

## **Working Paper**

# **GUYANA'S PARTICIPATION IN MULTILATERAL AND REGIONAL TRADE NEGOTIATIONS AND THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)**

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## 1. Background

Guyana, with an area of 83,000 square miles (215,000 sq. km) is located on the northern coast of South America and is the only English-speaking country on that continent. Its coastline is approximately 434 km (270 mls) while the depth inland is about 724 km (450 mls). It is bounded on the north by the Atlantic Ocean, on the east by Suriname, on the south and south-west by Brazil and on the west and north-west by Venezuela. The country has a multiracial population, which in 1999 was estimated at about 745,000 or just over three persons per square kilometer. However, because 90 per cent of the population lives in the coastal zone, comprising only about 7.5 per cent of the land area, the concentration on population in this heavily settled area is quite great.<sup>1</sup> The population has remained stable for more than a decade and has even shown signs of decline, due to low birth rate and migration.

Following the abolition of slavery in 1834, thousands of indentured laborers were brought to Guyana to replace the slaves on the sugar cane plantations, primarily from India but also from Portugal and China. The British stopped the practice in 1917. Many of the Afro-Guyanese former slaves moved to the towns and became the majority of the urban population, whereas the Indo-Guyanese remained predominantly rural. Independence was achieved in May 1966 but political developments, both prior to and after independence, have been characterized by sharp divisions between the two major ethnic groups.

### Overview of Guyanese economy, natural resources and climate

#### *GDP composition and movements, major sectors - agriculture, fisheries, mining, forestry*

Guyana's economy is dominated by natural resource based activities. Its main industries are agriculture, fisheries, forestry and mining. The manufacturing sector is largely made up of secondary activities related to natural resources. As will be seen from the following table, more than 50% of GDP is contributed by the natural resource sectors. Further, this does not take into account the service activities that are connected with natural resource exploitation, particularly distribution and transportation.

**Table 1: Guyana - Gross Domestic Product at 1998 Prices, by Industrial Origin (G\$ Million)**

Sector	2000 (projected)	1999	1998	1997
Sugar	960	994	790	854
Rice	225	225	209	210
Livestock	118	111	109	111
Other Agriculture	289	275	272	255
Fishing	148	143	142	146
Forestry	240	226	200	264
Mining & Quarrying	610	591	645	628
Manufacturing	366	350	328	367
Distribution	430	404	439	417

<sup>1</sup> National Development Strategy (2000-2010), *Eradicating Poverty & Unifying Guyana: A Civil Society Document* Georgetown, 2000

Sector	2000 (projected)	1999	1998	1997
Transport & Communications	473	448	439	453
Engineering & Construction	458	424	471	450
Rental of Dwellings	94	87	93	88
Financial Services	317	300	294	285
Other Services	199	191	188	181
Government	663	657	650	651
TOTAL	5,590	5,426	5,270	5,360

### Percentage Composition

Sector	2000 (projected)	1999	1998	1997
Sugar	17.2	18.3	15.0	15.9
Rice	4.0	4.1	4.0	3.9
Livestock	2.1	2.0	2.1	2.1
Other Agriculture	5.2	5.1	5.2	4.8
Fishing	2.6	2.6	2.7	2.7
Forestry	4.3	4.2	3.8	4.9
Mining & Quarrying	10.9	10.9	12.2	11.7
Manufacturing	6.5	6.5	6.2	6.8
Distribution	7.7	7.4	8.3	7.8
Transport & Communications	8.5	8.3	8.3	8.5
Engineering & Construction	8.2	7.8	8.9	8.4
Rental of Dwellings	1.7	1.6	1.8	1.6
Financial Services	5.7	5.5	5.6	5.3
Other Services	3.6	3.5	3.6	3.4
Government	11.9	12.1	12.3	12.1
TOTAL	100	100	100	100

Source: Bureau of Statistics, Guyana

Note: figures may not sum up due to rounding

In the 1980s, Guyana went through a long period of economic depression, from which it is still to recover. During the decade, total and per capita GDP declined at an average annual rate of 3.5 and 3.9 per cent, respectively. By 1990, per capita GNP and GDP were only US\$214 and US\$395, respectively. In the preceding decade (1970-1980), per capita growth rates had been a modest 0.2 per cent.<sup>2</sup> The poor economic performance was due almost entirely to policies of state control and the accompanying shrinkage of the private sector. With the implementation of an IMF/World Bank economic recovery programme in the late 1980s, all major production sectors experienced a revival. Most of the recovery was based on a restoration of existing productive capacity, although some large foreign investments in the gold mining and forestry / wood products industries also played a significant role.

<sup>2</sup> Guyana Human Development Report 1996, p. 24

### *Importance of trade*

The country's exports are similarly dominated by natural resource products. All the main exports are natural resource products. Between 1993 and 1999, they accounted for between 78% and 89% of total domestic exports (see Table 2).

**Table 2: Guyana - Selected Exports (US\$ million)**

Period	Bauxite	Sugar	Rice	Shrimp	Timber	Molasses	Rum	Gold	Total Select. Exports	Total Domestic Exports	Percent Selected Exports
1980	188.0	120.6	34.3	3.1	6.4	4.8	8.0	-	365.2	382.9	95
1985	98.0	65.7	13.2	4.3	4.2	0.5	6.9	4.0	196.8	205.5	96
1990	80.4	79.9	13.7	23.5	4.5	-	10.6	17.7	230.3	250.1	92
1995	82.9	125.5	76.5	3.1	8.3	0.4	3.0	94.7	394.4	496	80
1996	69.8	150.7	93.8	12.6	8.9	0.4	11.5	103.5	451.2	575	78
1997	89.4	133.4	84.7	20.2	44.6	0.7	8.6	139.8	521.4	593	88
1998	78.5	129.0	73.3	18.5	31.0	1.2	6.2	124.0	461.7	547	84
1999	77.2	136.2	71.1	29.2	37.3	0.7	7.5	108.7	467.9	525	89

Source: Bank of Guyana Statistical Bulletins

Exports are led by sugar (which is exported mainly to Europe under preferential arrangements); by itself this accounts for about a quarter of total exports. Other important exports are rice, fish and shrimp, gold, bauxite and timber. The high dependence on commodity exports means that the Guyanese economy is extremely vulnerable to cyclical movements in commodity prices. This is despite the existence of preferential markets for its main agricultural exports, since even these markets are not immune to changes in world prices. In recent years, the prices of most of the commodities that are important to Guyana have been soft or declining (see Table 3). This has had significant effects on the trade balance, on consumption and on private investment. An indication of these effects can be gleaned from the import data. They show that, for the 1997-1999 period, imports of consumer goods, intermediate goods and capital goods all declined. For the same period, total imports declined from US\$628 million to US\$550 million (see Table 4).

**Table 3: Selected World Commodity Prices (1997-1999)**

Commodity	Unit	Source	Annual Average		
			1997	1998	1999
Sugar	US cents/lb.	EU import price	28.28	27.13	26.84
		Caribbean (New York)	11.4	8.92	6.27
		US import price	21.93	22.06	21.14
Rice	US\$/tonne	USA (New Orleans)	475.75	446.34	449.42
		Thailand (Bangkok)	302.72	305.42	248.97
Shrimp	US cents/lb.	US (US Gulf Ports)	6.7	6.45	6.62
Aluminum	US cents/lb.	All Origins (London)	72.54	61.58	61.69
Gold	US\$/fine ounce	UK (London)	331.1	294.2	278.78
		Hardwood Logs	238.21	162.86	187.02
		Hardwood Sawwood	662.33	484.16	601.11
		Softwood Logs	189.13	159.1	163.76

Commodity	Unit	Source	Annual Average		
		Softwood Sawnwood	296.93	279.81	300.35

Source: Guyana Bureau of Statistics, Statistical Bulletin, Sept 2000

**Table 4: Guyana - Balance on Merchandise Trade (US\$ million)**

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Exports f.o.b.	239	381.7	414	463.4	495.7	574.8	593.4	547	358.1
Imports c.i.f.	-244	-442.7	-483.8	-504	-536.5	-595	-627.6	-601.2	-392.8
Trade Balance	-5	-61	-69.8	-40.6	-40.8	-20.2	-34.2	-54.2	-34.7

Another significant feature of Guyana's exports is the extent to which it is dependent on a narrow range of markets. Based on 1999 data, 84% of sugar exports go to the European Community, 49% of rice exports also go to Europe. The decline in export earnings has been heavily influenced by the decline in the Euro. For gold, 95% of exports go to Canada, and forestry is also an exception, with log exports going predominantly to the Asia /Pacific region (93% in 1997) and the balance to Latin America, the Caribbean and North America. Sawn timber and plywood exports are mainly to Latin America, the Caribbean, Europe and North America.

**Table 5: Guyana - Destination of Exports (G\$ Million, 1995–2000)**

	Values					
	1995	1996	1997	1998	1999	2000
US	117	118	119	141	133	146
Canada	125	150	142	137	129	135
EU	173	201	192	146	182	173
CARICOM	18	37	43	57	52	66
Other	75	75	91	101	105	130
Total	508	581	587	582	601	650
	Percentages					
<i>US</i>	<i>23.0</i>	<i>20.3</i>	<i>20.3</i>	<i>24.2</i>	<i>22.1</i>	<i>22.5</i>
<i>Canada</i>	<i>24.6</i>	<i>25.8</i>	<i>24.2</i>	<i>23.5</i>	<i>21.5</i>	<i>20.8</i>
<i>EU</i>	<i>34.1</i>	<i>34.6</i>	<i>32.7</i>	<i>25.1</i>	<i>30.3</i>	<i>26.6</i>
<i>CARICOM</i>	<i>3.5</i>	<i>6.4</i>	<i>7.3</i>	<i>9.8</i>	<i>8.7</i>	<i>10.2</i>
<i>Other</i>	<i>14.8</i>	<i>12.9</i>	<i>15.5</i>	<i>17.4</i>	<i>17.5</i>	<i>20.0</i>

Source: IMF, *Direction of Trade*

High trade dependency on a few trading partners clearly opens the economy to risks associated with changes in trade policy and economic conditions within the importing countries. In Guyana's case, two of the commodities that are heavily dependent on the European market -- sugar and rice -- are among the most heavily administered products in the world, particularly in Europe. The fact is too that the preferential access arrangements for these products are totally bound up with the support arrangements in the EU, for that reason, administrative decisions have a greater effect on export earnings than do market forces. The fortunes of the rice industry in recent years have been determined largely by changes in the EU quota arrangements.

## *Agriculture*

Guyana's agricultural sector is dominated by sugar (cane) and rice production, which together comprise more than 50% of total agricultural output. In 1998, exports of sugar and rice were valued at US\$130 million and US\$74 million, respectively. Both depend on preferential marketing arrangements (sugar more so than rice) in Europe. Rice export markets are more diversified and the Caribbean Community (CARICOM) market is very significant in this regard.

Despite the conclusion in 2000 of the ACP/EU Cotonou Agreement (which supposedly provides for stable market access arrangements during the "preparatory period") the EU has been moving swiftly to implement measures that will significantly erode the margin of preference currently enjoyed by many ACP exporters. One such measure is the grant of duty free access to all Least Developed countries (LDC), a group to which no CARICOM country except Haiti belongs.<sup>3</sup> This would mean that low cost rice producers, such as Myanmar, would be in a position to out compete ACP producers on the EU market. Plans are also in train for the reform of the EU rice regime, which would have the effect of increasing import duties faced by ACP exporters (Guyana and Suriname) as well as other countries. More importantly, rice imports from the ACP are limited by quota, while presumably imports from LDCs will eventually be quota-free. Taken together, the LDC initiative and the rice regime reforms could have negative implications for ACP rice exports to the EU. Guyana expects reforms to the EU sugar regime to proceed much more slowly, given the fact that placing sugar under the same type of regime that applies to other EU-supported products would have negative effects on the EU budget, but could similarly lead to competition for Caribbean sugar. In addition, the EU has been adjusting its agricultural support policies by way of reducing MFN tariffs, lowering intervention prices and increasing its direct payments to farmers. For cereals, this has meant lower internal prices, which harm Guyana's rice exports.

Although other crops and livestock make up a significant part of total output, production of those items is fragmented. The most important "other crop" is coconuts -- produced mainly for edible oil. Livestock production consists mainly of cattle (beef and milk) and poultry (whole chicken and eggs). There are small exports of fruit and vegetables, amounting to less than US\$0.5 million annually, but most output is for domestic consumption. The other significant food export category is fisheries (shrimp and fish), which comprises 10% of agricultural output, with average exports of US\$20 million annually. Processed agricultural products (other than rice and sugar) have begun to fare better than fresh produce exports and in 1999 were valued at US\$3.5 million. Guyana does not provide subsidies for its agriculture (apart from general services) and has no Aggregate Measure of Support in its WTO Schedule.

Following the liberalization of the economy in the early 1990s, there was a surge in food imports, with the value of some major categories increasing by three to six times or more in the 1991-1994 period. The main import items are meat (mainly poultry) (7%), dairy products (milk and cheese) (22%), wheat (10%), cereal preparations (10%) and animal feedstuffs (10%). The value of imports in 1994 was US\$45.5 million while in 1997 it was US\$72.6 million. There has been no noticeable change in the composition of food imports during the 1994-1997 period.

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<sup>3</sup> Under the plan, duty free access for "sensitive" commodities (sugar, rice and bananas) would be delayed for three years. It is important to note that the term "sensitive" refers to European producers (who produce all three products) and **not** to ACP exporters.

## Sugar

Sugar has been produced in Guyana since the 17<sup>th</sup> century and, apart from being the most significant employer of labour and generator of foreign exchange (its revenues account for 25% of GDP) plays an important role in the provision of social services. The bulk of sugar exports enter the European Union under the ACP Sugar Protocol (SP) as well as an arrangement known as Special Preferential Sugars (SPS). Of total exports of US\$136,219 million in 1997, exports to the EU accounted for 90%, with the rest going to the USA, under that country's Sugar Agreement for Caribbean Basin countries, and to CARICOM.

