

TRADE POLICY REVIEW

GRENADA

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of Grenada is attached.

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

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INTRODUCTION

1. The state of Grenada consists of the islands of Grenada, Carriacou, and Petit Martinique and has a land area of three hundred and forty-five square kilometer (or 133square miles). The population was estimated at 101,100 in 1999. Grenada is the southernmost of the Windward Island group situated in the Eastern Caribbean and is a member of the sub-regional grouping called the Organisation of Eastern Caribbean States (OECS). As an OECS member, Grenada shares a common central bank and cooperates with the other member states in several economic and social areas. Grenada is also a member of the Caribbean Community and Common Market (**CARICOM**) and the Association of Caribbean States (ACS).

2. Grenada is largely an agricultural society, although since the 1970's attempts have been made to transform and diversify the economy particularly the agricultural sector. During the early 1980's a concerted attempt was made to link agricultural production to industrial production through the encouragement of agro-processing industries.

3. Since the completion of the international airport in 1985, attention has shifted to the tourism sector. This sector emerged as the lead engine of economic growth in the 1980's. High rates of economic growth, averaging 7.5% annually were recorded during the period 1986 – 1989.

4. The economic fortunes of Grenada have been inextricably linked to the performance of the agricultural sector and in particular, the production and export of bananas, cocoa and nutmeg. Grenada also has a large subsistence sector producing fruits, vegetables and livestock for domestic and regional markets. Banana exports have made a valuable contribution to the economic and social development of the country throughout much of the 1960's and 1970's.

5. Banana exports have evolved under preferential trading arrangements with the UK, while cocoa and nutmeg have been traded on the open market and invariably have been subjected to the vagaries of international market forces. Cocoa and banana production and exports have been on the decline. Grenada, as one of the two major nutmeg producers, the other being Indonesia, has benefited enormously in periods of high demands and / or limited supply.

6. In the past few years the contribution of the agricultural sector to GDP has declined. Because of a construction boom linked to the development of public and private sector investment projects, prudent macroeconomic management, trade liberalization and a restructuring of the wage bargaining process, GDP expanded by an average annual growth rate of 5% over 1994 – 2000. The level of unemployment declined from an estimated 26.7% in 1994 to 12.5% in 1999. Inflation has being relatively low, with annual rates generally between 1 and 2.5% partly due to the fixed exchange rate policy conducted by the Eastern Caribbean Central Bank.

7. The expansion of the economy has been accompanied by a widening current account deficit on the balance of payment, which increased from 10.2% of GDP in 1994 to 23.2% of GDP in 1999. The merchandise trade deficit continues to increase. The surplus in services is insufficient to offset the large negative merchandise trade balance, thus resulting in an increased dependence on foreign savings to finance investment.

I. ECONOMIC POLICY ENVIRONMENT

8. Between 1990 and 1993, the economy grew by an average of 2%. The reduced rate of economic growth in the early 1990's can be traced to the contraction of agricultural export and a fall in public sector investment. Agriculture export earnings declined from \$68.6 million in 1987 to 22.0 million in 1993. Export of major agricultural crops declined by 43.4% between 1990–1993 alone.

9. In 1992, the Government of Grenada embarked on a three-year self-imposed structural adjustment programme (SAP). This programme was aimed at stemming a deteriorating fiscal balance, improving the performance of the tradable sector, and laying the basis for private sector led development. The programme entailed extensive modification of the tax system and better fiscal management to improve the Government finances.

10. Grenada's economy has exhibited relatively strong growth since 1994 following the SAP. After declining by 1.2% in 1993, the economy rebounded to grow by an annual average rate of 4.8% over 1994 – 1999.

