Promote capacity in the private sector

Trade is largely a matter of capacity. That is equally true for the capacity of the private sector to produce and trade goods and services, and for the capacity of government to legislate, negotiate and litigate the rules by which this trade is conducted. Every country in the world would benefit from further enhancements to the capacity of its public and private sectors, especially smaller and poorer countries such as Guyana.

The first and most important step in this direction is also the most general: Investments in education at all levels pay dividends over the long term. Here Guyana might consider the approach taken by another country that contemplated how it might best deploy the benefits of a commodity windfall. In response to high prices for its copper exports, and also in the hope of weaning itself from dependence on that metal, Chile inaugurated in 2008 an ambitious Becas Chile Programa (Chile Scholarships Program) through which eligible Chilean students could receive funds for postgraduate and advanced studies in foreign universities. Not every program needs to be at that level, of course; investments in the preschool through bachelor levels are also useful. The concept nonetheless remains the same. Of all the public goods that government provides, education may ultimately make the greatest contribution to expanded economic opportunities and improvements in the quality of life.

In addition to devoting some share of its new wealth to education in general, Guyana may consider a more targeted approach to capacity-building in both industry and government such as through emphasis on standardization, which remains critical to export competitiveness.

Starting with the private sector, it may be appropriate to build upon existing programs through which the GNBS assists firms to obtain certification in the standards administered by the International Organization for Standardization (known as ISO for the order of its initials in French). This is an internationally recognized certification that a given management system, manufacturing process, service, or documentation procedure meets the requirements for standardization and quality assurance. During 2018–2019, for example, the GNBS provided training to 32 persons in the quality management systems standard, 26 persons in the standards for general requirements for the competence of testing and calibration laboratories, and 18 persons in conformity assessment (requirements for the operation of various types of bodies performing inspection),[58] as well as 22 persons in equipment management. Costs for such training averages G$30,000 per person but constitutes a valuable investment in economic diversification. This type of training is vital if Guyana is to build an adequate corps of personnel needed to operate, maintain, and inspect the machinery needed in the transition from an economy centered on primary products to one that produces more advanced goods. In addition to providing for more such training, it may also be appropriate to consider ways by which government or the donor community may be able to provide loans or grants to assist the recipients of this training to then secure the actual ISO certification.

Other institutions located in Guyana provide practical training. One program received a boost in 2019 when the United States engineering firm Halliburton (an ExxonMobil contractor) signed a memorandum of understanding with the University of Guyana's Faculty of Engineering and Technology. Backed by an investment of G$459 million, this agreement provides the department with needed laboratory equipment, staff development and software. It is expected to help advance the university's aim of creating an Institute of Energy and Energy Diplomacy. Other bodies that provide training or advice include the Institute for Private Sector Development and the Center for Local Business Development. It may be advisable to consider whether these institutions have sufficient capacity to meet the needs of the growing business community, and whether any additional investment in them may be warranted by the government or donor community. And turning to global partners, the private sector should be encouraged to take full advantage of the information resources offered by the International Trade Centre.[59]

Apart from education and training, it is also important to consider other ways to build private sector capacity. Foremost is attracting greater private sector investment in order to build productive capacity in value-added commodities. One way to do this is to support a policy for Special Economic Zones (SEZ) which may provide fiscal and other incentives to foreign and local investors targeting export markets.

Guyana also has a relatively large number of micro-, small- and medium-sized enterprises (MSMEs) for which e-commerce will open up more opportunities for trade once the required institutional and physical resource gaps in support of such a regime are redressed.