**Table 6: Guyana - Sugar Sales by Destination (1990-1997) ('000 tonnes)**

	1990	1991	1992	1993	1994	1995	1996	1997
EU - Protocol	128	145	191	165	153	140	170	176
EU - SPS						26	44	27
US Quota			28	11	14	5	21	23
CARICOM	6	9	18	68	88	57	27	20
Domestic		14	18	11	10	29	25	36
Guyana - Sugar Sales by Destination - 1990-1997 - '000 US\$								
	1990	1991	1992	1993	1994	1995	1996	1997
EU - Protocol	75,214	79,208	122,230	98,598	105,216	93,376	109,952	107,005
EU - SPS						14,433	23,770	13,883
US Quota			12,660	5,106	6,561	2,622	10,126	10,941
CARICOM	1,498	1,598	3,204	13,662	21,437	15,516	6,376	4,590
Domestic		4,940	6,969	4,235	3,657	10,222	8,677	2,480

The high level of dependence on a single market for such an important industry is certainly an issue that needs to be addressed in the medium to long term. On the other hand, the sugar arrangements with the EU have provided the industry with considerable stability and at prices substantially above world market. While the industry has on-going plans for the complete rehabilitation of the industry to enable to it become internationally competitive, the immediate concern is with the continuation of the Sugar Protocol arrangement.

The EU sought a waiver from the WTO in 2000 for the trade arrangements under its new Partnership Agreement with the ACP. The Sugar Protocol is annexed to that Agreement. The process was severely delayed because of concerns that the US had in relation to bananas, but the waiver was finally approved at the Doha Ministerial Meeting, November 2001.

There remain several pressures that may result in an erosion of the value of sugar preferences, including the reform of the EU sugar regime, the renegotiation of the Special Preferential Sugars (which will now include several additional countries, resulting in a loss of quota for Guyana), the EBA (which has transferred some of the SPS quota to the LDCs), limitations imposed on the EU agricultural budget by Agenda 2000<sup>4</sup>, and the EU's agricultural support reduction commitments under the WTO.

Sugar is probably the most regulated and supported industry in the world. Even large-scale producers such as Australia and Brazil provide some sort of support to their sugar industries. In 1999, world sugar

<sup>4</sup> Agenda 2000 is the EU framework for the reform of the CAP. While the current framework is silent on the sugar regime, some analysts are of the view that the budget limitations will in fact impinge on sugar.

prices dropped to historically low levels. Several countries, in response to continued low prices, may be considering more restrictive trade measures in order to protect their domestic industries from more competitively priced world supplies. Producer Subsidy Equivalents (PSEs) for sugar remain among the highest for any commodity, reinforced by the fact that countries have juggled their WTO commitments by shifting their supports from less sensitive to more sensitive products, such as sugar. The result is that the world market has become further depressed, making it even harder for competitive and potentially competitive producers to operate profitably on that market. On the other hand, small sugar producers are faced with the possibility of steep preference erosion. If the WTO agriculture negotiations are to be successful, they must begin to grapple with the asymmetric implementation of reduction commitments, primarily by developed countries while providing small developing countries with the means by which they can eventually compete on a level playing field.

The possibility of achieving international competitiveness in sugar is a heavily debated topic. Guyana is the lowest cost sugar producer in CARICOM and has indeed been able to benefit from taking up the quota shortfalls of other producers, such as Barbados. The "indefinite duration" of the Sugar Protocol has been one of the lynchpins on which policy rests. The EU has shown no real signs of moving towards the reform of its sugar regime and neither has the US. It is perfectly possible that, as part of the WTO and FTAA negotiations, there will be special regimes for commodities such as sugar and rice. Several proposals to the WTO during the current agriculture negotiations have advocated commodity-specific negotiations in certain areas. Guyana's official policy is that sugar industry should be given sufficient breathing space, in the multilateral context, to allow it to achieve international competitiveness, and it has therefore not considered the risk and costs of reform to the sugar regime.

### *Rice*

Rice is the second most important agricultural activity in Guyana, employing approximately 15,000 households. Prior to the reforms of the early 1990s, there were severe government controls on all aspects of the industry, including ownership of all the major mills, administered producer prices, rationing of foreign inputs, internal restrictions on marketing and state trading export operations. The removal of these many debilitating restrictions was responsible for the production upsurge in during most of the last decade. Total production in 1997 was 342,000 tonnes and exports were valued at US\$86 million. More than 75% of output is exported. Rice is exported to Europe under a quota arrangement for ACP producers. Only Guyana and neighbouring Suriname traditionally supply the EU market under this arrangement. The quota is for 145,000 tonnes (125,000 tonnes of semi-milled rice and 20,000 tons of white broken) and attracts a levy of 35% of the MFN rate. In addition, in the early 1990s, a new arrangement was provided by the EU for its "overseas countries and territories" (OCTs) whereby rice that was partially milled in those territories would enter the EU free of duty and in unrestricted amounts. Guyanese producers took advantage of this arrangement and as a result, almost the entire output was shipped to the EU via the OCTs during 1994 and 1995 (see table below). However, following complaints from southern European producers, the EU in 1996 instituted safeguard measures that limited the OCT exports to 35,000 tonnes. During the high point of OCT sales, the CARICOM market was almost totally abandoned. Exporters therefore had to backtrack in an attempt to recapture the CARICOM market. In the process, additional markets were found in the wider Caribbean, Central America and Africa. Today, the CARICOM market (Jamaica in particular) remains the most important market for Guyana's rice. Nevertheless, the EU market is still highly significant and, as mentioned above, policy changes being contemplated by the European Commission could have severe impacts on both access and revenues.

**Table 7: Guyana: Rice Exports to the EU - 1993-1999 - Tonnes**

	1993	1994	1995	1996	1997	1998	1999
Total Exports	124,089	182,586	200,543	262,265	285,051	249,757	
EU Exports	101,645	170,690	196,321	236,041	140,388	120,436	146,564
Direct Route	48,891	65,720	1,968	1,577	79,249	97,993	121,806
OCT Route	52,754	104,970	194,353	234,464	61,139	22,443	24,758
EU as % of Total	81.9	93.5	97.9	90.0	49.3	48.2	

Currently, the most important issue concerns the impact of deliveries of United States "PL480" rice on Guyana's share of the Jamaican market. In 1999, PL480 rice deliveries to Jamaica surged to more than 34,000 tonnes, from 13,180 tonnes in 1998, thereby taking up more than 45% of that market. It should be noted that, coming under a food aid programme, PL480 commodities do not attract the CARICOM Common External Tariff (CET) of 20%. In addition, in December 1999, the US approved the purchase of paddy (rough rice) as part of the arrangement, where previously, only finished rice was included. This meant that, for a given dollar value of assistance, the quantity of finished rice entering the Jamaican market increased markedly. US rice producers rejoiced at this action by their government, noting that it would "help restore Jamaica to its former status as a sizable export market for US rice."<sup>5</sup> There is little that can be done about the situation but to negotiate with the Jamaican government on the possibility of substituting other commodities for a portion of their PL480 allocation. Talks have taken place at governmental levels and it is expected that some modifications to Jamaica's PL480 programme will take place in the medium term. This development does, however, raise the general issue of the impact of food aid on competing sectors in developing countries. While much of this debate has focused on the direct impact of food aid on the countries to which it is delivered, not much attention has been paid to similar impacts on countries that service these markets. It raises too the question of whether food aid ought properly to disrupt normal commercial supplies, particularly from developing countries. Project-type food aid programmes, as opposed to direct food aid programmes (such as food-for-work), can only operate by first intervening in the marketplace. The nature of this intervention should therefore be carefully studied since it has the capacity to alter both domestic and international trade patterns. Added to this is the fact that the commodities involved are often produced under subsidy, further depressing the ability of poor country exporters to compete in those markets. Combined with the other market interventions by the US and EU in Guyana's principal exports, it reinforces the perception that policies, not markets determine its trade access.

### *Forestry*

Forestry contributes a bit more than 4% to Guyana's GDP, but this seemingly low percentage conceals the fact that Guyana's forest resources are probably its most important economic asset. Nearly 165,000 km<sup>2</sup> or 75% of the country's land area is covered by natural vegetation. Apart from the huge biodiversity that this represents, the forests play an important role in watershed protection. Water conservancies have been established for the supply of irrigation water upon which the agricultural industry is dependent. Watersheds that supply these conservancies are mostly white sand areas where much of the forest cover has been lost due to bauxite mining, agriculture and the intensive harvesting of fuelwood. Annual flooding of low lying coastal areas is a frequent problem attributed in part to this forest clearance. The biodiversity of the forests has been the subject of a number of surveys and

<sup>5</sup> Delta Farm Press, "USDA Okays Rice Sales" vol. 56, no. 48, December 3, 1999.

<http://www.homefarm.com/archives/1999/dfp/991206.htm>

studies, mostly by foreign universities and institutions. The Smithsonian Institute which has co-operated with Government in the establishment of a Biodiversity centre in Guyana, has conducted systematic studies of the flora and fauna. A National Biodiversity Strategy has been approved by Cabinet, which establishes national regulations governing the prospecting of biological and genetic resources and protects intellectual property, particularly of the indigenous Amerindian people.<sup>6</sup>

Guyana's forestry industry has increasingly come under pressure from environmental groups in the North. The need to develop a national certification scheme for exports has therefore been one of the most significant aspects of forestry policy in recent times. Forestry certification is a relatively new concept and is part of a general trend towards defining and monitoring standards for environmental and social improvements in natural resource management. It is a voluntary procedure involving a certifier (who is a third-party inspector) giving a forest enterprise a written assurance that the quality of the forest management practiced by the enterprise conforms to specified standards.<sup>7</sup> Certification is often accompanied by a verification of the 'chain of custody' of the products that come from certified forests, together with the labeling of those products - so that they can be proven not to have been mixed with, or substituted by, products from other forests. The move towards national certification is now established policy, consultations have been held with various stakeholders and the concept has received approval from the Guyana Forest Products Association (FPA).<sup>8</sup> The decision to adopt forestry certification seems to have been driven mainly by commercial considerations but it should be emphasized that the Guyana Forestry Commission has made frequent public statements on instances of unsatisfactory forest management practices and therefore welcomes certification as a means of strengthening its hand.<sup>9</sup>

It should be noted that, like fisheries, forestry is not one of the sectors covered by the WTO Agreement on Agriculture (AoA). Whether Guyana has an objective interest in having forestry included in a revised AoA is not clear but it would seem better to have multilateral disciplines that would ensure that some degree of harmonization and mutual recognition of certification schemes if only to rule out the possibility of their arbitrary use. Bringing forest certification into the WTO framework may also help to address the concerns of some environmental lobbies on the possible negative impacts of greater liberalization of trade in forest products<sup>10</sup>, but there are legal difficulties in protecting particular forms of production under WTO rules (which normally look only at the product traded, not how it is produced).

The Iwokrama Rain Forest Programme is an international programme, launched in 1990 and based on 360,000 hectares of virgin rainforest donated by the Guyana government. It is considered to be the world's largest programme linking conservation and development. The idea was first raised by the then President of Guyana at a meeting of the Commonwealth heads of government in Malaysia in 1989. Iwokrama seeks to address a number of global thematic concerns about the international environment and therefore includes in its scope issues of biodiversity, resource conservation, forestry management,

<sup>6</sup> Guyana Forestry Commission - "Forest Resources" at <http://www.sdn.org.gy/forestry/resources.html>

<sup>7</sup> European Forestry Institute, Certification Information Service (CIS) - <http://www.efi.fi/cis/english/background/faq.html#1>

<sup>8</sup> "National forestry standard could borrow from foreign best practices - *Williams*" in *Stabroek News* - Sunday March 18, 2001

<sup>9</sup> see Guyana Forest Commission, National Workshop On Forest Certification, Georgetown, 10 – 13 July 2000  
<http://www.sdn.org.gy/forestry/workshop.doc>

<sup>10</sup> a discussion on the environmental and other implications of trade liberalization in forest products is contained in World Resources Institute (WRI) "TREE TRADE Liberalization of International Commerce in Forest Products: Risks and Opportunities" (1999) - <http://www.wri.org/forests/tretrade.html>

protection of the rights of indigenous peoples (including intellectual property), poverty alleviation etc. The issue of sustainable forest management is high on the programme's agenda, particularly in light of the boycotts being mounted by several Northern conservationist groups against exports of unsustainably harvested forest products. Guyana has been the target of some of these boycotts.<sup>11</sup> The programme now indicates that it will be exploring "business partnerships and investment possibilities", particularly in the area of carbon sequestration, noting that several Central American countries have benefited from such projects.<sup>12</sup> However, following the UNFCCC meeting in Marrakech in late 2001, forest conservation (or avoided deforestation) has been excluded, at least for the first commitment period, from the Clean Development Mechanism (SDM) of the Kyoto Protocol, so forestry investment possibilities under the CDM are limited to planted trees.

### *Fisheries*

The fishing industry is an important component of Guyana's economy, which does not always receive the recognition it reserves. In fact, shrimp and fin fish production (apart from the related processing activities) contribute about 3% to GDP. The industry embraces both large and small scale activities and is therefore an important contributor to social stability and economic diversification. In addition, fish is the major source of animal protein in Guyana, estimated at 35.6 kg, or more than twice the world average of 14 kilograms per year.<sup>13</sup>

More than 10,000 jobs depend directly on fisheries and many more people benefit indirectly from fishing-related occupations, such as boat building, fishing gear and supplies, and repairs. In addition, significant numbers work in processing, distributing, and selling fish and fish products in domestic markets including a high proportion of women who engage in processing, distribution and retail. Much of the output from the fish-based cottage industries (salted, smoked and dried fish and shrimp etc.) goes to CARICOM countries and to West Indian communities in North America.

Aquaculture, both coastal "brackish water" and inland activities, are growing in importance. Recently, there has been a fairly large aquaculture investment and the government also inaugurated a training and demonstration centre. Government policy regards aquaculture as a means of not only increasing the supply of seafood but of helping to conserve the marine resources, some of which are under pressure.