11. In 1999, real GDP expanded by 8.2% compared to 7.3% in 1998 and 4.2% in 1997. This growth is primarily attributed to:

- (i) A buoyant construction sector;
- (ii) An expanding telecommunications sector tied to the ongoing construction boom and a generally higher standard of living;
- (iii) The rapid growth of the international financial services sector;
- (iv) Further increase in manufacturing output primarily because of expansion of an electronics assembly plant;
- (v) A resurgence in agricultural production due to high prices of nutmegs, recovery from major pest and disease problems in the mid 1990's and the recommencement of banana shipment;
- (vi) Sustained growth in tourist arrivals and earnings;

12. The Government also directed its attention to the productive sectors. Policies were pursued to rehabilitate banana and cocoa production and to expand capacity in tourism, business and in financial services and the manufacturing sector. Government attempted to address the accumulation of domestic and external arrears through debt rescheduling and cancellation.

13. The SAP succeeded in improving the fiscal situation as the deficit of \$32.2 million on the recurrent account in 1992 was converted into a surplus of \$11.2 million by 1993. The surplus on the recurrent account subsequently fell to \$0.8 million in 1994.

14. In spite of these achievements, the SAP failed to stimulate activity in the real sector, and the external current balance continued to deteriorate. The tourism sector expanded in 1992 and 1993, but this was offset by decrease in agriculture and manufacturing. Private sector activity remained low and the reduced level of public sector spending aggravated the situation.

15. To promote rapid economic growth in the face of the contraction of the economy and the failure of the private sector to exhibit much dynamism, the Government undertook to play a more prominent role in stimulating economic growth and fostering the diversification of the economy. The economic strategy adopted over 1994 – 1996, while continuing the fiscal and public sector reform initiatives started under SAP, focused on restoring economic growth through increased public sector investment in essential infrastructure and by raising the competitiveness of the producing sectors.

16. Over the past decade, the structure of the economy has undergone some transformation. This is manifested by an increase in the services sector contribution to GDP and a relative decline in the goods sector.

17. Agriculture, manufacturing and mining and quarrying, taken to represent the goods sector comprised 17.7% of GDP in 1998, down from 20.4% eight years earlier. There has been a notable decline in the importance of agriculture to the economy. In 1990, agriculture was the second leading contributor to GDP accounting for 13.4% of the total. By 1998, this sector's contribution to GDP was only 9.2%, the fifth largest component of GDP.

18. The services sector accounted for 62.75% of GDP in 1998 compared to 53.2% of the GDP in 1990. Construction, ancillary services such as transport and communications, together with financial and business services have grown in importance. The latter increased steadily from 12.2% of GDP in 1990 to 13.6% of GDP in 1998. The contribution of transport and communications to GDP rose from 20.1% to 25.4% during the period 1990 – 1998.

19. The expansion in the economy has been accompanied by a widening on the external current account and an increase in domestic credit. The deficit on the current account of the balance of payments climbed steadily from \$72.7 million in 1994 to \$225.5 million in 1998. The balance on the services account was positive but insufficient to offset the large negative merchandise trade balance.

20. The medium term prospects for the Grenadian economy appear favorable. The Government envisages that real GDP will grow at an annual rate of at least 5% during the period 2001-2002. Under the stimulus of heightened activity in the construction and telecommunications sectors, the sustained growth of the tourism sector, the continued expansion of the international financial services sector and the resurgence of the agricultural sector. However, one of the major objectives of the government over the medium term is the reduction of poverty. With the assistance of the Caribbean Development Bank a National Poverty Assessment Survey was completed in 1999 and found that 32.1% of the population still live in a state of poverty, thus over the medium term, the government priority is reducing that figure.

21. Grenada as a small island- developing nation is endeavouring to rise to the triple challenges of globalization, trade liberalization, and poverty eradication, and to seize whatever opportunities the first two challenges present. It is the view of the government that survival in this new economic order largely depends on Grenada's ability to be more internationally competitive in both price and quality of goods and services offered, as well as finding new market niches that offer the country a competitive edge. Equally important as these two imperatives will be an appropriate response by the international community to the special circumstances of small, open and vulnerable states like Grenada.

