

Trade Policy Review Body

TRADE POLICY REVIEW

GUYANA

Report by the Secretariat

This report, prepared for the first Trade Policy Review of Guyana, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Government of Guyana on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr. Angelo Silvy (tel. 739 5249).

Document WT/TPR/G/122 contains the policy statement submitted by the Government of Guyana.

Note: This report is subject to restricted circulation and press embargo until the end of the meeting of the Trade Policy Review Body on Guyana.

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SUMMARY OBSERVATIONS**(1) INTRODUCTION**

1. Since the late 1980s, Guyana has taken important steps to liberalize its trade and investment regimes, enhancing its integration into the global economy. Part of this liberalization has taken place through its participation in the Caribbean Community and Common Market (CARICOM), but also through autonomous measures. Applied MFN tariffs have been lowered to an average of 12.1%, and a relatively limited use is made of non-tariff trade measures, with the exception of licensing. Guyana has introduced or is in the process of introducing new laws in investment, government procurement, intellectual property, and several service subsectors.

2. Guyana's economy relies heavily on international trade. Imports exceed the value of GDP, and exports approach this level. The economy is dependent to a great extent on a few natural resources, such as sugar, gold, bauxite, and rice, which generate most foreign exchange earnings and have a considerable impact on production and employment. Preferential access to the markets of the European Union and the United States is important to Guyana for exports of its traditional products. Guyana has been affected, in recent years, by a deterioration of its terms of trade, compounded by an erosion of preferential margins. As a consequence, Guyana faces problems in its traditional industries and needs to make further efforts to increase their competitiveness, while also seeking to diversify its production and export base to face a possible further erosion of preferences. This can be best achieved by continuing and strengthening the ongoing process of economic reform and trade liberalization.

(2) ECONOMIC ENVIRONMENT

3. Guyana has been implementing a programme of structural reform since 1988, partly under the aegis of the CARICOM and

partly as a result of autonomous measures. In this context, Guyana's trade policy has undergone major change over the past 15 years, from a state-controlled trade regime to progressively liberalized trade policies. A privatization process has also taken place, although, in some cases this process has not produced the expected results. The economic reform programme continues under the present administration and trade policy remains a declared core element in this programme. In 2003, the Government was in the process of approving a national trade strategy that stresses the importance of trade to Guyana, the need to respond to the challenges of globalization, and endorses participation in bilateral, regional, and multilateral trade negotiations.

4. Despite reform efforts, Guyana's economy has been growing at a very slow pace in recent years, partly affected by a deterioration in its terms of trade and an erosion in preferences. Average GDP growth over the 1997-02 period was 0.6%, and per capita GDP, at some US\$900, remains one of the lowest in the Western Hemisphere. Growth and investment possibilities are limited by the large external debt and relatively high production costs. Diversification of the economy is generally seen in Guyana as an imperative. A key question for Guyanese policymakers is how best to achieve that goal.

5. Guyana's economy is heavily dependent on trade. Imports accounted for over 100% of gross domestic product prior to 1999, and exports approached this share. While the overall participation of trade in GDP has fallen in recent years, that decline has been more notable for exports rather than for imports. Sugar and rice dominate the traditional agriculture sector, accounting for nearly three quarters of agricultural production, and almost one fourth of the total economy. Together with bauxite, sugar and rice comprise close to half of Guyana's exports. These three traditional industries are facing competitive challenges, compounded, in the case of sugar and rice, by erosion in the

margins of preferential access to their main markets.

6. In recent years, Guyana's monetary policy has been successful in keeping inflation under control. However, the fiscal accounts have been deteriorating, and the Central Government deficit reached 9.5% of GDP in 2001. The Government has applied corrective measures since then, including reducing expenditure and improving tax collection, resulting in a lower deficit, of 6.8% of GDP in 2002. Most public enterprises post surpluses, thus helping to finance the Central Government deficit.

7. Guyana runs a traditionally large balance-of-payments current account deficit, which in 2002 represented 13.9% of GDP. This is mainly due to a structurally large trade deficit, of some 10% of GDP, although the services balance also posts a deficit. Remittances from abroad and external aid contribute importantly to finance the current account deficit. The external debt amounts to almost twice the size of GDP. Guyana participates in some debt-relief schemes. It was declared eligible for the Heavily Indebted Poor Countries initiative in 1999 and has benefited from debt relief thereafter. Guyana also benefits from the International Monetary Fund's Poverty Reduction and Growth Facility. In 2002, the IMF approved a three-year credit under the PRGF for an amount equivalent to US\$73 million.

(3) TRADE AND INVESTMENT POLICIES

8. Guyana became a contracting party to the GATT upon independence in 1966. Guyana is an original Member of the WTO, grants at least MFN treatment to all its trading partners, and has made notifications in agriculture, sanitary and phytosanitary measures, and intellectual property rights, among others. Guyana did not participate in the GATS extended negotiations on telecommunications, or on financial services.