The Fisheries Department of the Ministry of Fisheries, Crops & Livestock, is responsible for licencing and inspection of all fish plants. The Department is in the process of improving its capacity to adequately monitor the entire fish processing industry. Recently, there have been official efforts at improving the standards of seafood processing, particularly for export. This has been driven mainly by the requirements of external markets. Guyana exports a considerable portion of its seafood to the USA and that country's authorities have for some years indicated that the local industry must move towards meeting compulsory HACCP<sup>14</sup> standards. The system involves a considerable amount of record-keeping and its adoption requires fundamental changes in the way in which processors operate. The USA has imposed a requirement for the use of turtle excluder devices (TEDs), with which Guyana complies. This has been done under a 1989 law (Section 609 of PL 101-162) intended to extend the

<sup>11</sup> Guyana Human Development Report, 1996, p. 22

<sup>12</sup> "Iwokrama Expected to be Self-sufficient by 2007" in *Stabroek News*, March 18, 2001

<sup>13</sup> see FAO Fishery Country Profile for Guyana, dated January 2000, at <http://www.fao.org/fi/fcp/guyanae.asp>

<sup>14</sup> Hazard Analysis Critical Control Points -- a preventive system for ensuring food safety and involves identifying the points within the production process where significant hazards are likely to occur, and the preventative measures associated with each control point.

protection given to sea turtles under US regulations to other areas these turtles inhabit throughout the Gulf of Mexico, Caribbean, and western central Atlantic (the wider Caribbean) and that would ban the import of shrimp from any country not taking adequate measures to conserve sea turtles in commercial shrimp fisheries.<sup>15</sup> It must, however, be noted that Guyana temporarily lost its TED certification during 2000.

Another example of the way in which trade has affected domestic policy in fisheries is in respect of exports to the EU.<sup>16</sup> Guyana does not have EU certification for seafood exports and is currently attempting to obtain same. In fact, among CARICOM countries, only Jamaica currently has access to that market. There has been a CEPEC<sup>17</sup>-assisted programme aimed at achieving EU certification, and this involves the revision of legislation that would provide for quality control for fish products, as well as testing facilities and certification body, which approves each shipment. This means that the quality control systems to be set up will apply not only to exports but also to domestically consumed products, thus providing a benefit for local consumers.

The Guyanese fisheries sector is usually characterized in somewhat dualistic terms. The large-scale industrial fishery consists of 125 trawlers, five fish and shrimp processing plants and several wharves and dry docking facilities. It is primarily export-oriented, has been the target of foreign investment for some time and there is more than 50% foreign ownership. The main target species is prawns (*Penaeus* spp.) with finfish as by-catch, while locally owned trawlers mainly exploit a smaller shrimp ("seabob"; *Xiphopenaeus* sp.) and finfish. Transshipment at sea is prohibited by law, although it is widely suspected to occur on a significant scale. This regulation was intended to ensure that a portion of revenues generated by the industry is captured by government. With the liberalization of the foreign exchange market, however, there has been less attention paid to this factor, since there is now less incentive for operators to cheat the system.

Trawlers catching prawns take on board finfish as by-catch, and the prawn trawlers are required to land at least 15 t of by-catch each year (to ensure that they are not dumping excessive quantities at sea). However, dumping of by-catch at sea is still a widespread practice. This is especially damaging to the stocks when the by-catch includes a significant portion of juvenile fish. Some trawlers, especially those that fish for seabob, target finfish when seabob is not in abundance. While the stress on the prawn resource has been evident for a number of years, seabobs too are now being more fully exploited, and several new seabob processing plants have been opened. The seabob/finfish trawlers have been operating increasingly close to shore, and this has produced a greater incidence of conflicts between the industrial and artisanal fisheries.

The artisanal or small-scale fishery consists of approximately 1,300 vessels ranging in size from 6 to 18 m, propelled by sails, outboard or inboard engines, and using a variety of gear. There are about 4 500 small-scale fishers. This sector experienced growth until 1992 after which the trend appears to have leveled off. Besides friction with the industrial fishery, there are increasing complaints by some fishermen that they have to spend longer periods at sea, use longer nets, and fish further from shore to maintain their catch. There has been a considerable amount of developmental work aimed at the artisanal fisheries. Thirteen cooperatives exist and have been supported through the construction of landing, storage and other facilities.

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<sup>15</sup> See the Mandala Projects page - <http://www.american.edu/TED/TEDS.HTM>

<sup>16</sup> The European Union's seafood import requirements are set out in Directive EEC493.

<sup>17</sup> Caribbean Regional Human Resource Development Programme for Economic Competitiveness (CEPEC)

According to FAO<sup>18</sup>, some of the demersal (non-migratory) species are showing clear signs of overexploitation, particularly prawns and sharks. At the same time, some deep slope demersal species and pelagic species are under exploited, in spite of their great potential. From a commercial viewpoint, the most important stocks may be the cross-boundary species. Harvesting these stocks and ensuring that they are exploited in a sustainable manner will require joint initiatives with Suriname, French Guiana and Brazil.<sup>19</sup>

As can be observed from the above, issues of resource management and conservation are of great importance in Guyana's fisheries, as they are the world over. Since 1991, Guyana has been part of the CARICOM Fisheries Resource & Management Programme (CFRAMP).<sup>20</sup> The programme, which has been mainly funded by CIDA and more recently by the EU, has the objective of promoting the management and conservation of the fishery resources of CARICOM countries to permit the exploitation of these resources on the basis of sustainable yield. This is being done by enhancing the basic information and institutional capacities of participating countries. Its activities have included training, preparation of fisheries management plans, and community-based activities (aimed mainly at small scale fisheries). CFRAMP is shortly to be converted into a permanent Caribbean Regional Fisheries Mechanism, which will be open to non-CARICOM countries.

The fisheries sector provides a good example of the nexus among environmental management, trade and poverty reduction strategies. Unlike forestry and mining, much of the fisheries resource is accessible to the majority of the population with the minimum of capital outlay. The conflicts between large and small scale fisheries operators, while not deep and pervasive, underline the need for support mechanisms that ensure some degree of equity in access to resources. The pressure on in-shore resources, which are exploited mainly by small-scale operators, reveals the need for adequate economic alternatives for the poor. Finally, the extent to which export opportunities for seafood are conditioned by policies in developed countries, reveals the institutional constraints under which developing countries operate (new legislation, enforcement measures and attendant costs) as well as the benefits which can accrue to consumers and other groups (such as improved food safety).

## *Mining*

The mining sector makes a considerable contribution to Guyana's economy, is the largest contributor to export earnings and employs between 15,000 and 20,000 persons. In addition to its well-known deposits of gold, diamonds and bauxite, Guyana's mineral heritage includes occurrences of industrial minerals such as kaolin, silica sand, soapstone, kyanite, feldspar, mica, ilmenite, columbite-tantalite, and manganese; base metals such as copper, lead, zinc, molybdenite, tungsten, and nickel; ferrous metals, of which iron as magnetite and laterite is the main type; uranium; and semi-precious stones such as amethyst, green quartz, black pearl, agate and jasper.<sup>21</sup> Nevertheless, most of the focus of developmental activity has been on the three major mining industries.

Gold was first produced almost exclusively from alluvial deposits, using hand mining methods. The industry has since become considerably mechanized and this is epitomized by the activities of the largest operation (Omai Gold Mines Ltd.) which carries out open pit mining and which produces

<sup>18</sup> see <http://www.fao.org/fi/fcp/guyanae.asp>

<sup>19</sup> *ibid*

<sup>20</sup> see <http://www.caricom-fisheries.com/cframp.htm>

<sup>21</sup> Guyana - National Development Strategy, 2000, section 16.1.2

approximately one quarter of the country's total output of 410,000 ounces per year. There is, in addition, a whole range of small and medium-scale operations utilizing a variety of methods such as dredges. The declining prices of gold in recent years has considerably affected the profitability of the industry. As pointed out in an earlier section, there are several environmental problems associated with the gold mining industry. In addition, as with forestry, the administration of gold mining claims has been the subject of much controversy among the indigenous Amerindian communities who complain of encroachment on their traditional lands, the lack of consultation in the grant of claims, and social disruption.

Diamonds were first reported in the 1880s and by the 1920s, over 200,000 carats were being declared annually. The diamond sector has been on the decline since the early 1970s and in recent years, annual declarations have only been about 35,000 carats. The relative remoteness and inaccessibility of the diamond fields, together with small stone size and value, has rendered most of this resource sub-economic.

Possibly the most controversial of the mining industries is bauxite. First produced in 1917, the industry grew under North American ownership and created around it a considerable social infrastructure, most notably in the town of Linden. The industry was nationalized in 1970s and, after a period of increased production that lasted for about ten years, went into steep decline. Private management was re-introduced into the industry in the mid 1980s. Successive governments have also attempted to re-privatize the industry but with little success. The social impact of the decline in the bauxite industry has been considerable, particularly so for the surrounding communities. This mirrors the experience of many communities world-wide that had become dependent on a single industry that has since declined. Some parts of the industry have had to resort to subventions from the government. Government has also taken the position that the bauxite communities will be treated specially in terms of investment incentives, as a means of diversifying the local economies. Guyana produces both metallurgical and refractory grade bauxite, with the bulk of production being in the latter category. The industry is therefore more diversified than those of other major producing countries, most of whom depend mainly on metallurgical grade ore.

Whatever the internal managerial policy-related problems might have been, a major contributor to the decline in the industry has been structural changes in world market for the industry's products. Under the ACP/EU Lomé Conventions, Guyana benefited from SYSMIN, a programme that was designed to protect the mining export earnings of ACP countries from the effects of fluctuations in the market or the vicissitudes of production.<sup>22</sup> SYSMIN was not, however, incorporated into the new Cotonou Agreement.

There were several SYSMIN projects implemented in the late 1980s to early 1990s, with the assistance of other donors, for the rehabilitation of the bauxite industry. According to an evaluation, the projects suffered, among other things, from bureaucratic delays by the European Commission in disbursement of funds and the tying of equipment procurement to EU sources. As a result, the projects did not meet their stated objectives of increased production, cost reduction, privatization and improved environmental management. Local factors, such as emigration of skilled personnel, low concentration of ore deposits and loss of consumer confidence also played a part.<sup>23</sup>

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<sup>22</sup> ECU-Note: SYSMIN - <http://www.ecu-notes.org/atoz997/sysmin.html>

<sup>23</sup> European Commission, EuropeAid - Evaluation of the Rehabilitation of the Bauxite Industry in Guyana - 951339, June 1998 - [http://europa.eu.int/comm/europeaid/evaluation/evinfo/acp/951339\\_ev.html](http://europa.eu.int/comm/europeaid/evaluation/evinfo/acp/951339_ev.html)

There is a large body of opinion supporting the view that the bauxite industry can be rehabilitated, either under present ownership or on a private basis, provided that adequate incentives are given. The National Development Strategy (2000-2010) recommends that the industry should be supported for a further ten years in the form of government guaranteed loans, further efforts to privatize the industry by inviting major multinationals to engage in joint ventures, provision of fiscal various incentives, together with actions to diversify the local economies.

The mining industry as a whole, and the bauxite industry in particular, represents a stark case of natural resource dependency. The trade dimensions of the mining industry are such that there is little control over prices or export earnings, since there is little if any product differentiation to be exploited. The environmental dimensions are equally stark. While efforts have been made by government to improve environmental management, enforcement capacity remains weak. In terms of poverty reduction, the sector has an important, if not long-run role to play, given its many labour-intensive aspects.

### *Manufacturing and Services*

If sugar and rice processing are excluded, the manufacturing sector, which includes electricity, gas and water, accounted for less than 7% of GDP for the 1996-1999 period.<sup>24</sup> Unlike several of its sister CARICOM states, Guyana has been unable to develop a vibrant manufacturing industry, either based on domestic or imported raw material. The reasons for this are varied, and many have to do with previous policies of state control that penalized both the manufacturing and trading sectors. The absence of any significant downstream processing based on the sugar and rice industries can be ascribed directly to the EU preferential trading arrangements, both of which discourage the export of value added products.

Successive governments have not shown much appetite for encouraging manufacturing based on imported raw materials, and there is an absence of the export processing zones that are so prevalent in other developing countries. Other factors that militate against manufacturing are the high cost of energy and external transportation. Both air and marine transportation links to Guyana are somewhat underdeveloped. Manufacturers often complain about the uncertainty and high cost of air freight space. Small manufacturers also find it difficult to ship in less than container loads. There are also difficulties with respect to bulk loading facilities.

The National Development Strategy (2000-2010) quotes a study that found that, compared to Jamaica, St. Lucia and Grenada, Guyana had the least competitive manufacturing industry, despite the fact that its wage rates are the lowest.

The service sector is mainly of the traditional type - banking, insurance, and distribution. Tourism, which was once officially discouraged, is now being developed as a "small footprint" hinterland-based activity. The potential for tourism is large, but will depend on several factors, not least of which is government's financial commitment to its promotion. There is an organization of hotel and tour operators, which has been lobbying government on the establishment of a tourism board among other facilities. Assistance has also been received from the OAS in developing a tourism plan.

Much of the debate over tourism centres on the preparedness of Guyana to receive visitors. At present, the composition of visitors is heavily weighted towards business visitors and vacationing overseas-

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<sup>24</sup> Ram, Christopher "The Manufacturing Sector - is there hope?" Business Page in *Stabroek News*, Sunday March 18, 2001

based Guyanese. Neighbouring Suriname, with much the same ambiance and physical features, has made significantly more advances in nature-based tourism. Other CARICOM countries, which have promoted tourism intensively for several decades, have a very different type of tourism product and their experiences may not be altogether transferable. Guyana is a member of the Caribbean Tourism Organization (CTO) and the government has voiced some concern about the level of support being obtained from that source. (Some observers are of the view that government does not sufficiently grasp the benefits of tourism.) There is not a great deal of concrete evidence that the government gives weight to tourism promotion and this has led to some criticism from the industry. The extent to which tourism takes its place as a major export (albeit "invisible") will depend on the speed with which certain key decisions are made at the official level on investments needed to support the sector. It should be noted that, as part of Guyana's draft Poverty Reduction Strategy Paper under the HIPC initiative, the creation of a tourism board is listed as a priority.

Other service sectors include banking (and near-banking), insurance, information technology, distribution, transportation (internal and shipping), and public utilities (electricity, telephone, water). The banking and insurance sectors are very traditional and offer an undiversified range of services. Information technology services are not well developed and are mainly confined to internet service provision. There is also a large informal sector of small traders, whose activities are often frowned upon in official circles.

