

POLICY IMPERATIVES FOR CARICOM TRADE IN CONSTRUCTION SERVICES

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1.0 SUMMARY

In most developing countries the construction sector plays an important role in the developmental process. Developed countries can also derive the benefits of the construction industry. Construction is a major consumer of products from the primary sector as well as the manufacturing sector. The construction sector provides critical backward and forward linkages. It is worthy to note that President Obama has seen infrastructural development as a major stimulus to the revival of the American economy and the unemployment problem.

The sheer size of the market in construction presents significant opportunities for competent firms and individuals no matter where they are based or their size, provided they have the necessary interest, opportunity and support. However, like in other countries, regional firms must receive support politically and economically from the Governments of the region.

It is claimed that firms within the Caribbean Community (CARICOM) are not as competitive as they should be against firms from other parts of the world. However a significant number of professionals in the region are of the opinion this may not always have to do with elements of industry efficiency per se and that the support, subsidies and incentives (albeit often hidden) available to foreign firms create unfair terms of trade and are largely responsible for the imbalances in 'competitiveness' as measured by winning international competitively bid contracts. The region is also faced with the phenomenon of cheap labour from countries such as China and questionable working conditions.

CARICOM is in the process of establishing a Caribbean Single Market and Economy (CSME) which can negotiate with other trading blocs as well as simplifying the trading relationships between the countries involved (intra-regionally). One of the key sectors in this liberalization process is that of services, and the construction industry is a significant part of the services sector. The construction industry, more than any other, covers the gamut of commercial activity including consulting, contracting and manufacturing, with more commonality than any other engineering industry in the region.

There are a number of issues relating to intra-CARICOM trade and to negotiations with blocs such as the EU and agencies such as the World Trade Organization (WTO) that are of significance to those involved in construction. These will be discussed under separate headings: Accreditation of Qualifications; Harmonisation of Regional Legislation; Mutual Recognition and Reciprocity; Free Movement of Natural People; Market Access; Subsidies; Right of Establishment and the Four Modes of Trade; New Restrictions on the Provision of Services.

2.0 THE CONSTRUCTION SECTOR

Construction is an important industry in the global economy not only because of its relative size but also in the potential role it could play in the developmental efforts of any economy. The global construction industry generates revenues in excess of US\$6 trillion. The construction sector encompasses a wide spectrum of activities including: the building, repair and maintenance of houses, office accommodation,

factory buildings, warehouses, schools, hospitals, roads, bridges, port and airport facilities, dams and sewerage systems. Construction also embraces a vast range of ancillary activities, such as the mining and manufacture of construction materials; the transportation of such materials and equipment; the provision of professional and technical services, like architecture, quantity surveying, geotechnical and structural design and lower level technical and craft skills, including masons, plumbers, carpenters and painters.

The construction sector is typically dominated, numerically, by small firms. The sheer size of the market internationally presents significant opportunities for competent construction firms no matter where they are based or their size, provided they have the necessary interest, opportunities and support, politically and economically. Most of the contracting firms in the region are clustered around either of two values – an annual turnover of US\$500,000 and less, or US\$1.5 million and above. Only a few firms could handle projects of the order of US\$20 million by themselves. However consortia and partnerships can overcome this constraint.

In most developing countries, where per capita incomes are low, the construction sector plays an important role in the developmental process. It serves as a hub of economic activity, particularly as a source of employment. It is also a major consumer of products from the primary sector, especially quarrying and forestry, as well as the domestic manufacturing sector. In developing countries, the manufacturing sector typically caters to a wide range of activities including the production of cement, bricks, nails, wood, roofing material and the inputs of other factors of production which are used in the construction sector. The construction sector provides critical backward and forward linkages with the economy, particularly in an economy that is more industrially developed.

The efficiency of the construction industry in the Caribbean area can be described as being very variable. On the one hand some firms can be world class in performance in terms of quality, cost and time, whilst at the same time others can be extremely inefficient and backward leading to poor quality, cost over-runs and late delivery. Generally the firms within the industry locally are not as competitive as they should be against firms from other parts of the world, although this may not always have to do with elements of industry efficiency per se¹, but these issues are dealt with elsewhere. Table 1 shows the unemployment rates for a selection of the CARICOM countries, and as will be seen, they all vary around the 10% mark, with Trinidad and Tobago being quite low in very recent years. This represents a serious waste of human resources, especially when industries like construction in particular have been short of labour.

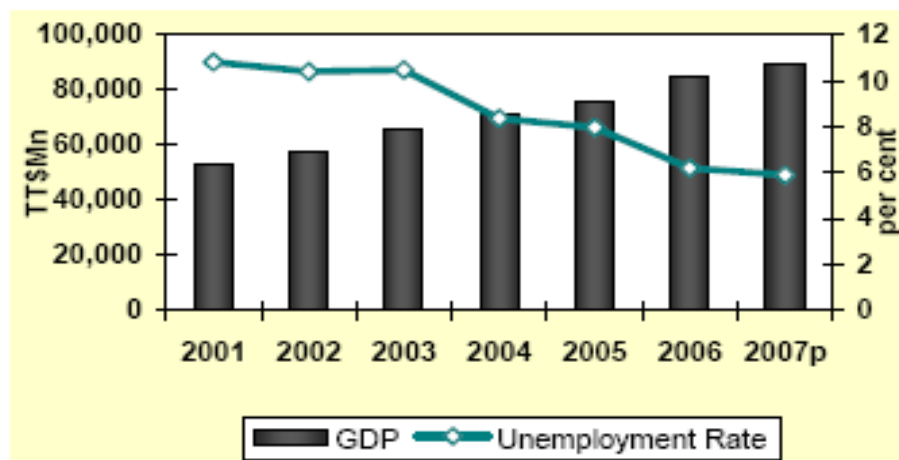
The T&T economy, for example, experienced consistently positive real growth rates for the period 1994-2006, spanning 12 years, the longest consecutive period on record, and much of this growth was construction-led. During this period of sustained growth, the unemployment rate only declined from 18.4% in 1994 to around 6.0% in 2007 (see Chart 1). It has been suggested that this level of unemployment represents full employment for T&T. Chart 1 shows how the GDP and unemployment have varied together between 2001 and 2007 for T&T.