22. The medium term goal of the government is to re-position the Grenadian economy as a more diversified, competitive and knowledge-based economy thereby ensuring that the quality of life of all its citizens is enhanced. In the context of the foregoing, the government has the following major medium term objectives:

- (1) Sustained economic growth;
- (2) Reduction of poverty;
- (3) Reduction of unemployment;
- (4) Human resource development; and
- (5) Improving environmental management.

Fiscal policy

23. The current balance on the fiscal account has been consistently in surplus since 1993. The Government of Grenada has been attempting to maintain fiscal discipline by seeking to restrain recurrent expenditure while simultaneously augmenting revenue. Expenditure reduction has been sought through:

- (i) Staff reductions in the public service;
- (ii) A freeze on hiring in the public service;
- (iii) Privatization of state-owned entities;
- (iv) Commercialization of some government services.

24. Increases in revenue particularly since 1999 have been pursued primarily by way of:

- (i) Administrative reform and institutional strengthening of the revenue collection agencies to enhance their revenue collection capacity;
- (ii) Ensuring greater compliance in payment of income taxes, custom duties, property taxes, etc.;
- (iii) Introduction of user charges for some government services;
- (iv) Active promotion of new sectors of growth, namely the offshore services sector.

25. The recurrent account recorded a small surplus of \$5.8 million in 1998. This improved substantially in 1999 to \$50.4 million (5.2% of GDP) on account of very strong revenue collection particularly in respect of Inland Revenue.

26. Capital expenditure has been robust as government undertook extensive infrastructure development. Capital expenditure has risen steadily since 1995, moving from \$51.7 million to \$79.4 million in 1998 and \$103.7 million in 1999.

27. Tariffs and other taxes on imports are important revenue sources for the government. Almost fifty percent of government revenue comes from taxes levied on imports. Government recognized that their reliance on import-based taxes would have to be reduced as the process of trade liberalisation progressed. Thus, Government is considering the possibility of the adoption of a value added tax (VAT) in the near future.

Monetary policy

28. Government of Grenada remains fully committed to the common monetary union of the Eastern Caribbean. Grenada is a member of the Eastern Caribbean Currency Union (ECCU). The Eastern Caribbean Central Bank has been responsible for its monetary policy since 1976, keeping the EC dollar pegged to the US dollar at a rate of EC\$2.70 per US\$. The government is committed to maintaining supportive domestic policies to ensure that the value of the Eastern Caribbean dollar is maintained.

29. Central to financial policy over the medium term will be the creation of a single financial space in the OECS. This will include the establishment of a government securities market and an OECS stock exchange as major components of a money and capital market.

Balance of payments

30. The current account of the balance of payment shows a structural deficit caused by an imbalance between exports and imports of merchandise, with exports representing just one-fifth of imports. The deficit in merchandise trade has been deteriorating over the years, because of the strong import content of the infrastructural projects undertaken by the government, and also an increase in private consumption; during the period 1997-1999, it represented some 24% of GDP.

31. It is anticipated that the current account will continue to be under pressure in the near future. Government envisaged that increased receipts from tourism, direct foreign investment and public sector external assistance will continue to help finance the deficit.

Commercialization and privatization

32. Substantial divestment and privatization of public enterprises occurred throughout the 1990's. Government intends to continue with this programme. Additionally, government intends to continue with its policy of commercialization of selected government departments via the establishment of statutory bodies and executive agencies.

II. TRADE AND INVESTMENT POLICY**(a) Trade policy**

33. Over the last decade Grenada trade policy evolved as a result of its participation in international, regional and bi-lateral trade agreements. The change in trade policies reflected a shift from import substitution to a more liberalised trading system. The erosion of trade preferences, including the trend towards liberalization of world trade, the establishment of the WTO and the proliferation of regional trade agreements have all impacted on the formulation of Grenada's trade policies.

34. The main objectives of Grenada's trade policies are:

- (i) To foster development of the micro sector;
- (ii) Diversification of the agriculture sector;
- (iii) Export-led growth;
- (iv) To strengthened Grenada's capacity to meet obligations under regional and international trade agreements; and
- (v) Development of the services sector and selective industries in the manufacturing sector to be more internationally competitive.