## Poverty indicators

Poverty indicators are a very sensitive matter in Guyana and various institutions have attempted to measure poverty in one way or the other. The most recent survey, the Household Income & Expenditure Survey (1999) indicates that 36.4 per cent of the population lives in absolute poverty and that 19.1 per cent live in a state of critical poverty.<sup>25</sup>

Another useful poverty indicator is the UNDP Human Development Index. Guyana's Human Development Report (1996)<sup>26</sup> noted that the global HDR gave the country an HDI index of 0.633 on a scale of 0-1 based on 1993 data. This resulted in a ranking of 103 from a list of 174 countries world-wide. Compared with the other 13 CARICOM countries, Guyana came in the lowest in HDI rankings. In relation to poverty indices, the data also showed that Guyana had the highest poverty head count, largest poverty gap and worst poverty severity indices in CARICOM.

**Table 8: Poverty Indices: Selected Countries**

Country	Head Count	Index Poverty Gap	FGT (Poverty Severity)
Belize	35	13	6
Guyana	43	16	8
Jamaica	34	11	4
St Lucia	25	7	4
Trinidad & Tobago	11	7	4
Antigua-Barbuda	12	N.A.	N.A.
Bahamas	5	N.A.	N.A.
Barbados	8	N.A.	N.A.
Dominica	33	N.A.	N.A.

<sup>25</sup> Quoted in National Development Strategy (2001-2010) p 331

<sup>26</sup> Human Development Report 1996, Government of Guyana and United Nations Development Programme (UNDP) in Guyana, 1997, ISBN 976-8056-30-4. Also available at <http://www.sdn.org.gy/ghdr/index.html>

Country	Head Count	Index Poverty Gap	FGT (Poverty Severity)
Grenada	20	N.A.	N.A.
St Kitts-Nevis	15	N.A.	N.A.
St Vincent & The Grenadines	17	N.A.	N.A.
Suriname	47	N.A.	N.A.
Note: (1) The first five countries are based on standard World Bank regional measures, calculated from a 2400 K Cal food basket. (2) N.A: not available. Source: World Bank, Guyana, 1994, World Bank, Jamaica 1994, IADB Pilot Mission, Trinidad & Tobago, 1994, E. Green 1994 and World Bank ...Vol. II, Table 13.			

Source: Guyana Human Development Report - Box 1.1, Table 3, p. 11

In the 2000 HDR, however, Guyana receives a ranking of 96, an improvement in its overall HDI standing, but still ranking lower than any other CARICOM country except Haiti, which had joined CARICOM.

There are several dimensions to poverty in Guyana and these relate to location (hinterland populations tend to be isolated from economic services), a history of low and/or negative economic growth (despite more recent upsurges as a result of macro-economic reforms), a legacy of poor management of public infrastructure, limited opportunities for small and micro businesses, limited safety nets, among others. Recent public policy in this area has tended to emphasize investments in health and education along with land distribution for housing and agriculture. There has also been considerable expenditure on public infrastructure (roads, drainage & irrigation, sea defences etc.) all of which contribute to improving private productive capacity. With some noteworthy exceptions, there have been few programmes in support of micro-enterprises other than in the agricultural sector.

The Social Impact Eradication Programme (SIMAP) commenced at the time of the economic recovery programme of the late 1990s, with the objective of providing a social safety net to accompany structural adjustment. The programme has delivered a range of mainly small scale infrastructure rehabilitation and construction services (roads, schools, health centres etc.) as well as food supplementation, medical supplies and the like. In addition to SIMAP, Government has prioritized expenditure in the social sectors (health and education) as part of its overall poverty reduction strategy.

Under the HIPC initiative, Government has received considerable debt relief, which is to be committed to poverty reduction initiatives. Currently, a Poverty Reduction Strategy Paper is being crafted, which will set the ground rules and map out specific areas for intervention.

## Natural Resource, Environmental and Climate indicators

Guyana's National Development Strategy<sup>27</sup> notes that, for several reasons, the country is especially vulnerable to environmental pressures. Among them are the fact that 75% of the country is covered by forest; many of the forest eco-systems are inherently fragile; 90% of the population lives on a narrow and densely settled coastal strip, which is below sea level at high tide and therefore continuously threatened by inundations from the Atlantic Ocean and the large rivers that traverse the country; the high dependence of the country on coastal agriculture and on forest wealth and minerals; and the fact

<sup>27</sup> National Development Strategy: (2001-2010) A Policy Framework, Eradicating Poverty & Unifying Guyana: A Civil Society Document, Georgetown, Guyana, 2000. The full text is available at <http://www.sdn.org.gy/nds/>

that, as a poor country, the population finds it difficult to resist the temptation to over-exploit its natural resources and neglect to repair any damage that may occur as a result.<sup>28</sup>

The NDS then goes on to list several environmental threats and incidences of degradation and contamination. These include the intensive use of agricultural chemicals, which are carried as run-offs into waterways and, in the case of fertilizers, result in excessive aquatic weed growth. Pesticides are also cited as a danger to aquatic life and as contaminants to the food chain. The marine fisheries are also threatened by overexploitation to meet export markets, and shrimp trawling, with its attendant dumping of by-catch, has altered the species composition of the inshore marine fauna. Bauxite mining is said to embody the greatest signs of environmental degradation, in terms of destruction of the forest cover, creation of huge craters that accumulate stagnant water, and siltation of rivers and streams. Gold mining also comes in for its share of criticism due to its effects on loss of forest cover and the pollution of waterways. It should be noted that in 1995, the largest gold mining company was responsible for a major cyanide spill in Guyana's largest river.

Because of the low-lying nature of the coast and other areas, flooding is the most critical environmental hazard that the country faces. In June 1996, the Guyanese government declared a state of national emergency in response to flooding that affected each of the country's regions. Unprecedented volumes of rainfall were recorded throughout the country, and the inadequacy of the natural drainage systems under these circumstances resulted in the most severe flooding in the history of Guyana. Approximately 35,000 people lost crops, livestock, infrastructure, and were threatened by health hazards associated with contaminated water. A concerted effort to bring relief to flood victims was set in motion, with the aid of international donor contributions.<sup>29</sup> While the 1996 floods may have been particularly severe, they are not atypical and in many years, there are more localized occurrences of flooding, especially on the heavily populated coast.

## Sea Defences

But, Guyana not only faces flooding threats from the swollen waterways and swamps but from the sea. Indeed, the history of coastal settlement in Guyana is essentially one of a battle with the sea.<sup>30</sup> Early Dutch settlers, from the 1600s on, concentrated their efforts along the banks of the major rivers. But, as settlements extended along the coast in the late eighteenth century, flooding of low-lying lands during high tides became a matter of concern. When the British gained control in 1814, they continued to drain the swamps and establish a system of sea walls, earthen embankments, canals, drains and sea sluices. Mangroves protected the coast but erosion (both as a result of natural cycles and human activity) exposed the embankments to wave action and they were continually breached. Estate owners would then move their holdings further inland. A comparison of maps of the East Coast Demerara produced during 1980 and 1953 shows that a major stretch receded between 1,800 and 3,000 feet. The consolidation of estates that took place in the first half of the nineteenth century had the effect of shifting the emphasis from one of intermittent retreat to one of strengthening and maintaining the sea defence structures, mainly to protect the expensive infrastructural investments, both private and public. Further, there was a limit to inland expansion (poorer soils and heavier forest cover). The dramatic flooding in 1853 and 1855 of Kingston, Georgetown, where a British regiment was stationed, forced

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<sup>28</sup> *ibid.* page 48.

<sup>29</sup> see <http://www.sdn.org.gy/odag/theguyfloodrelief.html>

<sup>30</sup> For a detailed history of sea defence and drainage in Guyana, see National Development Strategy, 1996 *op. cit.*, Chapter 40 - [http://www.guyana.org/NDS/chap40.htm#1contents\\_B](http://www.guyana.org/NDS/chap40.htm#1contents_B)

the colonial authorities to make major investments in sea defence works -- a process that has continued ever since. Essentially, the responsibility for sea defences then shifted from private plantation owners to the government although during some periods, specific taxes have been levied for the purpose. Today, some form of man-made sea defence structure protects almost all of coastal Guyana.

The economic downturn experienced during the 1975-1990 period saw the significant curtailment of sea defence construction and maintenance with the result that many agricultural and residential areas were severely affected. In 1991 there were more than 25 such breaches. Funding for sea defence rehabilitation has been received from various donor agencies and an integrated coastal zone management programme is due to be implemented. The considerable investment that has been sunk into sea defences, as well as the concentration of settlement so close to the coast, clearly poses a limit to any adaptation measures that might be considered in response to sea level rise, and certainly if adaptation involves large-scale population movements.

## Sea Level Rise

The implications of the possible sea level rise for the majority of Guyana's population are therefore quite significant. "An IPCC study of five east coast Latin American countries—Argentina, Belize, Guyana, Uruguay, and Venezuela—found that a 1-meter rise would inundate around 13.5 million hectares and affect upwards of 750,000 people, the majority of them living in poor fishing communities and squatter settlements. By far the worst effects would be felt by tiny Guyana. Out of a total population of 700,000, about 80 percent or 560,000 people would be affected; at least half would probably end up as environmental refugees."<sup>31</sup> Recent estimates indicate that with a 1 m sea level rise, up to 10 km<sup>2</sup> of land could be lost, just on account of inundation. This figure would increase more than threefold to 37 km<sup>2</sup> (14%) with storm surge superimposed on a 1m sea level rise scenario. Similarly, based on the Brunn rule, a retreat of up to 100 m is projected with a 1m elevation of sea level."<sup>32</sup>

## Main Trading Arrangements

Guyana is a contracting party to the GATT, having acceded as far back as 1966. It is also a participant in several trading arrangements of which the most important are CARICOM and the ACP.

### CARICOM

Guyana is one of the founding members of the Caribbean Community and Common Market (CARICOM). Starting in 1972, the arrangement, which was preceded by the Caribbean Free Trade Area (CARIFTA), has been one of the significant trading arrangements in which Guyana participates. In 1995, Guyana's exports to CARICOM comprised 4% of its total exports rising to 10% by 2000 (see Table 5). The largest CARICOM importer from Guyana is Trinidad & Tobago followed by Jamaica and Barbados.

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<sup>31</sup> Hinrichsen, Don in *World Watch*, November/December 2000 "The Oceans Are Coming Ashore" <http://www.worldwatch.org/mag/2000/136a.pdf>

<sup>32</sup> Guyana's First National Communication to the UNFCCC, Chapter 6

An interesting fact is that, while the rest of CARICOM has shifted the concentration of its exports to hemispheric countries<sup>33</sup>, the bulk of Guyana's exports continue to depend on the EU, US, and Canada (table 5). Another feature of Guyana's relationship with CARICOM is that the bulk of its exports consist of the same products that are exported externally (sugar, rice, molasses, timber). This indicates that, although CARICOM should in many ways mimic the internal markets of members, the patterns of trade suggest that this is not the case and that the level of integration of the CARICOM market (at least from Guyana's standpoint) is not sufficient to provide it with a facilitating "infant industry" environment. Other CARICOM countries, most notably Jamaica, Trinidad & Tobago and to some extent Barbados, have been able to utilize CARICOM as a jumping ground for their light manufacturing sectors. Of course, other factors (see section on manufacturing) have contributed to Guyana's low manufacturing capacity and the CARICOM arrangements *per se* may not be an explanatory factor.

On the other hand, there appear to be some imbalances in the CARICOM arrangements, as they impact on resource-dependent economies such as Guyana, Suriname and Belize. While there seems to be adequate protection for CARICOM manufactured goods, the same is not true of raw materials and intermediate goods. In fact, although the CARICOM trade arrangements are premised on the "deepening of the integration process" through the encouragement of the use of indigenous raw materials, there are several "let out" mechanisms that allow manufacturers to access raw materials from outside the region without the payment of the common external tariff. Further, the arrangements also allow manufacturers to utilize imported raw materials and still have those products qualify for CARICOM duty-free treatment. A raw material producer such as Guyana has very little interest in availing itself of such mechanisms, since its interest is in supporting its own raw material supply capabilities. Guyana has in fact indicated that it is not satisfied with the impact of the CARICOM arrangements on its exports and has called for a comprehensive review.

Guyana's difficulties in expanding its exports to CARICOM are revealed in the case of its two main agricultural exports, sugar and rice. In the case of sugar, low world market prices have meant that there has been a marked tendency of importing countries to access their supplies externally. Trinidad & Tobago, which refines sugar for domestic use, has been able to obtain permission to import substantial quantities from Brazil and other sources, free of CET. Jamaica, apart from utilizing US PL480 rice (which, because it qualifies as food aid does not attract the CET) has also used other mechanisms to import rough rice (paddy) for processing, again without the payment of duty. Other examples relate to the qualifying conditions under the CARICOM rules of origin, where many manufacturers in Jamaica and Trinidad & Tobago have been able successful in specifying their raw material needs in such a way that regional sources are excluded. They are then able to incorporate these extra-regional materials into their products and trade them in CARICOM free of duty.

These practices have caused some amount of dismay among Guyanese producers who resent what they consider the free ride being given to other CARICOM producers while they face a host of invisible barriers in some regional markets. On the other hand, they point to the free and open market that Guyana provides for manufactured goods from other CARICOM countries and have from time to time called for some types of restrictions.

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<sup>33</sup> CARICOM Secretariat "Caribbean Trade & Investment Report 2000" (Executive Summary) Georgetown, 2000. "Trade with the Americas constitutes the largest element of CARICOM's trade, with exports to the Hemisphere in 1998 accounting for 76.2 per cent of the Region's total exports to the world as a whole, up from 69.6 per cent in 1998 (p. 13)

The process of creating a CARICOM Single Market and Economy (CSME), as mandated several years ago, has been slow. A process of revising the CARICOM treaty has been undertaken but implementation of its provisions has been patchy. One of the most significant features of the CSME is contained in the provisions for the free movement of skills, capital and services, and rights of establishment. Prior to that, almost all the provisions related to trade in goods. Many intra-regional restrictions have been identified and a process is in place to negotiate their eventual removal. Given the difficulties that CARICOM has experienced in removing restrictions to trade in goods, the prospects for swift movement in services and investment seem daunting.