## J. Concrete recommendation #5: Promote capacity in the public sector

As for the state, the capacity gaps are not nearly as great today as they were at the time of the last trade strategy. Compared to its turn-of-the-century predecessor, DoFT now has a more streamlined structure that caters for capacity building and information dissemination; and a much larger, more experienced, and better-trained complement of Foreign Service Officers (FSOs) and other personnel. In addition to a director, these include places for nine FSOs, a trade advisor, and an administrative assistant. Not all of these positions are presently filled, but the rate of staff turn-over is now far smaller than it was in the past. Staff in this and other agencies can nonetheless benefit from further training, both to bring new hires up to speed and to enhance the skillsets of veteran FSOs. Specific areas in which training may be needed include market analysis and trade information; access to trade database tools and management; dispute-settlement procedures; market access for trade in goods and services; trade and development; negotiation and diplomacy skills; sustainable development; and the administration of special economic zones. In the event that Guyana were to develop an antidumping unit, specialized training will also be essential.

The Ministry of Foreign Affairs' own FSI should be considered the first option for any such training, when the necessary resources and expertise permit. FSI has obtained expert services in some of these areas, organizing seminars and workshops for FSOs. It is recommended that MoFA explore in depth the interest in, and costs associated with, the expansion of FSI's trade-related training to include other members of the national trade policy community. In addition to personnel from other government agencies, this could include representatives of the private sector and civil society. This approach could be an important complement to the reinvigoration of NACEN, insofar as it would offer another forum in which to exchange ideas and information about national priorities. It is recommended here that FSI courses and seminars on trade-related issues be opened to active members of NACEN, or representatives whom those active members may nominate.

Beyond FSI, there are many options to help fill these needs. In addition to the training offered by the WTO — which includes the user-friendly option of online courses — these include the Economic Commission for Latin America and the Caribbean, the Commonwealth Secretariat, the Organisation for Economic Co-operation and Development (OECD), and International Institute for Sustainable Development. To the extent that personnel policies and budgets permit (including assistance from the international community), some staff could also go for training in the specialized programs offered by universities in North America and Europe. Priority areas can be identified via the regular capacity-building consultations that MoFA conducts with such partners as UNCTAD and other United Nations agencies, the International Trade Centre, and the Commonwealth Secretariat.

Statistics and information-management is another area where the capacity of government is far ahead of where it was at the time of the last trade strategy. Computers in government were still a rarity in those days, as was access to the internet and familiarity with software. That is no longer the case, nor do the officials at the Guyana Revenue Authority or the Bureau of Statistics still work primarily with paper entries. Adoption of the ASYCUDA system, and complementary reforms elsewhere in government, will greatly improve the quality of national trade statistics.

It is nonetheless recommended here that further steps be taken to complement these advances in the collection of trade data with improvements in data dissemination. Provided that it is done in a manner that protects such confidential business information as the prices paid or received for specific shipments of goods — a goal that can easily be met by aggregating data by product or time period — all data on exports and imports should be made available online in a user-friendly format. This will not only offer another valuable resource to analysts in the public and private sectors, but also free up time for BoS officials who might otherwise need to service the data requests of their patrons.

# ENDNOTES

1 Ministry of Foreign Trade and International Cooperation, A National Trade Strategy for Guyana, October 2003.

2 To observe that the magnitude of Guyana's trade outweighs its overall economy is neither contradictory nor unique. It would not be possible for trade to be larger than GDP if that latter number were to be calculated on the basis of total trade (i.e. exports plus imports), but it is instead based on *net* trade *(i.e.*, exports minus imports). As a consequence, total trade may exceed GDP in any country with unusually high levels of exports, imports, or (most typically) both. In 2017, Guyana was just one among 63 countries that met this description.

3 Data posted by the World Bank at https://data.worldbank.org/indicator/DT.TDS.DPPF.XP.ZS. Note that data for 2016 are not available for some other comparators such as Suriname.

4 Calculated from data at https://data.worldbank.org/indicator/SP.POP.TOTL

5 Data and projections posted at https://esa.un.org/miggmgprofiles/indicators/files/Guyana.pdf

6 One estimate comes from the World Bank, which calculated in 2016 that Guyana's stock of emigrants as a percentage of population was 56.8 per cent. This compared to 26.7% for Trinidad and Tobago and 36.1 per cent for Jamaica. See World Bank Group, Investing Back Home: The Potential Economic Role of the Caribbean Diaspora, page 19, posted at http://documents.worldbank.org/curated/en/990601467315599193/pdf/105761-REVISED-CDI-Report-FinalLatest-PUBLIC.pdf

7 This is a cumulative figure for each five-year period, calculated on the basis of the share of GDP represented by investment in the year the investment was made.