9. The Ministry of Foreign Trade and International Cooperation (MOFTIC) is the

government agency with responsibility for trade policy matters. MOFTIC's interagency coordination responsibilities are facilitated by the National Advisory Committee on External Negotiations (NACEN), established in 1997. NACEN complements the work of the Caribbean Regional Negotiating Machinery at the national level.

10. Guyana's trade policy is designed and implemented within the framework of its participation in the Caribbean Community and Common Market (CARICOM). Guyana is the ministerial spokesman for CARICOM in WTO. Through its participation in CARICOM, Guyana has concluded preferential trade agreements with Colombia and Venezuela and is negotiating with some other countries in the region. Agreements with Cuba and the Dominican Republic have been signed, but are not in effect yet. Guyana has also signed bilateral agreements with Brazil, China, and Venezuela. Guyana is a participant in the Free Trade Area of the Americas negotiations.

11. Guyana considers full participation in the multilateral trading system as an essential element for achieving its key developmental goals. As of mid 2003, several trade-related reforms were under active consideration, including a new Investment Code, an updated copyright law, a revised government procurement statute, the introduction of competition policy legislation and a Competition Commission, and the ratification of trade agreements that had been negotiated either on a bilateral basis or through CARICOM.

12. Over three quarters of Guyana's exports benefit from preferential access to foreign markets. Guyana receives preferential treatment under the ACP-EU Agreement; the Caribbean Basin Initiative (CBI); the Canadian Programs for Commonwealth Caribbean Trade, Investment and Industrial Cooperation (CARIBCAN); and is a beneficiary of the Generalized System of Preferences (GSP) of a number of countries.

13. Guyana's investment regime is generally open to foreign investors and grants national treatment with few exceptions. Foreign investors may benefit from a number of import duty and tax concessions.

(4) MARKET ACCESS IN GOODS

14. Guyana has significantly liberalized its trade regime in the last decade, but some distortions remain. Market access has in general been enhanced under the process of progressive liberalization in CARICOM. However, domestic legislation has been only partly amended to implement Guyana's commitments under the different WTO agreements.

15. Guyana has bound its entire tariff in the WTO at a ceiling of 50% for non-agricultural products (with some exceptions) and at 100% for all agricultural products. Guyana applies Phase IV of CARICOM's Common External Tariff (CET), with a maximum tariff of 20% for industrial products and 40% for agricultural goods, with a number of exceptions. The average applied MFN tariff is 12.1%, and almost two thirds of tariff lines are subject to duties of 10% or less, but a limited number of products, mainly agricultural goods, alcoholic and other beverages, and tobacco, face duties as high as 100%. With a small number of exceptions, Guyana grants duty-free access on imports from other CARICOM countries, provided that they meet CARICOM rules of origin. Guyana also grants tariff preferences to a limited number of products originating in Colombia.

16. Guyana makes extensive use of import-duty relief schemes. Guyana, like other CARICOM members, may grant full import duty exemption to the goods in its Conditional Duty Exemption List. A number of other import-duty relief schemes are also used. These relief schemes, and in general the wide scope of CET exceptions, reduce the degree of predictability and transparency of the applied tariff, and in some cases may be introducing elements of discrimination among users of the imported products. Most items,

including imported goods, are subject to a 30% consumption tax, although some goods may be subject to lower rates and a few to higher ones (up to 128%).

17. Guyana enacted the GATT/WTO Customs Valuation Agreement (CVA) with effect from 1 January 1991 and operationalized the system in 1993. Customs valuation is increasingly based on invoice prices, although reference prices may be used occasionally. Guyana applies import-licensing requirements on a relatively large number of products. Both automatic and non-automatic licensing is used. The current list of items subject to import licensing includes some important products of national industries, such as, rice and cane sugar, some of the most significant imports, such as petroleum and by-products, wheat flour, and fertilizers, and other goods for which there are special considerations of health and safety. The products under licensing requirements are subject neither to quotas, nor to tariff quotas, these instrument are not used by Guyana. Guyana has never applied anti-dumping or countervailing duties, nor has it implemented safeguard measures.

18. Guyana is not a party to the WTO Agreement on Government Procurement. In the past, procurement has been riddled with weaknesses and lack of transparency. In 1996, Guyana set up the Central Tender Board Secretariat to improve the administration and management of the procurement system. New government procurement legislation to modernize the procurement process and make it more transparent was assented but not enacted in 2002, the proposed legislation was revised in 2003 and a new bill introduced. The changes included in the new legislation aim to promote competition among suppliers and fairness and transparency in public procurement, and include provisions on the general use of public tendering, and to promote the respect of international agreements. The draft law grants the right to apply preferences to domestic suppliers.

19. Guyana maintains some 235 national standards, approximately half of which have been adapted from international standards. The Guyana National Bureau of Standards monitors 19 categories of goods imported into Guyana, and has issued 14 technical regulations to this aim, generally dealing with labelling. A number of sanitary and phytosanitary requirements, including the widespread use of sanitary and phytosanitary certificates, are applied on imports.