One of the significant developments in CARICOM, as it relates to international trade, is the establishment of the Regional Negotiating Machinery (RNM). This was done in response to the fact that the region was about to embark on three major negotiations, namely, the ACP/EU negotiations, the FTAA and the new round of the WTO. The RNM has been effective to the extent that it has provided a single focal point for the negotiations and a channel through which both analytical and policy work can be conducted. It is also staffed by highly competent professionals. On the other hand, the RNM has not served as a vehicle for building national capacity in trade policy, although it may be argued that this was not an explicit mandate given to it. This issue is nevertheless important since the deficiencies at the national level naturally translate into policy formulation weaknesses at the regional level. In addition, the RNM has not been very effective in maintaining strong communication links with national-level technicians or with the general public. Addressing these deficits will go a long way towards improving the organization's credibility and effectiveness.

### **Agreements with the USA (Caribbean Basin Initiative)**

The main trade relations with the USA, which takes about a quarter of Guyana's exports (table 5), are through the Caribbean Basin Initiative (CBI) and the sugar agreement. The CBI, which was initiated in 1994, provides for non-reciprocal duty-free access by Caribbean basin countries for eligible goods to the US market. Sugar is not one of the eligible goods. The initial programme, which was enacted by the USA as the *Caribbean Basin Economic Recovery Act 1984* was revised on August 20, 1990. In May of 2000, the US Congress passed the Caribbean Basin Trade Partnership Act (CBTPA) as part of the Trade and Development Act of 2000. The CBTPA enhances the CBI by reducing or eliminating U.S. duties on those products not previously covered by the CBI. The CBTA includes conditions relating, among other things, to worker rights, protection of intellectual property, and fulfillment of international trade obligations

Following the creation of the North American Free Trade Area (NAFTA), Caribbean countries sought "NAFTA-parity" with Mexico, arguing that their trade and investment benefits under the CBI had been severely diluted. The CBTPA goes some way in addressing these concerns by including textiles on the list of eligible products, albeit with several stringent conditions. It also reduces duties to NAFTA levels for all other products excluded from the original CBI (including leather products, petroleum products, watches, and canned tuna).

According to Stephen Lande and David Lewis<sup>34</sup>, Guyana has taken minimal advantage of the CBI/CBPTA. This has been ascribed to several factors, including the fact that the country's economy is

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<sup>34</sup> Manchester Trade Ltd. (US trade consultancy firm) - author's notes from "Caribbean Basin Initiative (CBI) Business & Policy Seminar: *Trade & Investment Opportunities for Guyana*", Le Meridien Pegasus Hotel, Georgetown, Guyana, June 27, 2001.

still emerging from an environment in which private sector initiative was suppressed. There has been, however, one notable exception in the area of garments.

Guyana's inability to take advantage of the CBI/CBPATA arrangements are all related to the structure of the economy and the factors that militate against manufacturing (see section on manufacturing). Its dependence on products, such as sugar and rice, neither of which is eligible for CBI/CBPATA treatment, is a severe drawback. Fisheries products are exported to the US in some quantity, as are forestry products. The latter have, however, come under pressure from environmental lobbyists.

## **Canada (CARIBCAN)**

CARIBCAN was created in 1986, by the Canadian Government, as a program for trade, investment and industrial co-operation for the Commonwealth Caribbean. Guyana is one of the Commonwealth Caribbean countries that benefits under the arrangement, and exports to Canada have been as high as a quarter of the total (table 5). The main feature of the program is the unilateral extension by Canada of preferential duty-free access to the Canadian market for almost all imports from the Commonwealth Caribbean countries. In order to be eligible for duty-free treatment, the goods must be grown, produced or manufactured in the Commonwealth Caribbean. Under CARIBCAN rules of origin, the Commonwealth Caribbean is viewed as a single country for the determination of content requirements. This means that local value can be added in one or more of the Commonwealth Caribbean countries. CARIBCAN does not, however, provide duty free access for textiles, clothing and footwear.

In January 2001, CARICOM and Canada held discussions on the possibility of free trade agreement. Not much progress has been made although the matter is still alive. It is doubtful, however, that there is much enthusiasm on the part of CARICOM countries for any reciprocal agreement with a developed country, especially given the difficulty that the region is having grappling with the implications of a future FTA with the EU.

## **Wider Caribbean, Central and South America**

There are several arrangements with other hemispheric countries, all of which have been made through CARICOM. The partners include Venezuela, Colombia, and most recently, the Dominican Republic. Plans are in train for a CARICOM/Cuba arrangement and there is a more distant possibility of an arrangement with Central America. Guyana has had some preliminary talks with MERCUSUR but there is little evidence of much momentum.

The CARICOM/Venezuela Trade and Investment Agreement was signed in October 1992 and became effective on 1 January 1993. It is aimed at encouraging CARICOM exports to Venezuela on the basis of duty-free or duty-reduced access for identified products. Access to Venezuela's markets for these products would be implemented through programmes of tariff reduction and the elimination of non-tariff barriers. The arrangement excludes several agricultural products (beef, some milk products, cocoa and coffee, vegetable oils and fats and orange juice). Those CARICOM exports not included in the list of items remain eligible to enter Venezuela under WTO Most Favoured Nation (MFN) provisions.

The CARICOM/Colombia Agreement on Trade, Economic and Technical Cooperation was signed on July 24, 1994 and became effective 1 January 1995. Initially, the Agreement granted CARICOM

unilateral preferential access to its exports into the Colombian market for a period of four years. A revision of the Agreement effective 1 June 1999, provides that four CARICOM member states, namely Barbados, Guyana, Jamaica and Trinidad & Tobago, grant duty-free or duty-reduced treatment to identified products from Colombia.

A reciprocal trade agreement between CARICOM and the Dominican Republic was signed in March of 2001. It provides for the immediate elimination of duties on all goods except those that may be considered sensitive. The agreement also covers services, investment and government procurement.

## **FTAA Process**

The Free Trade Area of the Americas (FTAA) is of fairly recent vintage and was the result of an initiative of the US Bush (Senior) administration. The aim is to create a free trade area "from Alaska to Argentina". At the various summits of hemispheric heads of government, which commenced in 1994, commitments were made to conclude the negotiation process by 2005. Progress has been slow, at least in terms of firm agreements reached on any of the trade chapters. One of the main factors behind the lack of momentum has been the unwillingness of the US Congress to grant "fast track" negotiating authority to the president. Another factor holding back the process is the reluctance on the part of many member countries to make commitments in the absence of progress on a new WTO round. While the lack of "fast track" (trade negotiating) authority for the US president may not be a technical hindrance to the negotiations, it does affect the tempo and the spirit of the discussions. Brazil, which is the de facto leader of the MERCOSUR group, has been strident in its demands for a strong link to be made between improved market access by the NAFTA countries (US, Canada and Mexico) and reduction in domestic supports and other trade-distorting practices. The US, on the other hand, has been arguing that domestic support (subsidies) export competition measures (export subsidies etc.) should be negotiated solely within the WTO and not the FTAA, since the European Union, not being a party to FTAA, would not be bound by any agreements reached within the FTAA. Lack of "fast track" authority for the US also means that it can exert much less clout in calling for a new WTO round and until the thorny issues of environmental and labour standards are resolved domestically, many WTO members, particularly developing countries, will remain suspicious of any commitments that the US makes during negotiations.

In April 2001, the sixth trade ministerial and the third Summit of the Americas were held, in Buenos Aires and Quebec City, respectively. At those meetings, the draft FTAA chapters were reviewed and instructions given to the negotiating groups. In terms of deadlines set, the most important are those relating to the conclusion of the negotiations and the inauguration of the FTAA. While the date of 2005 was established by the First Summit of the Americas as the deadline for the conclusion of the negotiations, the Third Summit was more definitive and agreed that "negotiations of the FTAA Agreement are to be concluded no later than January 2005 and to seek its entry into force as soon as possible thereafter, but in any case, no later than December, 2005. Prior to the April 2001 meetings, the US, Canada and Chile had been advocating that negotiations should conclude in 2003 and that the FTAA should actually take effect by 2005, representing a bringing forward of the agreed date for concluding the negotiations. Brazil, CARICOM and the Andean group opposed this proposal. The final decision of the Summit was that the negotiations should be concluded by January 2005 and that the Agreement should enter into effect no later than December 2005. Prior to this, there was no actual deadline for the inauguration of the FTAA. What this has done is to bring the conclusion of the negotiations forward by at least eleven months, and for the first time, to set a firm deadline for the

inauguration of the free trade area. While this may seem to represent a tightening of the process, it does not change the fact that there are difficult issues to be resolved among a very economically and culturally diverse group of countries, but the decision of the Third Summit therefore marks a defeat for those countries who may have wished to drag the process out for as long as possible.

### *Participation*

Direct participation by Guyana in the FTAA process has been limited. Apart from attendance at meetings of the Trade Negotiating Committee (the oversight body for the trade negotiating groups), involvement in the negotiating groups -- other than agriculture -- has been minimal.

CARICOM, which has maintained an on-going presence at the negotiations, through the Regional Negotiating Machinery, has been in the forefront of pressing the case for small economies. It was successful in getting a consultative group on small economies (not a negotiating group) created. It has also been seeking recognition for the special needs of small economies, particularly in the areas of market access and services.

CARICOM's enthusiasm for the FTAA process is not great. Its approach to participation appears to be conditioned by a fear of being left behind rather than by any appreciation of benefits. Further, one of the eligibility criteria for beneficiary status under the CBTPA is participation in the FTAA process. This reflects a sense of uncertainty about the implications of generalized free trade in a hemisphere dominated by the most developed country to the north and emerging giants to the south. Unlike in the WTO agriculture negotiations, the RNM has not provided draft FTAA negotiating positions for negotiation by CARICOM member states.

### *Outcome of the FTAA 6<sup>th</sup> Ministerial Meeting*

At the Sixth FTAA Meeting of Ministers of Trade a Declaration was issued, reaffirming the principle of the FTAA being a "single undertaking". This is similar to the Uruguay Round Agreements, which, unlike previous GATT agreements, had to be accepted their totality by each member.

The Ministers also affirmed that the FTAA can coexist with bilateral and sub-regional agreements "to the extent that the rights and obligations under these agreements are not covered by or go beyond the rights and obligations of the FTAA". This aspect of the declaration also gives recognition to the fact that members of an integration movement have the right to grant privileges to their own members over and beyond those that will be conferred by the FTAA. Thus, the status of sub-regional integration arrangements, such as CARICOM, would not be compromised, at least in a formal sense. What would matter is the extent to which the FTAA erodes the margins of preference obtaining in any sub-regional integration arrangement. If substantially all goods are covered under the FTAA then sub-regional integration arrangements would in a practical sense, be eliminated. It is, however, likely that certain sensitive products may not be subject to complete liberalization, or be phased in over a period of time, as was the case with sweeteners from Mexico under NAFTA.

There are several references to labour and environmental matters. The Heads agreed that their trade liberalization and environmental policies should be "mutually supportive, taking into account the work

undertaken by the WTO and other international organizations". They also, however recognized that the International Labour Organization is the competent body to set and deal with the issue of core labour standards. The explicit recognition of the ILO marks a victory of sorts for countries that oppose the attempt by the US to incorporate labour standards issues into the FTAA and WTO negotiations. The Ministers also recognized that "the issues on the environment and labour should not be utilized as conditionalities nor subject to disciplines, the non-compliance of which can be subject to trade restrictions or sanctions" (Annex 1, para 1). It should be noted, however, that the softening of the US position on labour and environmental issues had more to do with the change in the US administration to a more business-friendly one than it had to do with the power of those countries opposed to the inclusion of these matters in the negotiations.

With respect to smaller economies, there are several references which, if not totally to the satisfaction of CARICOM, at least give broad recognition to the concerns expressed by that grouping. The most specific reference to smaller economies is in paragraph 14, which states that the Consultative Group on Smaller Economies and the Tripartite Committee shall, no later than November 1, 2001, formulate some guidelines or directives on "ways of applying the treatment of the differences in the levels of development and size of economies." Given that special and differential treatment for smaller economies is at the heart of CARICOM's negotiating position, this provision in the Declaration at least provides an opening for deeper and more definitive negotiations on these issues. Also noteworthy is the instruction to the TNC to assess the need to create new negotiating groups or sub-groups (para 18) "based on the progress achieved by existing groups". This also provides an avenue through which CARICOM may argue for the upgrading of the status of the Consultative Group on Smaller Economies to that of a negotiating group. CARICOM negotiators have, however, noted the resistance and even hostility on the part of some countries to the very idea of special and differential treatment for smaller economies and there is no reason to expect that this hostility will not continue.

In respect of the drafting of FTAA "chapters", the Ministers instructed the TNC to prepare a second draft FTAA Agreement for their next meeting in Ecuador on or before October 2002. The draft chapters are the meat of the future FTAA and the progress achieved so far is questionable. Both the chapters on Market Access and Agriculture are heavily square bracketed, reflecting the lack of consensus on almost all major issues. The Market Access and Agriculture negotiations are closely related and there are special arrangements that have been put in place to ensure close interaction and exchange of information between the two negotiating groups. The chairman of the Negotiating Group on Market Access (NGMA), makes regular reports to the Negotiating Group on Agriculture (NGAG). Meetings of both group are usually held back-to-back, with the NGMA meeting first. The main reason for this is that the negotiations on tariff reduction are taking place substantively in both the NGMA and the NGAG, even while the NGAG focuses on those market access issues, such as tariff rate quotas, that are more or less specific to agriculture. In order to adequately follow the agriculture negotiations therefore, it is desirable that delegations are at least fully aware of the details of the market access deliberations, if not attending both sets of meetings.

Indeed, the instructions to the NGMA and NGAG are very similar. Both were instructed to determine methods and modalities for tariff negotiations by April 1, 2002, to be considered by the TNC by May 15, 2002. Similarly, both groups were instructed to accelerate the process of identifying non-tariff measures and to develop, by April 1, 2001, a schedule for their elimination and/or further disciplining. In addition, the NGAG was instructed to identify, by April 1, 2002, 'other practices that distort trade in agricultural products, including those which have an equivalent effect to agricultural export subsidies' (such as export credits).