8 *Foreign Direct Investment in Latin America and the Caribbean 2019* (posted online at https://repositorio.cepal.org/bitstream/handle/11362/44698/10/S1900447_en.pdf), page 67.

9 Calculated from World Bank data at https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS

10 Guyana Tourism Authority, *Guyana Tourism Statistical Digest 2018 Edition,* page 9, posted at https://www.guyanatourism.com/wp-content/uploads/2019/10/Guyana-Statistical-Digest-2018.pdf

11 Taking the longer view, this displacement of agriculture by minerals may be seen as a return to an earlier pattern. The Guyanese economy was dominated by bauxite production in the generation that preceded independence, but the weight of that mineral in the national economy has since declined precipitously.

12 Calculated from World Bank services export data at https://data.worldbank.org/indicator/BX.GSR.NFSV.CD. Note that the pictures changes little when one looks instead at 2000-2017, and thus includes many countries for which only the 2017 data are available: Even then, the only countries to perform worse than Guyana were Eswatini, Guinea and Papua New Guinea.

13 Calculated from World Bank services import data at https://data.worldbank.org/indicator/BM.GSR.NFSV.CD

14 Note that the 2015 spike in "Rest of World" imports was largely caused by a purchase of aircraft from the Republic of Korea.

15 Calculated from data at https://wits.worldbank.org/CountryProfile/en/GUY and https://wits.worldbank.org/CountryProfile/en/Country/LCN/Year/2017/TradeFlow/Import

16 The agricultural projects include agro-processing.

17 See https://www.doingbusiness.org/en/rankings and https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB15-Full-Report.pdf

18 See especially pages 133ff.

19 For an academic treatment of this problem in general see S. Mansood Murshed, The Resource Curse (Columbia University Press, 2018). For a more popular treatment, see Rachel Maddow, *Blowout: Corrupted Democracy, Rogue State Russia, and the Richest, Most Destructive Industry on Earth* (Crown Books, 2019). Macartan Humphreys *et al.*, editors, *Escaping the Resource Curse* (Columbia University Press, 2007) offer concrete advice to policymakers who hope to escape the curse, with chapters devoted to such practical matters as "How to Negotiate an Oil Agreement" and "How Best to Auction Oil Rights."

20 Calculated from the data reported at https://statisticsguyana.gov.gy/wp-content/uploads/2019/09/Current_Gross_Domestic_Product_Revised_and_Rebased_Series_2006_2017.xlsx

21 Calculated from data posted at https://diamondproducers.com/app/uploads/2019/07/KPCSdata2004to2018.xlsx

22 Note that the 4 per cent figure for packaged rice includes product that is variously cargo (parboiled) or white (whether or not parboiled). All data in this paragraph calculated from information supplied by the Guyana Rice Development Board. By-products such as bran and other types of rice (e.g., broken) also held small shares of total exports.

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23 The agreement generally prohibits countries from making *"mandatory or enforceable under domestic law or under administrative rulings, or compliance with which is necessary to obtain an advantage, and which require … the purchase or use by an enterprise of products of domestic origin or from any domestic source, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production."*

24 These include complaints against Argentina, Brazil, Canada, China, the European Union, India, Indonesia, Republic of Korea, the Russian Federation, the Philippines, Turkey, the United States and Venezuela (Bolivarian Republic of).

