UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

TRADE POLICY FRAMEWORK

GUYANA

A National Trade Strategy

UNITED NATIONS
Geneva, 2021

United Nations publication issued by the United Nations Conference on Trade and Development.

UNCTAD/DITC/TNCD/2020/3

eISBN: 978-92-1-005490-4

ACKNOWLEDGEMENTS

The report was prepared at the request of the Ministry of Foreign Affairs and International Cooperation, Cooperative Republic of Guyana, by the Trade Negotiations and Commercial Diplomacy Branch (TNCDB), Division on International Trade and Commodities (DITC), UNCTAD. The work was carried out under the general guidance of Pamela Coke Hamilton, Director, DITC (presently Executive Director, International Trade Centre) by a team composed of Craig VanGrasstek (UNCTAD consultant), Miho Shirotori, Liping Zhang and Taisuke Ito of TNCDB/DITC.

Dianna DaSilva-Glasgow, Director, Foreign Trade Department, Ministry of Foreign Affairs and International Cooperation, provided guidance and coordination in the national preparatory process and provided substantive inputs to the report. Extensive comments received on the earlier version of the draft from the Ministry, other governmental departments and agencies, as well as the private sector and civil society, including those provided at the National Validation Workshop for the Guyana National Trade Strategy (Georgetown, 9 September 2020) are gratefully acknowledged.

The cover design and desktop publishing were done by Laura Moresino-Borini and Belén Camarasa.

DISCLAIMER

This publication - Trade policy framework of Guyana: A national trade strategy - was prepared under the responsibility of UNCTAD with a view to providing analytical inputs and policy recommendations for the consideration of the Government of Guyana. The national trade policy document based on this review is currently under development by the Government. The latter document remains under continuous review and updating as necessary in keeping pace with ongoing developments in the Guyanese economy.

NOTE

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

For further information on the publication, please contact:

Trade Negotiations and Commercial Diplomacy Branch
Division on International Trade and Commodities
United Nations Conference on Trade and Development
Palais des Nations
1211 Geneva 10
Switzerland
Email: tncdb@unctad.org
Website: unctad.org/gsp

ABBREVIATIONS AND ACRONYMS

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

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The second concrete recommendation is that the procedures for imports, exports and incentives be reformed. The heavy paperwork burden on imports and exports is one of the principal reasons why Guyana scores poorly in the Doing Business indicators. While steps are now being taken to reduce that burden, there is scope for further reform. It is recommended here that the aforementioned review of possible trade tax relief be complemented by an equally thorough review of all paperwork that is still required in order to import, export, or receive incentives and exemptions. That review should be