The instructions that are peculiar to the NGAG have to do with establishing a process of "notification and counter-notification of sanitary and phytosanitary (SPS) measures" by April 1, 2002, together with recommendations on the treatment to be adopted to prevent these measures becoming unjustified obstacles to hemispheric trade. In addition, the NGAG is "to develop mechanisms to facilitate the full implementation of the WTO SPS Agreement in the Hemisphere" The "notification and counter-notification" process involves submission of information by countries on SPS measures that are in place (notification) and on SPS measures that countries consider to be unwarranted hindrances to trade (counter-notification).

### *Market Access*

Tariff elimination under the FTAA would represent a mixed blessing for CARICOM countries. On the one hand, hemispheric trade liberalization would mean expanded access to Latin American markets, in which tariffs of 35% to 40% obtain on agricultural goods. However, the extent to which countries such as Guyana would be able to take advantage of increased market openings is questionable, since many of the factors affecting current penetration of those markets are supply-related, not to mention the lack of tradition in trading with Latin American countries. The fact that there have been one-way free trade arrangements with Venezuela and Colombia for some time, and these have been used only marginally, if at all, is instructive. Further, a liberalized hemisphere would also mean greater competition from the NAFTA countries in Latin American markets. On the other side, the opening up of the US and Canadian markets to hemispheric trade would mean an erosion or loss of preferential margins for CARICOM that currently obtain under CBI/CBPTA and CARIBCAN. Latin American exporters have demonstrated a better ability to penetrate North American markets than has CARICOM.

With regard to sugar, Guyana's major industry, access to the US market is currently limited to a quota of 15,860 short tons. Negotiating additional access to the US sugar market should therefore be a priority. This is, however, complicated by the fact that the US shows no sign of wishing to alter its sugar regime significantly, since it fears competition from Brazil. It is not clear how sugar (or any individual product) will be treated within the FTAA. Indeed, the US domestic sugar industry has advocated the exclusion of sugar from the FTAA. CARICOM could make the case that, as part of the FTAA, additional access should be given to hemispheric countries, particularly small economies, even at the expense of non-hemispheric countries that currently have access.

With respect to rice, there is currently no preferential access for this product to the US market<sup>35</sup>. Liberalization of trade under the FTAA should mean that Guyana could position itself to penetrate that market. However, compliance with SPS requirement could prove a considerable hurdle. Access to Central American and South American markets would also be improved, and the rice industry has already demonstrated an ability to penetrate some of those markets.

### *Export Competition*

Export enhancement measures, as used particularly by the US, are among the greatest obstacles to Guyana's export growth, especially for the rice industry. Almost all potential markets for Guyana's rice

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<sup>35</sup> Rice is not covered by the Caribbean Basin Trade Partnership Agreement (CBTPA). However, an examination of the US Customs web site - <http://www.customs.gov/> - reveals that the CBI is still listed as a separate preferential programme and that rice is eligible under it. Small volumes are listed as having been exported from Guyana.

are affected by the use of these measures. The US claims not to use export subsidies (which is technically true) but they do use export credits as well as other measures that have the same effect. The largest share of US expenditure on export credits (some US\$258 million in 1998) goes to cereals. The US stance, which is that they cannot move on export credits outside of the WTO framework, is a hindrance to any depth in the FTAA negotiations in this area. Guyana has an objective interest in seeking greater disciplines on (or total elimination of) export credits.

Another major issue is food aid, which is not disciplined by the WTO. The effects of the US PL480 programme on Guyana's sales of rice to the Jamaican market have been discussed above. The US position on food aid, as reflected in the draft FTAA agriculture chapter, seeks to give supplying countries wide scope to continue using food aid as a means of subsidizing their agriculture. Guyana should be foremost among the countries advocating strict disciplines on food aid.

### *Domestic Support*

Under the WTO Agreement on Agriculture (AoA), the disciplines on domestic support were such that they gave developed countries large scope to continue supporting their agricultural sectors to the tune of billions of dollars. This was so because, although there were reduction commitments for certain types of subsidies (amber box) a large group of measures, namely the "green box" remained as an open-ended category on which no financial limit was placed. Developed countries have therefore shifted their supports from "amber" to "green" thereby maintaining, if not increasing, their overall levels of subsidies. The further disciplining of the green box is an issue that will certainly be hotly debated during the WTO negotiations. In fact, the CARICOM position on domestic support moves in the direction of eliminating some types of green box supports. There is another category of domestic supports, the so-called "blue box" or "production limiting schemes, which are not disciplined by the WTO. Under these schemes, the producers are given payments not to produce. Again, the US has taken the position that further disciplines on domestic support can only be achieved within the WTO and not within the FTAA. Brazil, on the other hand, is stoutly against this position and is seeking to link the issues of market access with progress on both domestic support and export subsidies. Guyana clearly has an interest in supporting stricter disciplines on domestic support within the FTAA.

### *Sanitary & Phytosanitary Measures (SPS)*

The present WTO SPS agreement provides considerable scope for countries to protect the health of their agricultural sectors through technical measures that affect trade, based on the principle that all such measures must be non-discriminatory in application and be scientifically justified. The problem is that it is the developed countries that have the technical resources to implement these measures, to provide the scientific "proof" for their existence as well as to mount the legal defences to any challenges. Further, there are few if any disciplines relating to time frames for approval of imports based on risk analysis. Developing countries, on the other hand, apart from finding it difficult to put SPS systems in place (thereby opening themselves to restrictions of their exports) also find it difficult to prove that their systems and procedures are in conformity with those of (mainly developed) countries to which they wish to export.

The aspect of the FTAA chapter dealing with SPS measures basically mirrors the WTO SPS agreement. There have been few innovations proposed, except the use of regional standards bodies as a substitute for, or in addition to, those recognized by the WTO SPS agreement.

While Guyana has an interest in having a more transparent and balanced set of SPS arrangements in place, it is likely that there will be few moves towards tighter disciplines in this area. It may, however, be possible for small economies to obtain commitments for special arrangements to be put in place to process SPS matters of interest to them.

### *Observations*

The FTAA represents both an opportunity and a challenge for Guyana. Outside of the main commodity exports, there has been little dynamism in agricultural exports. Even within the traditional sectors, the dependence on trade preferences has, to a large extent stymied the transformation of those sectors. Given the fact that the value of traditional preferences is likely to be minimal in the next ten years, it is imperative that Guyana's agricultural sector becomes oriented towards a more open market environment.

While regional trading arrangements represent the "second best" option in terms of integration into the world economy (as opposed to multilateral arrangements) the potential size, diversity and geographical proximity of an FTAA makes it very much like a global market. In this respect, it seems to represent a better option than regional integration with the European Union, as provided for under Cotonou.

The main challenge, of course, has to do with the power of the large developed economies of the north and the large emerging economies of the south. Whether Guyana's agriculture can compete with the larger economies is an open question and the answers are not easily predictable. Progress in export growth has as much to do with domestic economic policies as it does with scale economies and resource endowments. Progress in creating a macro-economic environment in which the private sector is given the incentives to seek out new export opportunities is therefore crucial.

At the same time, the policy matrix that governs agricultural trade in the hemisphere will have to undergo fundamental change and in this respect, the FTAA process provides a glimmer of hope. It is therefore unfortunate that the leader of the FTAA process, the United States, has taken what may be regarded as a backward position in the agriculture negotiations. On the one hand, the US argues forcefully for an end to export subsidies and for tariff reduction but on the other it seeks to hold on to other export enhancement schemes as well as domestic supports.

The FTAA negotiations on agriculture are being structured more or less along the lines of the WTO AoA (market access, domestic support, export competition). One drawback to this approach is that it fails to address the needs in respect of particular commodities. A broad commitment made in respect of, say, market access, does not necessarily translate into additional export opportunities for rice since importing countries would still have room to shift protection to sensitive commodities, at least during the transition period when tariffs are being reduced. This is precisely what has happened under the Uruguay Round.

As small economies, Guyana and CARICOM must go beyond the framework of special and differential treatment and argue for substantially greater market access for products that are of interest to them.

This must be tied closely with reductions in domestic support and export subsidies (broadly defined) for those very products. In this respect, the position being taken by Brazil may be one that will help bring the negotiations to a head.

The extent to which CARICOM has prepared itself for the FTAA negotiations is, however, questionable. Further, as with the WTO, there is the difficulty of harmonizing the positions of a fairly diverse group of countries. Guyana may well find itself somewhat isolated on issues such as domestic supports and export subsidies. Given that most other CARICOM countries are more concerned with protecting their domestic markets than they are with agricultural exports, their support may not be forthcoming for radical positions.

## **Europe -ACP Arrangements**

Of all the trading arrangements of which the Guyana is part, those with the European Union have had the most profound effect on the structure of the economy. As mentioned earlier, the largest industry, sugar, is almost totally dependent on exports to Europe under the ACP/EU Sugar Protocol. The rice industry is also dependent on a preferential quota arrangement with the EU (shared with Suriname), and until recently more than a third of its exports went to the EU (table 5).

Under the series of agreements, dating back to 1975, known as Lomé Conventions (now called Cotonou after the place of signing of the most recent agreement), certain African, Caribbean and Pacific (ACP) countries, are afforded duty free and quota free treatment for the majority of their exports. There are, however, notable exceptions. Sugar, while entering duty free, is subject to quota while rice is subject to both quota and preferential tariff charges. Ironically, it is these two commodities, subject to restrictions, that Guyana has become most dependent. There is little evidence that duty free access to the EU has had any significant effect on other exports. In the case of fisheries, Guyana has been unable to meet the EU's standards. Guyana does not export beef, due to non-clearance from foot and mouth disease. For horticultural exports, the basic problem is a supply constraint (small-scale scattered production of any particular crop, poor technical and infrastructure services etc.), coupled with factors such as the insufficiency and high cost of air transportation. For sugar and rice, the attractiveness of the EU market is directly linked to the EU's own domestic support arrangements for these products, as a result of which the prices that Guyana receives are several times higher than world market prices. Few other products attract margins in the EU market comparable to sugar and rice.

In June 2000, in Cotonou, Benin, the ACP and EU signed a Partnership Agreement that effectively signalled a departure from the type of trading relationship between the ACP and EU contained in the four Lomé Conventions from 1975 to 2000. It provides for decisions on the creation of a reciprocal trading arrangement by 2008 in keeping with the need to move towards WTO compatibility. All Lomé trading arrangements have had to operate under a GATT waiver, because of their non-reciprocal and discriminatory nature. Guyana did not go willingly into this aspect of the arrangement but it was seen as the only way in which some time could be bought under GATT/WTO rules. The WTO waiver for Cotonou was granted at Doha. Opposition to the waiver first came from the USA and Central American banana exporting countries who had been locked in a dispute with the EU over the ACP banana regime, and also from beef exporting South American countries.

Guyana lost out from the elimination of the STABEX and SYSMIN facilities that has been part of the Lomé Conventions. However, one notable achievement by Guyana was the agreement by the EU to

include in the agreement a "declaration on rice", which provides for "substantial" financial and technical assistance to ACP rice exporting countries (Guyana and Suriname) as a means of improving the competitiveness of their industries. The declaration explicitly stated that the assistance would be given on a national basis -- a wording that was intended by ACP negotiators to ensure that this programme would not be subject to the delays that attend regional EU projects. This turned out not to be the case. At the initiative of the European Commission, the intervention was reinterpreted in regional CARIFORUM<sup>36</sup> terms and preparatory work has since involved several other Caribbean countries, none of which are rice exporters.<sup>37</sup> This has meant not only delays in implementation but also a possible dilution of the promised resources.

One undesirable outcome of Cotonou, from Guyana's point of view, has been the speed with which the EU has moved to implement its "Everything but Arms" (EBA) measure for the least developed countries (LLDCs). While the agreement contains wording that supports the extension of duty free treatment to LLDCs, Caribbean negotiators were of the view that there was an understanding that this would not apply to "sensitive commodities" such as sugar, rice and bananas.

Implementation of the EBA will certainly have significant impacts on the Guyanese economy. It also comes at a time when the value of EU preferences is being eroded as a result of other measures. In the case of rice, the European Commission has already announced proposed reforms to its Common Market Organization in Rice, which, if implemented as intended, would result in an increase in the import levy paid by Guyanese exporters. Further, it is not clear what will be the effects of the impending reform of the EU's sugar regime, to which the Sugar Protocol is tied. It can only be surmised that, at best, there will be no increase in the effective margin of preference enjoyed by ACP sugar exporters.

The Cotonou agreement contains assurances from the EU that they will consult with ACP countries on any proposed policy measures that may affect the ACP interests under the agreement. These assurances have proven to be worthless since, not only has there been no advance warning of new measures such as the EBA, but there has been no structured mechanism for any consultations. The way in which the "partnership" has been approached by the EU has given rise to much dismay among CARICOM policy makers and industry representatives with some now questioning whether the EU's word is even to be trusted in international negotiations.<sup>38</sup>

The major issue, however, is the position that Guyana and CARICOM will take in the Cotonou-mandated negotiations on new reciprocal trading arrangements. The ACP certainly did not promote the issue of Economic Partnership Agreements (EPAs) but this was agreed to out of necessity. The issue of WTO-compatibility for future EU/ACP trading arrangements has been high on the EU agenda for some time and was the key feature of its 1996 Green Paper.<sup>39</sup> Article 37(5) of the Cotonou Agreement states that negotiations of EPAs "will be undertaken with ACP countries which consider themselves in a position to do so, at the level they consider appropriate and in accordance with the procedures agreed by the ACP Group, taking into account regional integration process within the ACP." The language of this article conveys the impression that several options will open to ACP countries in their approach to

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<sup>36</sup> the Caribbean group of ACP countries.

<sup>37</sup> Apart from Guyana and Suriname, the preparatory activities have involved Belize, Jamaica, the Dominican Republic, St Vincent & the Grenadines and Trinidad & Tobago.

<sup>38</sup> David Jessop, (Caribbean Council for Europe) "The Week in Europe - How Should the Caribbean React?" *in* Stabroek News, Sunday March 18, 2001

<sup>39</sup> European Commission "Green Paper on relations between the European union and the ACP countries on the eve of the 21st century - challenges and options for a new partnership". COM(96)570 final of 20 November 1996

the negotiations. In fact, the EU appears to see only one real option, i.e. each ACP sub-region entering into free trade agreements with the EU (REPAs), even if these FTAs were to be enveloped within a general ACP/EU framework.