25 Guyana Tourism Authority, *Guyana Tourism Statistical Digest 2018 Edition,* Page v, posted at https://www.guyanatourism.com/wp-content/uploads/2019/10/Guyana-Statistical-Digest-2018.pdf

26 See https://cu.usembassy.gov/update-immigrant-visa-processing-cuban-nationals/

27 Calculated from data in Guyana Tourism Authority, *Guyana Tourism Statistical Digest 2018 Edition*, posted at https://www.guyanatourism.com/wp-content/uploads/2019/10/Guyana-Statistical-Digest-2018.pdf

28 It should be noted that these were among the first flights to be suspended with the outbreak of the coronavirus crisis in early 2020, but I hoped and expected that both the crisis and the suspension of these routes will prove to be temporary.

29 Calculations based on a search in December 2019 on Kayak.com for flights in January 2020.

30 These include the Bahamas (1.4 million), Jamaica (2.4 million), Costa Rica (3.0 million), Colombia (4.1 million), Cuba (4.6 million), and the Dominican Republic (6.2 million). Calculated from World Bank data at https://data.worldbank.org/indicator/ST.INT.ARVL

31 Guyana is also a party to the Global System of Trade Preferences among Developing Countries (GSTP), a framework for trade cooperation preferential tariff reductions composed of 42 participants.

32 It should be noted that the CARIBCAN program requires a waiver from the WTO, insofar as it deviates from the general rule of nondiscriminatory trade, and the current waiver will expire in 2023. That waiver will be a moot point if the CARICOM-Canada FTA negotiations ever produce a final agreement, but Guyana and its partners will otherwise need to make renewal of this waiver a high priority.

33 Specific tariff rates are those that are expressed in a form of a specific monetary value per unit, such as US$1 per kilogram. A specific tariff rate is often considered as a barrier to lower-priced imports, as the *ad valorem* rate of a specific tariff becomes higher, the lower the unit price of import. Ad valorem equivalent of specific tariffs may be obtained in UNCTAD's WITS/TRAINS database.

34 For examples of Guyanese exports that do benefit from the Japanese GSP program, consider palm hearts (which pay not the 15 per cent MFN tariff, but instead a concessional 7.5 per cent tariff), as well as some tropical woods that receive fully duty-free treatment under this scheme.

35 The International Classification of NTMs provides a classification and coding of all NTMs considered relevant in today's international trade, including technical measures, such as sanitary or environmental protection measures and measures that have been traditionally used as instruments of commercial policy, such as quotas, price control, and exports restrictions. The International Classification of NTMs also comprises behind-the-border measures, such as competition, trade-related investment measures, government procurement or distribution restrictions.

36 Those outcomes may have been affected as much by Trinidad and Tobago's desire to secure market access to the new oil rigs in Guyanese waters as by that partner's eagerness to ensure full compliance with its legal obligations.

37 *Five Year Review of the CARIFORUM-EU Economic Partnership Agreement: Joint Working Document* (14 July 2015), page 14; posted at https://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154165.pdf

38 It should be noted that the groupings shown in Figure 21 do not exhaust the configurations into which Guyana and its various regional partners may organize themselves. Guyana is one of 25 full members of the Association of Caribbean States, for example, which also has 10 associate members and 31 observers. The full membership includes all of the CARIFORUM countries, as well as all of the Spanish-speaking countries shown in the figure plus five more (*i.e.*, El Salvador, Guatemala, Honduras, Mexico and Nicaragua). It is possible that this association could play a more active role in future negotiations, especially for initiatives involving matters of mutual interest to the English- and Spanish-speaking countries of the Caribbean Basin. On a somewhat larger scale, the same might be said for the Latin American Economic System (SELA). Guyana is one of the six Anglo-Caribbean countries that are members of this Caracas-based organisation, whose membership also includes most Latin American countries.

39 *Five Year Review of the CARIFORUM-EU Economic Partnership Agreement: Joint Working Document* (14 July 2015), pages 3 and 9; posted at https://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154165.pdf

40 Details on these agreements are available online at https://investmentpolicy.unctad.org/international-investment-agreements/countries/89/guyana

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41 Guyana informed ICSID in 1974 that it "would not consider submitting to the jurisdiction of the Centre legal disputes arising directly out of an investment relating to the mineral and other natural resources of Guyana," but then withdrew this notification in 1987.