35. The programmes undertaken by the Government of Grenada over the last decade to diversify the economy and promote sustainable export-led growth and development have been undertaken within the context of the global trend towards trade liberalization. The following measures were undertaken in order to facilitate the process of trade liberalization.

- (i) The reduction of the Common External Tariff (CET) on imported goods;
- (ii) The removal of some items from the negative list, and at present negotiation is ongoing among the OECS members for the tariffication of items on the negative list, which will comply with the GATT;
- (iii) Grenada participates in negotiations for the establishment of the FTAA. Grenada, together with other CARICOM members also signed bilateral trade agreements with Cuba, Venezuela, Colombia and Dominican Republic.

36. Trade and industrial policy over the medium term will focus on the development of the services sector, selective industries in the manufacturing sector and micro and small enterprises to be more internationally competitive. The objectives in developing these sectors are:

- (i) Generate sustained economic growth;
- (ii) Diversification of Grenada's economy, because of decline in the importance of agriculture to GDP;
- (iii) Generation of employment;
- (iv) Generation of export revenue.

37. In order to achieve the above objectives, the government through the Grenada Development Bank is providing assistance to manufacturers and small businesses in setting up their business. Under the Fiscal Incentive Act and the Hotel Aid Act the government also grants tax holidays and duty free exemption for materials and equipment for setting up these enterprise.

38. Grenada's market access strategies are influenced by the ongoing process of liberalization and globalization of the world's economy. These developments have made it imperative for countries like Grenada to accelerate the pace of integration into these blocs and into the world economy or face the prospect of being marginalized. Grenada's traditional trading markets are located in the EU, CARICOM and the Western Hemisphere. It is against this backdrop that government has actively participated in regional and bi-lateral trade agreement.

39. In 1989, the CARICOM conference of Heads of Government decided by way of a declaration to work towards the establishment of the CARICOM Single Market and Economy (CSME). The motivating factor was the perceived need to deepen the integration process and strengthen the Caribbean Community in all of its dimensions to respond to the challenges and opportunities presented by changes in the global economy. Chief among these were the trend of liberalization of trade and other economic activities, the rising phenomenon of globalization and the emergence and expansion of regional economic blocs. At present, goods produced within the Common Market are exempted from the CET once a certificate of origin is produced. There is also a Common External Tariff on goods entering the Common Market from extra-regional sources. Currently, member states are in the process of developing a programme to remove restrictions on the rights of establishment, provision of services and the free movement of capital.

40. The Government of Grenada also participates in the negotiation for the establishment of the FTAA; this is done through the Caribbean Regional Negotiating Machinery (CRNM), which was established by the CARICOM Heads of Government. The CRNM mandate is to engage in trade negotiations on behalf of CARICOM. The Government is endeavouring to participate more actively in FTAA, as part of a co-ordinated CARICOM effort in order to ensure that its interest and that of the regional grouping is served, particularly as smaller economies, in the negotiating process.

41. Grenada is a beneficiary of Lomé IV Convention and the Cotonou Agreement. Products from Grenada generally enjoy preferential access to the EU, either duty-free or at conditions more advantageous than MFN treatment. Grenada also benefits from CBI and CARIBCAN preferential agreements. The CBI agreement offers duty free access to exports of selected Caribbean and Central American Countries into the markets of the United States of America. CARIBCAN offers a similar facility for Caribbean exports into the Canadian market. A number of products are excluded from preferential treatment.

42. Grenada, with its CARICOM partners entered into preferential free trade agreements with Colombia, the Dominican Republic, Venezuela and Cuba.

(b) Investment policy

43. The Grenada Industrial Development Corporation (GIDC) is the industrial development agency of the Government of Grenada with special responsibility for stimulating, facilitating, and undertaking the development of industry in Grenada. The Government of Grenada welcomes all investment, which it believes would have the positive effects of increasing domestic income, employment, foreign exchange earnings or savings, and transferring appropriate technology and knowledge to the local economy.