There has been no publicly stated position from CARICOM on how it intends to approach these negotiations but one issue that has been emphasized is the need to maintain "ACP solidarity". With the implementation of the EBA, however, this solidarity appears to be in tatters, since there is now no incentive for the ACP LLDCs to even participate in the negotiations, much less agree to any type of reciprocal arrangement with the EU. It therefore seems quite likely that the EU will have its way in demanding that negotiations take place on a regional basis. The options that face CARICOM are very few. Reciprocal arrangements should help to guarantee market access into Europe for key commodities, such as sugar, rice and bananas but, even this is not predictable, since there is every possibility that special regimes could continue to govern such products for some time. Certainly, if CARICOM has to accept reciprocity with the EU, its first order of business should be to press for substantially increased access for key products. The revenue implications of a REPA will also be huge, given the high dependence of CARICOM countries on import taxes. If CARICOM were to argue for other arrangements, the only option would be some sort of enhanced GSP. This would not, however, give any protection to existing preferences.

While WTO compatibility has been accepted by the ACP as an imperative, there are some technical issues that warrant some scrutiny. At least one analyst<sup>40</sup> has raised the question of whether the current provisions of the GATT are appropriate for the formation of FTAs between developed and developing countries, particularly non-contiguous ones. She further argues that rules would have to be developed within the WTO to ensure that the appropriate degree of asymmetrical reciprocity can be built in to future ACP/EU trade arrangements. These issues do not appear to have been widely discussed within the ACP and it should be worthwhile doing further work in this area so as to better inform negotiators of the technicalities involved. It would indeed be unfortunate if the ACP were to go in to negotiations without being fully informed of the options available to them and to have the EU dictate the terms of a future agreement.

Dependence on Lomé / Cotonou preferences has therefore driven Guyana's trade policy to a large extent. Like the rest of CARICOM, Guyana's approach to the multilateral trade negotiations has been premised on the need to retain preferences (particularly the commodity protocols) for as long as possible and can therefore be characterized as a defensive posture, as opposed to one that seeks to gain concessions in terms of expanded market access etc. The extent to which the value of the ACP/EU arrangements can be undermined by the internal dynamics of European decision making has not generally been taken into account until very recently.

## **Domestic Institutions Impacting on Trade**

### **Key Government Ministries**

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<sup>40</sup> Thomas, R.H. 1997. "The WTO and Trade Cooperation between the ACP and the EU: Assessing the Options" (ECDPM Working Paper No. 16). Maastricht: ECDPM

The foreign trade section of the Ministry of Trade, Tourism and Industry (MTTI) has general responsibility for coordinating and monitoring international trade agreements, formulation of trade policy, trade promotion, and administering licencing systems where they still exist. Tourism, which is a relatively new area in terms of government involvement, is under a separate unit. In recent years, trade policy has come under the increasing influence of the Ministry of Foreign Affairs (MFA), which has overall responsibility for CARICOM matters. In fact, it is MFA that convenes the National Advisory Committee on External Negotiations (NACEN), which is the counterpart to the CARICOM Regional Negotiating Machinery.

NACEN is composed mainly governmental and private sector interests, although invitations to participate were extended to the labour movement and the University of Guyana. There has been some participation by at least one NGO representative. The extent to which NACEN has been effective in both generating ideas and helping to guide the country's position on external trade negotiations should be evaluated. It is not sufficiently clear, however, that the process has been sufficiently well grounded in analytical work or that there is a sufficiently broad cross-section of interests whose input has been sought. Moreover, the extent to which there has been sufficient and detailed communication between the RNM and the NACEN secretariat is very questionable.

MFA, of course, coordinates the country's diplomatic representation in key capitals such as Brussels and Washington DC. The Brussels embassy plays a key role in negotiations with the European Commission. There is no diplomatic representation in Geneva although consideration has been given to the matter.

The Ministry of Agriculture has in recent years developed significant competence in international trade issues. Its Agricultural Project Cycle Unit (APCU) coordinates CARICOM and WTO matters on behalf of the ministry and convenes a regular trade working group, which seeks to keep track of the various trade issues impacting on the sector. In general, however, these three key ministries are in need of strengthening in trade policy matters.

## **Private Sector Organizations, Labour Unions and NGOs**

The main private sector organizations are the Private Sector Commission (an umbrella body), the Guyana Manufacturer's Association, and the Guyana Chamber of Commerce. Sectoral bodies include the Guyana Rice Producers Association, the Guyana Rice Millers & Marketers Development Association, the Poultry Producers Association, the Guyana Forest Producers Association and the Guyana Gold and Diamond Miners Association. The sugar industry is state owned and under a single management, except for a number of small cane farmers and some private estates. In general, the private sector bodies (particularly the umbrella bodies) have not taken a structured approach to international negotiations. The sectoral organizations have been more active and have, from time to time, put up position papers on various issues. These, however, tend to be reactive rather than forward looking.

There are several labour unions, the largest being the Guyana Agricultural Workers Union (GAWU), which dominates the sugar industry. The Guyana Trades Union Congress is an umbrella body to which most of the unions subscribe. Other unions, representing civil service workers, bauxite employees, clerical workers and those in manufacturing are also active. Like the private sector bodies, the trade unions are generally preoccupied with day to day representation and while they maintain contact with

the Caribbean Congress of Labour and other international labour bodies, their public pronouncements are hardly every tailored to international issues.

There are several NGOs active in Guyana, most of which concern themselves with environmental and human rights matters. Many gravitate towards involvement with the indigenous Amerindian population and provide various types of assistance. There is an umbrella body, the NGO Forum<sup>41</sup>, which lists a membership of 15 (which appears to be a mere fraction of the total). Some are of the traditional type (Girl Guides, Red Cross etc) while others are of indigenous origin, such as the Guyana Volunteer Consultancy, which enlists professionals in various fields to provide assistance to local communities. The NGO forum lists as its main interests, sustainable development, the environment, constitutional reform, race relations, youth and development, gender equity, indigenous people's rights, consumer's rights, and disabilities. There is little evidence of an NGO focus on international trade matters.

The level of involvement of business groups in trade negotiations varies according to the degree of organization. Lobby groups for the larger industries, such as rice, sugar, rum and timber, do play a part in voicing the concerns of their members whenever a major issue surfaces, such as the EBA initiative. On the other hand, their capacity for on-going analysis of international trade issues remains somewhat weak. The two umbrella groups, the Private Sector Commission and the Guyana Manufacturers' Association, have very little in the way of permanent staff and thus little capacity to generate technical work tailored to their membership.

NGOs, on the other hand, have not demonstrated a great deal of interest in trade matters. The leader of one labour union has, however, made several statements on WTO matters, citing the need to promote labour standards as a pillar of the multilateral trading framework. This position has not been accepted by CARICOM as part of its negotiating brief, since there is strong suspicion that those countries promoting labour standards do so with a protectionist motive.

## **Environmental Policy and Institutional Setting**

Guyana's environmental policy is formulated and implemented by the Environmental Protection Agency (EPA), which was established by Act of Parliament in June 1996 and is government's official environmental enforcement agency. The EPA has an extensive list of functions and responsibilities. These include the effective management of the natural environment so as to ensure the conservation, protection and sustainable use of its natural resources; coordination of the environmental management activities of all persons, organizations and agencies, establishing and coordinating institutional linkages and playing a coordinating role in the preparation and implementation of environmental cross-cutting programmes; the coordination of coastal zone management; the sustainable use of biological diversity, a national parks and protected areas system and a wildlife protection management programme; the preservation and control of pollution; the conduct of environmental impact assessments; and advising on general environmental policy and the impact of development.<sup>42</sup>

The EPA states that it promotes environmental management according to the following principles:

1. the *polluter pays* for the cost of damage to the environment.
2. *precautionary* measures are taken to avoid environmental damage.

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<sup>41</sup> <http://www.sdn.org.gy/ngo/>

<sup>42</sup> National Development Strategy (2001-2010), p.51 - sec 1.I.15.1

3. *strict liability* penalties are imposed on those who cause environmental damage.
4. *avoidance* is best as it may be impossible or more costly to repair damage than prevent it.
5. technologies used to prevent and repair environmental damage will reflect *the state of technology*.

The EPA is also responsible for creating a National Protected Areas System (NPAS), aimed at conserving the 8,000 species of flora and the 2,368 species of fauna found in the biogeographic Guiana region. Support is being received from the World Bank and other agencies.

There is a Cabinet Subcommittee on Natural Resources and Environment, which is chaired by the President. It deals with all issues that require Cabinet approval. At the Technical level there is a Natural Resource and Environment Advisory Committee (NREAC), which includes the heads of natural resource agencies and the environmental protection agency.

The Government of Guyana explicitly endorses the concept of sustainable development and the promotion of sound environmental management. Expression is given to this commitment in the National Environmental Action Plan. This plan was approved in May 1994 after a series of consultations with NGOs, governmental and other interest groups.<sup>43</sup>

## Climate Related Institutions

The *Hydrometeorological Service* of the Ministry of Agriculture is responsible for observing, disseminating information on Guyana's weather and climate and providing meteorological, hydrological and oceanographic services in support of Guyana's national needs and international obligations. Research is directed at the advancement of hydrological, oceanographic and meteorological sciences and the development of a comprehensive description and scientific understanding of Guyana's weather, climate and water resources. The service is also responsible for coordinating Guyana's involvement in regional and international hydrological, meteorological, oceanographic and related conventions.<sup>44</sup>

The *Climate Change Secretariat*<sup>45</sup> is responsible for monitoring and coordinating Guyana's responsibilities under the United Nations Framework Convention on Climate Change (UNFCCC). It is headed by a former Chief Hydrometeorological Officer and works in close association with the Presidential Adviser on Science, Technology, Energy, Natural Resources and Environment (who is responsible for climate change matters) and the Hydrometeorological Service of the Ministry of Agriculture. It convenes the National Climate Committee (NCC), which is a multi-agency body.<sup>46</sup>

Guyana's commitments to Conventions such as the United Nations Framework Convention on Climate Change, the Vienna Convention and the Montreal protocol on Substances that Deplete the Ozone Layer and the Conventions to Combat Desertification are the direct responsibility of the Advisor to the President on Science, Technology, Energy, Natural Resource and Environment.

<sup>43</sup> see <http://www.un.org/esa/agenda21/natlinfo/countr/guyana/inst.htm>

<sup>44</sup> see <http://www.guyanaclimate.org/hydromet/index.html>

<sup>45</sup> <http://www.guyanaclimate.org>

<sup>46</sup> The NCC comprises the Environmental Protection Agency, the Hydrometeorological Service, the Institute of Applied Science and Technology, the Guyana Forestry Commission, the Guyana Manufacturers Association, the Private Sector Commission, the Guyana Energy Authority, the Guyana Natural Resources Agency, the Ministry of Trade, Tourism and Industry, the Ministry of Finance, the Guyana Water Authority, the Ministry of Health, the Ministry of Agriculture, the Ministry of Foreign Affairs, the University of Guyana, and the Office of the President

## **Arrangements for Trade Negotiations**

### **GATT / WTO**

From all accounts, Guyana approached the Uruguay Round without much enthusiasm. This seems to have been conditioned by the fact that, in previous rounds, developing countries were not required to make any concessions, and further, the fact that many of the agreements were optional, compared to the "single undertaking" that constituted the UR. As a result, there was little preparation for the negotiations, and little or no active participation even when they got underway.

CARICOM as a group was equally uninvolved and it was left to individual member states, some of whom had missions in Geneva, to follow the process as best they could. This, of course, did not prove effective. Incredibly, the fact that agriculture would, for the first time, be incorporated into the GATT was little noticed. Given that one of CARICOM's main interests were to ensure the recognition of non-reciprocal discriminatory trading arrangements of the Lomé type (which mainly affects agricultural trade), non-participation in the negotiations meant that the relevant issues were not discussed and, thus, no concessions could be gained.

All CARICOM countries (with Barbados a notable exception) made only the most cursory submissions under any of the agreements. With regard to market access, the advice from the CARICOM Secretariat was that countries should bind their tariffs for manufactured goods at no less than 50% and for agricultural goods at no less than 100%, as an alternative to undergoing the tariffication process. Barbados did, however, go through the tariffication process, at least for agricultural goods. As a result, it is the only CARICOM country that can now use the Special Agricultural Safeguards (SSG) provisions of the Agreement on Agriculture. The fact that there was no collaboration between Barbados and its CARICOM partners on this matter reveals the extent to which the importance of the negotiations was underestimated by CARICOM.

This situation had changed by the time the 1999 Seattle ministerial came around. By then, CARICOM had become acutely aware of the threats posed to its treasured preferential arrangements, particularly with the EU. By that time too, the RNM had been created and some amount of analysis of the region's trade policy options had been done. Guyana had also formed NACEN and had become actively involved in discussions on trade policy issues. There was a high level of CARICOM ministerial representation at Seattle, including Guyana's foreign minister. On the other hand, it is not clear whether CARICOM had consolidated a position prior to Seattle although in at least one sector, agriculture, ministers had met a few months before to frame a negotiating position. Little was made available to the public. Having still been in the throes of the banana dispute, the urge to adopt an anti-free trade posture must have been very strong. CARICOM, like many other developing country groups (not to mention the protestors) declared "victory" at the collapse of the talks and took credit for having assisted in putting the developed countries in their place.

### **Participation in the UNFCCC Process**

At the Second World Climate Conference, held in Geneva in November 1990, the vulnerability of small states to climate change was discussed. An alliance of Small and Low Lying States (AOSIS) was

formed within the Group of 77 & China (G77), consisting of Pacific, Caribbean (including Guyana, Suriname and Belize) and Indian Ocean States. A UN General Assembly resolution resulted in the Convention for the Stabilization of Green House Gasses. In 1990, Guyana entered the process through its participation in the 6<sup>th</sup> Inter-governmental Negotiating Committee. Three representatives were present. Around the same time, the President of Guyana chaired a CARICOM meeting in his capacity as lead head of government on environmental matters. Several positions were developed at that forum.