42 See https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/01/9 and https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/65/booker-v-guyana

43 See *Five Year Review of the CARIFORUM-EU Economic Partnership Agreement: Joint Working Document* (14 July 2015), page 12; posted at https://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154165.pdf

44 Note that the antiduping option is more attractive to larger countries such as Colombia (which imposed 47 orders during 1995-2019), Venezuela (25 orders), and especially Mexico (129 orders).

45 Data summarized from WTO data at https://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByExpCty.xls and https://www.wto.org/english/tratop_e/adp_e/AD_MeasuresByRepMem.xls. All data reported here refer only to the WTO period (*i.e.*, 1995 to the present).

46 Calculated from WTO data at https://www.wto.org/english/tratop_e/dispu_e/dispu_agreements_index_e.htm and https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm. Note that some of the disputes concerned both the AD and the Subsidies and Countervailing Measures agreements.

47 Cases compiled from WTO data at https://www.wto.org/english/tratop_e/adp_e/AD_MeasuresByRepMem.xls and https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

48 For the details of the deals see https://ustr.gov/about-us/policy-offices/press-office/blog/2013/february/Brazilian-US-Spirits-Exchange and https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/january/deputy-us-trade-representative-cj-mahoney-and-bolivian-foreign-minister-karen-longaric-exchange

49 For example, the Canadian firm Corby Spirit and Wine Limited holds a trademark in Australia for Lamb's Demerara Navy Rum; Wood J Company Ltd. of Liverpool does so in New Zealand for the rather lengthy name of Wood's Old Navy Rum Finest Old Demerara Splice The Mainbrace; and in Cambodia a firm known as Signatures of Asia Company Limited owns the trademark to Signature Demerara.

50 The El Dorado name is registered by DDL in Australia, Canada, Chile, Costa Rica, France, Iceland, Indonesia, Italy, Malaysia, Mexico, New Zealand and Singapore.

51 Note that the accounting shown here differs from how the data are aggregated by the Ministry of Finance, which defines the category of "Taxes on International and Trade Transactions" to include only import duties, export duties, and travel taxes.

52 Looking back to Table 6, Guyana has a considerable amount of "water" in its tariffs. For both agricultural and non-agricultural goods, the country's applied tariffs are about one-fifth the level it would be permitted under its WTO bindings. This is not to say that applying at the bound rate, or indeed anything close to it, would serve Guyana's interests; to the contrary, such a huge tax increase on an import-dependent economy would impose crippling costs on both producers and consumers.

53 World Trade Organization, *Trade Policy Review: Report by the Secretariat (Guyana)* WT/TPR/S/320 (2015), page 29.

54 Trade Ordinance (No. 34 of 1958) and the Trade Control of Import & Export Order 1963 (No. 49 of 1963).

55 Paragraph 149J of the Constitution provides that the "State shall protect the environment, for the benefit of present and future generations," though measures designed *inter alia* to "secure sustainable development and use of natural resources while promoting justifiable economic and social development."

56 For further details on this issue see the 2013 technical cooperation document entitled "Guyana – Brazil Land Transport Link And Deep Water Port (GY-T1098)" posted at https://finance.gov.gy/wp-content/uploads/2017/06/pic__guyana_-_brazil_land_transport_link_and_deep_water_port_2-1.pdf

57 The draft bills in the Ministry of Legal Affairs provide that the Permanent Secretary or Director in charge of trade be designated as the authority to investigate and handle suspected dumping or subsidized products. Another alternative under consideration would establish an independent authority or commission that is separate from MoFA.

58 These three standards are more formally classified as ISO 9001:2015, ISO 17025:2017 and ISO/IEC 17020:2012.

59 See for example the data available at http://www.intracen.org/itc/market-info-tools/trade-statistics/ and the services at http://www.intracen.org/itc/market-info-tools/capacity-building/