44. The Government of Grenada encourages the establishment and development of new businesses and offers a wide range of incentives to potential investors. The focus of the government's effort is to encourage investments in projects with the greatest opportunity for creating jobs and generating foreign exchange. In this regard the following areas were identified as having the greatest potential for development:

- Agro-industry
- Information processing
- Hotel plant construction
- Electronic assembly
- Off-shore services

45. In order to create an environment conducive to investment the government provides a number of incentives to investors. Under the Fiscal Incentive Act 41 of 1974 and the Hotel Aids Act 1954 investors can obtain full exemption from taxes on corporate profits for up to 15 years and exemption from duties (CET) and taxes (GCT) on plant, machinery, equipment, spare parts, raw materials and components. Also, no restrictions are applied to the movement of capital and profits and foreign investors can have 100% ownership of Business.

46. Another key element in the quest to attract foreign investors is the concluding of bilateral investment treaties, which have been concluded with several countries in an effort to maximize the benefits that could be derived from its trade and investment links with extra-regional trading partners. Grenada has concluded bilateral investment treaties with the UK and the USA. The government intends to continue negotiating bilateral investment treaties with other countries, since these agreements will provide a measure of security to potential investors, and thereby improve the attractiveness of Grenada as a location for investment.

47. Grenada has entered into Double Taxation treaties with the UK, Norway and Switzerland. Grenada is also a signatory of the Double Taxation treaty of the Caribbean Community. At present, the Organization of Eastern Caribbean States (OECS) and Canada are in the process of negotiating a Double Taxation treaty.

III. TRADE POLICIES AND PRACTICES BY MEASURE

Tariffs

48. Taxes on international trade account for 50% of Government current revenue. The preliminary figure for 1999 indicates that revenue from international trade was EC\$139.5 million out of an estimated EC\$274.5 million. The taxes levied on international trade are import duties, which ranges from 5% to 40%, General Consumption Tax 25% and 10% for items listed in schedule 3 of the GCT Act and a Custom Service Charge of 5% on the c.i.f value of all imports except those of government, the flour mill, Cable and Wireless Grenada Ltd and domestic manufacturers.

49. It is evident that taxes on international trade are a major source of revenue to the Government. With trade liberalization, it is expected that with the lowering of border taxes alternative sources of revenue will have to be sought. Over the medium term the Government is considering the re-introduction of the Value Added Tax (VAT). Already technical assistance has been sought from the IMF to review the current tax administration regime and explore options for the reintroduction of VAT.

Import licences and quantitative restrictions

50. Quantitative restrictions (QRs) on imports are applied on a number of products under Article 56 of the CARICOM Treaty. Under Article 56 of the CARICOM Treaty, the Less Developed Countries (LDCs) are allowed to use QRs in order to promote the development of their local industries. Grenada applies these restrictions on imports from third countries and the more developed countries of CARICOM. These products are subject to non-automatic licensing. A number of other products are subject to automatic licensing. These licenses are applied mainly for monitoring purposes.

Government Procurement

51. Grenada is not a party to the WTO plurilateral agreement on government procurement. The Finance and Audit Act No. 25 of 1998 provides the legal basis for administering government procurement. Government normally follows a tendering process when procuring goods and services, which is done through the Tender's Board. Government procurement over one hundred thousand dollars is done in a centralized way and are published in the government gazette. The bidding is open and there are no preferences granted to domestic or regional suppliers, except for projects funded by the Caribbean Development Bank or by the EU. Decisions are taken based on the most advantageous offer.

Standards and technical regulations

52. The CARICOM Common Market Standards Council was established in 1973 as an Association of all national standards bodies in the region, which has the responsibility for developing regional standards and advising the Common Market Council on related technical matters.