Guyana signed the United Nations Framework Convention on Climate Change (UNFCCC) at the United Nations Conference on Environment and Development (UNCED) which was held in Rio de Janeiro in June 1992 and it entered into force for Guyana on November 17, 1994. Guyana also participated in the 9<sup>th</sup> session of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change, held in Geneva in February 1994. Guyana had also been present at the Rio Summit (Earth Summit) in 1992, which produced Agenda 21 -- a document which set out several tasks for developed countries in the area of climate change.

The Caribbean project for Planning for Adaptation to Climate Change (CPACC) is an initiative taken by the CARICOM states at the UN-sponsored Small Islands Developing States (SIDS) conference in Barbados during April and May 1994. A request was made to the OAS to help in designing a project for submission to the Global Environment Facility (GEF) (see Box).

In June 1998, a project entitled "Enabling Guyana to Prepare its First National Communication in Response to its Commitments to the UNFCCC", valued at US\$196,730.00, was agreed between the Government of Guyana and the UNDP to provide funding in support of Guyana's compliance with Articles 4 and 12 of the UNFCCC. The was funded by the GEF. The project enabled Guyana to carry out an inventory of greenhouse gasses, assess the potential impact of climate change, and prepare its first national communication to the COP.

In 1999, Guyana, as chair of the Group of 77 and China, chaired meetings of that group on the UNFCC and Montreal Protocol in Bonn and Geneva.

As noted in the section on environmental institutions, Guyana has put in place a formal structure of committees and groups that address the issue of climate change.

In November of 2001, Guyana made an informal submission of its first national communication under the UNFCCC. A formal submission, through diplomatic channels is yet to be made.

#### **Caribbean: Planning for Adaptation to Global Climate Change**

This project is designed to support the participating Caribbean countries in preparing to cope with the adverse effects of global climate change, particularly sea level rise in coastal and marine areas through: vulnerability assessment, adaptation planning, and capacity building linked to adaptation planning. It is being executed through the cooperative effort of twelve **CARICOM** countries and participating institutions over a period of four years by a combination of national pilot/demonstration components and regional components.

The project is financed by the **Global Environment Facility** (GEF) through The **World Bank** as implementing agency and is executed by the **Organization of American States** (OAS).

A **Project Advisory Committee** (PAC) is chaired by the CARICOM Secretariat and provides guidance to the OAS on project planning and implementation. In addition a Regional Project Implementation Unit has been established at the University of the West Indies Center for Environment and Development (UWICED) in Barbados to ensure effective coordination and management of project activities at the regional level.

From: <http://www.cpacc.org/cpacc.htm>

Guyana has participated in all meetings of the Conference of the Parties to the UNFCCC (COP), sending at least one delegate to each. For the most part, Guyana has been represented by its chief Met Officer.

## Climate Change Policy

Guyana's policy on climate change is conditioned by the fact that, while the country is not a net emitter of green house gasses (GHGs), it suffers the consequences produced by the net emitters of the industrialized countries. It also emphasizes that fact that, with its forests still intact, Guyana is a positive contributor to climate stabilization. As a result, the country should not be called upon to carry out mitigation measures except to the extent feasible, such as the phasing out of CFCs -- a process that is already underway. Official policy therefore emphasizes adaptation measures, based on the reality of climate change and the consequences that flow therefrom, including the need to address issues such as the pressure on sea defences, and the greater difficulty of draining the coastal plain.

With respect to the poverty dimension, Guyana has taken the position that it is the poor who are most vulnerable to the effects of climate change. The majority of housing settlements are on the coastal flood plain and actions that simultaneously address "accommodation", "protection" and "retreat" will have to be taken.

Technicians working in the climate change field also point to the need to improve the country's knowledge base. While the modeling and simulations done at the hemispheric level are valuable, there is very little to draw on that is specific to Guyana. Given the nature of the case, historical data on climate and sea levels cannot be relied upon as guides for the design of infrastructure works and for land use planning. Much more experimentation needs to be done, for example, in simulating the changes in crop yields due to heat stress -- a non-conclusive study indicates that yields of sugar cane could drop by 30% due to increased temperatures. The possible socio-economic impacts of climate change also have to be assessed but this can only be done convincingly once reliable scientific data is generated.

The extent to which the general public is engaged in climate change issues is minimal. A survey done in 2000 for the Environmental Protection Agency (EPA)<sup>47</sup> found that a high proportion of those sampled -- up to 49 per cent in some areas -- had never heard of sea level rise. Public debate, as judged from the frequency of newspaper articles on the subject, has not been great. This will have to change if the necessary stimulus is to be given to work in this area though investment in technical facilities, research and development projects that address adaptation issues.

Official policy places emphasis on obtaining financial and assistance for transfer and/or promotion of technologies relating to both mitigation and adaptation issues. However, the Global Environment Facility of the World Bank -- the main source of funding available to developing countries -- is underfunded and many pledges by the developed countries have not been fulfilled. The GEF has, nevertheless, decided to support capacity building in LDCs. Areas in which Guyana could benefit include co-generation of electricity from sugar milling. A comprehensive list is to be drawn up. Any project that can be linked to the emission reduction can conceivably be eligible. Projects aimed at building up "soil carbon stocks" are especially important. Regarding other sources of technical

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<sup>47</sup> Bynoe, Paulette and Bynoe, Mark "Final Report on a Socio-Economic Assessment of the Vulnerability of Guyana's Coast, April 2000.

assistance, the EU has funds to jump start the CDM in the energy area (e.g. energy efficient buildings). Canada and the USA seem to be the best bets for assistance. The Dutch government has also signaled its readiness to provide funding.

Guyana supports the Clean Development Mechanism (CDM), which was proposed by developing countries in response to concerns about non-implementation of commitments by developed countries. The CDM is seen as a means by which Guyana could gain developmental investments, such as small hydropower schemes, from developed countries, who would then gain credits under the CDM. While there is general agreement within OASIS on the energy component, there is a split between the mainland countries, such as Guyana, Belize and Suriname, and the island states on the inclusion of land use and forestry elements. The latter would involve credits for the supply of technologies that result in the reduction of emissions due to, say, changes in agricultural practices that reduce methane emissions from rice cultivation. The island states object to this on "moral ground", insisting that the developed countries should do their own clean up. There also seems to be some fear on the part of the island states that natural resource-rich mainland countries such as Guyana will appropriate most of the benefits under the CDM. Guyana is also in favour of including "carbon sinks" in the CDM. Interestingly, the split between the mainland and island states in OASIS somewhat mirrors that between the US and the EU on the inclusion of forests in CDM, an issue that was largely responsible for scuttling the COP6 talks.

The decision of COP7 to formally launch the CDM is therefore most welcome. However, the extent to which Guyana can take full advantage of the CDM depends on a number of factors not least of which is the degree to which government prioritizes activities in this area and seeks to make it an integral part of its social and economic policy matrix. It will therefore be up to the technicians to demonstrate convincingly that there are concrete short-run financial and developmental gains to be derived from applying resources to the promotion of investments and carrying out the necessary technical work.

Article 4.5 of the FCCC states that developed countries must provide technology to developing countries to allow them to respond to the requirements of the convention. The developed countries have claimed, however, that most of the technologies are in the hands of the private sector. Developing countries counter by arguing that a development fund should be created -- US10 billion has been suggested -- that would provide the basis for the transfer of coastal adaptation technologies. Another important decision of COP7 therefore is on the creation of a special climate change fund, complementary to the GEF, that will support adaptation activities, transfer of technologies, and activities in agriculture, forestry and waste management among others, for developing countries.

In general, there has been consistent level of participation in the climate change process. The Presidential Adviser on Science & Technology has been very active in Agenda 21 matters. As chair of the Group of 77 & China in 1999, Guyana was able to promote a number of issues and still retains significant influence.

At the national level, there is some deficiency in terms of the level of involvement of high level officials in the National Climate Committee -- the body that coordinates Guyana's positions. It is possible that those officials are not sufficiently aware of the possibilities that exist for financial assistance to areas falling within their portfolios.

While Guyanese officials have demonstrated keenness in pursuing climate change issues, the involvement of the general public has not to date been significant. A review of the extent to which climate change issues have been mentioned in the press reveals that, apart from a few articles that

generally discuss the issue, not much debate has been generated. To be certain, a large number of Guyanese would have heard of the possibilities of sea level rise but, when compared to the everyday pressing issues that face the population, the level of urgency pales in comparison. At the same time, the amount of publicity for work already done has been minimal so much so that a daily newspaper recently carried an editorial observing that despite the number of studies done on coastal vulnerability, the public is little the wiser as to the implications for the country.<sup>48</sup>

Government too has not made much of the issue in its public pronouncements and this is largely understandable. The issues that face the nation – political discord, deficient infrastructure and social services, slow growth and unemployment – certainly weigh more heavily in the calculations of political leaders than do long-horizon issues such as climate change. On the other hand, the inability of technicians to make the connection between climate change (and other environmental issues) and other more pressing economic matters could also be responsible for the failure of the public to gain a greater appreciation of the issues. To move forward, those convinced of the importance of climate change issues must answer the question -- is there an immediate economic dimension to climate change and if so what? A positive answer would suggest that the country, and more importantly, disadvantaged groups, stand to benefit from continued and intensified engagement in climate change negotiations at all levels. Accessing practical technical assistance from the international community that impacts directly on the poor would certainly raise the profile of climate change technicians. Given that much of the technical assistance available is for "capacity building", efforts would have to be made to slant TA requests towards improving the ability of poverty stricken communities to adapt to the consequences of climate change. In Guyana's case, the area that most suggests itself is that of water management, both with respect to drainage/irrigation and sea/river defences. This is an area in which there is already a high degree of governmental involvement and one that has a high payback potential in both economic and political terms. Strengthening the weak institutional capacity that exists at the local level in water management should include the introduction of innovative and sustainable technologies and systems – appropriately sized machinery, use of natural or introduced biological controls, use of alternative energy sources for pumping etc.

The promotion of clean energy sources is of course an integral part of climate change abatement strategies. Here again, local communities, particularly those not served by conventional energy sources, could become points of focus poverty reduction strategies connected with climate change management and environmental conservation. Many poor communities have had to resort to charcoal burning and other non-sustainable uses of natural resources such as sand mining. This is happening while the potential for solar and wind power remains almost totally underutilized. Alternative building materials based on agricultural waste (such as rice husk and coconut shell, both of which go largely to waste) could also be promoted as alternatives to timber. Many of these areas have already been identified by local climate change technicians. What remains is to ensure that the required level of awareness is engendered among decision makers and the public at large. Much imagination and strategic thinking will be called for in seeking to promote climate change issues both within official circles and among the general public.

## **Conclusions**

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<sup>48</sup> see "Living With Water" editorial in *Stabroek News* January 29, 2002

Guyana's physical and economic circumstances dictate that it engages itself significantly in international trade and climate change negotiations, among others. Whether this translates into deep and consistent engagement, as opposed to the tentative sort, depends on a number of factors.

The experiences with the main trade negotiations -- WTO, ACP/EU, and FTAA -- tend to reveal the need to develop a more coherent and on-going approach to addressing the country's trade interests. The capacity that exists within the public, private, NGO and academic sectors must be more evenly and consistently applied. Without a strong analytical base for negotiations -- particularly one that is strongly related to specific economic and social sectors -- it will be difficult to create general awareness and thus convince policy makers of the need for deeper engagement.

Compared to climate change issues, public debate on trade at least exists at some levels. The fact that there are regular newspaper articles and occasional public seminars indicates that some amount of general interest exists. This needs to be built upon but the required effort can only be justified if public debate is informed by both relevant and informed analysis. In this regard, the limited role that the University of Guyana is apparently playing in trade analysis needs to be addressed. Developed countries have shown that negotiating positions benefit significantly from a close involvement with the academic community. Given the severe budget limitations facing the country, the need to demonstrate the benefits to be derived from engagement in trade negotiations assumes even more importance than in the case of better-endowed countries.

Being involved in several large trade negotiations simultaneously is no easy task. This was the prime reason for the setting up of the RNM. But the RNM cannot replace the role of national administrations in pursuing their own interests. National capacity building therefore continues to be of great importance. Donors who support the RNM may therefore wish to consider the implementation of integrated programmes that simultaneously support activities at both the regional and national levels.

Participation in climate change negotiations has so far been technically driven. The low profile that climate change issues enjoy both in public policy and in terms of general awareness, is essentially due to the long-run horizon that characterizes the issues, as well as the inability of technicians to translate the issues into practical strategies that connect with the more immediate and pressing socio-economic needs of the country. The susceptibility of the coast to flooding is of course widely appreciated by all segments of the population but this does not in itself translate into a strong awareness of the perils of climate change/sea level rise. Other aspects of climate change (effects on fisheries breeding grounds, possible declines in agricultural yields etc.) are even further from the minds of the average citizen. In addition, since climate change is not a phenomenon over which Guyana as an individual country has any control, there may well be the feeling among most of the population that there is nothing to be gained from any sort of involvement in the issue. Public awareness campaigns can play a part in bringing the population up to speed but, for maximum effect, such initiatives must forge a strong link between the global institutional framework for climate change and domestic developmental and poverty reduction issues. Similarly, unless government can be convinced that a deeper engagement in climate change issues will result in significant developmental assistance, little can be expected by way of increased prioritization.

The decision of COP7 to fully establish the CDM therefore offers technicians in Guyana an opportunity to promote climate change as a practical developmental issue. How Guyana responds to the CDM will be instructive. Taking advantage of this facility will require significant improvements in investment approval mechanisms within the public sector, particularly as it relates to the allocation of land, as well as a greater thrust towards attracting foreign direct investment in general. Each sector will have to be

made aware of the benefits to be derived from the CDM and detailed guidelines provided on the types of investments that are eligible. Special systems may have to be set up for facilitating CDM investments, preferably as part of a larger system for promoting environmental investments as a whole.

To date, Guyana cannot be said to have taken full advantage of its environmental bounty and it is possible that climate change could provide the cutting edge for an environmental industry (eco-tourism, alternative energy, non-timber forestry, bio-pharmaceuticals, organic agriculture etc.). For this to happen, there will have to be an improvement in the profile of environmental policy, converting it from a collection of measures imposed or promoted by donor agencies and NGOs to an integral component of social and economic policy and programmes.