(5) OTHER MEASURES AFFECTING TRADE

20. Export taxes apply in principle to a group of non-manufactured products, at a general rate of 1.5%, with some exceptions. In practice, however, taxes have been waived or are not collected in most cases, contributing relatively little to overall government revenue. A small number of products are subject to export licensing.

21. Guyana applies a number of incentive schemes; some incentives are applied across-the-board and are made available if certain specific criteria, such as local value added content, are met. Guyana also offers several sector-specific programmes. In this respect, tax and tariff incentive programmes are available to promote trade and investment in tourism, fisheries, mining, forestry, manufacturing, and agriculture. An export allowance is granted as a percentage of export profits, varying between 25% and 75%, for non-traditional exports outside of CARICOM. Domestic and foreign investors are treated equally with respect to these incentives.

22. Guyana is in the process of amending its intellectual property rights legislation to comply with the provisions of the TRIPS Agreement. Implementation of this agreement is awaiting the enactment of this new legislation. Existing legislation is outdated, pre-dating independence. The terms and scope of protection are, in general, less favourable than those in the TRIPS Agreement. A draft Copyright Bill notified to the WTO is expected to be implemented in the

near future, and to be followed later by new legislation in other intellectual property areas. Although Guyana has no specific competition policy legislation, monopolies are prohibited, with the exception of the electricity and telecommunications subsectors.

(6) SECTORAL POLICIES

23. The Guyanese economy is still heavily dependent on the primary sector, in particular agriculture and mining. Primary activities represented some 45% of GDP in 2002 and generated most of Guyana's foreign exchange earnings. Between 1997 and 2002, the contribution of services and agriculture to GDP has increased, while the share of manufacturing and mining has decreased.

24. The traditional agriculture sector, comprised mainly of sugar and rice, continues to be supported by preferential access to the CARICOM, EU and U.S. markets. In 1997, Guyana lost most of its preferential quota access for rice exports to the European Union. Combined with a deterioration in world prices, producer indebtedness, and bad weather, this loss has led to a sharp drop in Guyana's rice exports. The sugar industry is sustained, in part, by Guyana's preferential treatment in the markets of the EU, the United States, and CARICOM.

25. Imports of agricultural products generally face higher tariffs than industrial goods. Tariffs are particularly high for beverages, spirits, and tobacco, which also face high consumption tax rates. Although Guyana applies no quantitative restrictions on the importation of agricultural products, nor does it resort to the use of tariff quotas, a relatively large number of animal and vegetable products are subject to import-licensing and SPS requirements. Guyana does not provide export subsidies, nor does it extend non-exempt support to agricultural producers. Support is provided through programmes notified to the WTO as Green Box measures.

26. Despite difficulties faced in recent years, mining continues to be an important activity for Guyana. The main products are gold, bauxite, and diamonds. The production of bauxite in particular has suffered from high costs, and attempts to restore the industry's competitiveness, including through privatization, have proven unfruitful. The mining sector is also affected by a high level of domestic taxation.

27. The manufacturing sector is small and devoted primarily to the processing of natural resources. Guyana has preferential access to the U.S., EU, and Canadian markets for its manufactured products. Guyana also benefits from the GSP schemes of a number of other countries, and has duty-free or reduced-duty access to the markets of other CARICOM countries, Venezuela, and Colombia. Despite this preferential access, the development and growth of the manufacturing sector has been limited, with apparel the one notable area in which Guyana's exports of manufactures are expanding.

28. The Guyana Electricity Corporation, the main public supplier of electricity, was privatized in 1999 and the Guyana Power and Light, Inc. (GP&L) was created. Until April 2003, private participation in GP&L was 50%, while the Government of Guyana held the other half-share. Although the country's electricity generation increased by over 30%

between 1997 and 2002, there were significant problems in GP&L's management and regulation, and the private investors sold their share in the company back to the Government for US\$1; the Government resumed full ownership of the utility in April 2003 and management control a month later.

29. Services account for some 40% of GDP. Guyana has made GATS commitments in five sectors: business, communication, financial, tourism, and transport services. Tourism is the most important service activity in terms of foreign exchange earnings, although it is less important to Guyana than it is to most other CARICOM countries. The industry enjoys various incentives. Financial services are generally open to foreign investors, as witnessed by the relatively large number of foreign banks operating in the country. In telecommunications, there is a monopoly in the provision of fixed telephony services until 2010, but the provision on non-landline services such as cellular telephony is open to domestic and foreign competition. A cabotage rule is in place under which only Guyana ships may trade between Guyana ports, but this rule may be subject to exemptions. The registration of ships in Guyana is, in principle, limited to nationals of Guyana or of other CARICOM countries, or to corporate bodies established in Guyana and having their principal place of business in the country.