53. At the national level there is a Bureau of Standards. Grenada has adopted the code of good practice for the preparation, adoption, and application of standards in 1997. Because of the lack of capacity and proper laboratory facility, Grenada is unable to develop and enforce most of the standards. As a small developing country, our trade can be seriously affected by lack of proper facilities and technical personnel thus technical assistance is required in order to assist us in meeting international standards.

State trading

54. The Marketing and National Importing Board (MNIB) is the sole and centralized importer of rice in bulk, full cream powdered milk in bulk, refined sugar in bulk and unrefined sugar in bulk, it is also involved in the retailing and exporting of agricultural produce. The MNIB has been given this mandate in order to ensure that there is an adequate supply of these products in the country. The products traded by the MNIB are also under price control, in order to keep prices stable.

Competition policy and regulatory issues

55. Grenada has no legislation on competition policy. However, under protocol VIII of the CARICOM Single Market and Economy, Grenada is expected to enact competition policy legislation and establish a competition authority, which will ensure that there is no unfair competition within the CSME.

Intellectual property rights

56. Domestic legislation regarding intellectual property protection has not yet been amended to bring it in line with the TRIPS Agreement. This delay can be attributed to the lack of the necessary technical capacity to facilitate drafting of the appropriate legislation. However, with the assistance of WIPO, Grenada is seeking to amend its TRIPS legislation to be WTO compatible. The process has commenced and very shortly Grenada's TRIPS legislation will be made consistent with our commitment to the WTO.

Safeguards

57. Although Grenada does not have domestic legislation with respect to safeguard, Grenada applies safeguard within the requirements of Articles 28 and 29 of the CARICOM Treaty. Article 28 permits member states to impose quantitative restrictions on imports for the purpose of safeguarding their balance of payments. Article 29 allows quantitative import restrictions if a particular sector experiences serious difficulties due to increase in imports from other CARICOM member states. The use of Article 29 is a temporary safeguard measure.

Export measures

58. Grenada does not apply levies or taxes on exports. Exports shipments are examined by customs at the port of exit at random. A limited number of products are prohibited from exports, these products include narcotics, and other hazardous products, live animals and products considered to be part of Grenada's national heritage.

59. Grenada does not maintain specific or direct export subsidies. The following goods require an export licence prior to exportation exotic birds, gas cylinders (empty/full), coral, mineral products, sheep (live) and goat (live).

IV. MARKET ACCESS IN SERVICES

60. With the decline in the contribution of the agricultural sector to GDP, the services sector is being developed in order to play a more important role in the economy. The services sector accounted for 63% of GDP in 1999. This sector employs more than two – thirds of the work force.

61. In the services sector specific commitments were made under the General Agreement on Trade in Services (GATS) in financial services (reinsurance only), tourism and travel related services, recreational, cultural and sporting services and communications services.

Financial services

62. The contribution of financial services to GDP increased from 8.6% in 1994 to 9.1% in 1999. This sector plays an increasingly important role in the economy of Grenada. Over the past few years, in an attempt to diversify the economy, Government has sought to develop the off shore-banking sector. This sector is seen as one, which can generate foreign exchange and the provision of employment in the economy.

Offshore financial services

63. The Grenada International Financial Services Authority (GIFSA), a statutory body, was established in 2000 to strengthen the regulation of the international financial services sector. Government revenue from fees and licenses from these banks was EC\$4.8 million in 1999. Recently

there has been an onslaught from international organizations like the OECD aimed at small States offshore jurisdiction. The OECD claimed that these small economies were havens for money laundering, and wants Government to institute tighter legislation to stop such illicit activities. In this regard the Government of Grenada is taking steps to put in place tighter legislation to regulate the offshore banking sectors, taking into account the concerns of the OECD.

64. Apart from offshore services in financial services, Grenada's offshore services industry comprises international business companies and the economic citizenship programme.

Telecommunication

65. Cable and Wireless Grenada Ltd was granted an exclusive licence by the government to provide both local and international telecommunications services until 2006, when the market was expected to be liberalized in accordance with Grenada's commitments under the GATS.

66. However under a regional initiative, Grenada and four other OECS countries signed in 2000 the treaty establishing the Eastern Caribbean Telecommunications Authority (ECTEL). With the liberalization of the telecommunication sector as of April 2001, ECTEL will be responsible for regulating the telecommunications sector in the OECS sub-region. With the liberalization of the sector, it is anticipated that there will be more competition, resulting in reduced prices to the consumer and an expansion in the services sector, which is intimately linked to developments in telecommunications.

Tourism

67. The increasing importance of the services sector to the economic development of Grenada is attributed to the growth of the tourism sector over the years. Tourism continues to grow and is an important contributor to the overall economic diversification strategy. The increased contribution of tourism has helped cushion the effect in the decline of the agricultural sector, particularly banana and cocoa.

68. The Ministry of Tourism in collaboration with the Grenada Board of Tourism with financial assistance from the OAS formulated a ten-year master plan for the industry. This plan is consistent with the policies of the government for the future development of the tourism sector; it provides long-term goals and targets for the sector.

69. Grenada's schedule of specific commitments under the GATS bounds market access (commercial presence) for the development of hotels in excess of 100 rooms subject to alien landholding regulations, and exchange control regulations. Hotel development of less than 100 rooms may be subject to an economic needs test, and remain unbound. National treatment was bound for commercial presence, but subject to the payment of withholding tax. Given the importance of tourism to the economic development of Grenada, close attention is being paid to the proposal for a special GATS annex on tourism services.

Trade related technical assistance

70. Grenada as a small developing country faces tremendous problems in its implementation efforts. Lack of human and financial resources have severely constraint the enforcement of our commitments.

71. Support from the international community would assist in achieving a fuller degree of integration of our country into the global economy and the multilateral trading systems.

72. The Government has identified the following areas, where technical assistance is urgently needed:

Customs Valuation: - Implementation of the WTO customs valuation principles based on transaction value is of great concern to the government, due to its heavy dependence on border taxes. However, the Government is committed to implementing this new system in the very near future.

The request here is for a customs expert to carry out a survey of its application and make recommendations to Government. Training of customs officers must be an integral part of this assistance.

Trade Related Intellectual Property Rights: - This is an area where Grenada made very limited progress in terms of implementing new legislations, assistance can be in the form of attachment of a specialist in this area and the training of a legal draft person who will deal with the agreement in the future. Model legislations will also be helpful.

Sanitary and Phytosanitary Measures: - Key concepts in the SPS Agreement such as risk assessment need to be explained to officials in the Ministry of Agriculture. Training workshops are recommended in this area.

Agriculture: - The agreement on agriculture needs to be thoroughly examined by officials in the Ministry of Agriculture. A good instrument for this purpose is a short training course of two weeks conducted by WTO experts. One of the objectives of this course will be to strengthen the capacity of officials to participate in the WTO agricultural negotiations.

Special and differential treatment: - In accordance with the objectives of the multilateral trading system, Grenada is pursuing open and liberal trade policies. The expectation that the adoption of these policies would assist countries in promoting export oriented growth, lead to their greater integration in the world system has however not been realized.

73. As a small developing country Grenada lacks the financial and human resource necessary to implement these various agreements. It is necessary therefore for Grenada to seek longer periods for implementation and technical assistance.

74. The following areas should be given special consideration:

- (1) Differential commitments and modalities for small developing economies, including the possibility of exemption from further tariff reductions.
- (2) Greater stability, transparency, and predictability in trade preferences to facilitate adjustment in the economy.
- (3) Establishment of a technical assistance fund to support the compliance of developing countries with standards and other regulations.
- (4) Consideration of the special circumstances of small vulnerable economies.

Conclusion

75. The Government of Grenada is committed to the multilateral trading system. Every effort is being made to implement the agreement within our given constraints.

76. It is important that the international community recognises the special circumstance of small developing countries like Grenada.