As of 2008, high income economies were defined by the World Bank as those with a Gross National Income per capita of \$11,456 or more. By this measure T&T, Antigua and Barbuda and Barbados all qualify as high income economies or Developed Countries. A closer look at the realities behind the data show that a single measure should not be used in such determinations.

¹ A significant number of professionals in the region are of the opinion that the support, subsidies and incentives (albeit often hidden) available to foreign firms create unfair terms of trade and are largely responsible for the imbalances in 'competitiveness' as measured by winning internationally competitively bid contracts.

Table 1. Unemployment rate				
Period	Barbados	Guyana	Jamaica	T&T
1996	15.8	12.0	16.0	16.3
2000	9.4	12.0	15.5	12.2
2001	9.9	12.0	15.0	10.8
2002	10.3	9.1	14.2	10.4
2003	11.0	9.1	11.4	10.5
2004	9.6	9.1	11.7	8.4
2005	9.1	9.1	11.2	8.0
2006	8.7	9.1	10.4	12.0
2007	7.1	9.1	9.3	5.2
2008	7.8	9.1	10.3	4.7
Source: Central Bank publications for countries involved. The figures for Guyana are believed to be significantly understated.				

Chart 1: GDP & Unemployment Rate



Inflation has also moderated in most of the CARICOM countries and for the most part remained below 5% from 1998 until very recently. Inflation is problematic for the construction industry as the duration of a project can be several years, and allowances have to be made for any price increases during that period. When the construction industry becomes overloaded it can cause inflation when the demand for construction resources exceeds their supply and thus pushes up their prices. Substitution of locally produced materials by imported materials may result and this can further push up inflation and create balance of payment problems. This is one of the main causes of inflation in Trinidad and Tobago which has experienced a construction boom in the last few years, mainly by the public sector. The world wide increase in food prices also contributed significantly to increases in inflation rates.

For the construction sector a rise in the rate of interest causes an increase in the cost of capital, making construction work more expensive besides badly affecting the firms in the industry which are very dependent on credit from banks and their material suppliers. At the same time the reduction in purchasing power that a rise in the interest rate causes would lower the demand for the output of construction.

Table 2. Selected Gross Domestic Product Indicators

	GNI	GNI	GDP	GDP	GDP/cap	GDP/cap	GDP	GDP
	US\$m	US\$m	US\$m	US\$m	US\$	US\$	Growth	Growth
Area Name	2005	2006	2005	2006	2005	2006	2005	2006
Antigua and Barbuda	831	958.3	732.9	842.3	10550.1	11931.4	7.5	14.9
Barbados			2470.1	2632.2	11237.4	11646.2	6.64	6.56
Belize			964.1	1051.4	3820.4	4158.8	5.9	9.1
Dominica	271.3	286.1	237.5	248.6	4233.3	4470.1	4.9	4.7
Grenada	480.5	498.4	453.6	457.1	5248.5	5247.6	17	0.8
Guyana	805.2	852.8	689.4	751.9	1098.1	1179.3	5.5	9.1
Jamaica	8938.7	11352.9	9760.1	10353.2	3676.8	3872.1	10.1	6.1
Montserrat	40.3	42.1	36.6	39.3	9005	9026.1	4.4	7.6
Saint Kitts and Nevis	399	461.5	361.8	399.9	8881.7	9901.4	9.3	10.5
Saint Lucia	798.9	835.2	704.8	747.1	5306.6	5484.9	7	6
St. Vincent and Grenadines	414.6	470.7	365.9	405.2	4241.1	4759.5	6.4	10.7
Suriname	1526	1801.4	1401.2	1634.8	3143.6	3681.2	25.2	16.7
The Bahamas	6379	6751	6425	6660	20017	20835	3.3	4.6
Trinidad and Tobago	14600.2	17617.8	15157	18226	11708.8	14042.2	19.1	20.2

GNI = Gross National Income

GDP = Nominal Gross Domestic Product (GDP) at Basic Prices

GDP/cap = Per Capita Gross Domestic Product

Growth of GDP = Rate of Growth of Real Gross Domestic Product

Source: CARICOM National Accounts Digest 2000-2003

Much has been made recently of the impact that food and construction price increases have had on the retail price index. The reason for this is their high weighting in the overall index. Table 2 shows the weights used in calculating the index, with food representing the largest expense and housing (which is directly related to construction costs) being a close second. These figures are similar for all the countries in CARICOM

Table 2: Weights Used in the Calculation of the RPI in T&T.	
Food	217
Meals Out	14
Drink and Tobacco	24
Clothing and Footwear	104
Housing	216
Household Operations	66
Household Supplies and Services	77
Health and Personal Care	62
Transportation	152
Reading, Recreation and Education	68
<i>Source: Annual Statistical Digest of T&T.</i>	

Source: CARICOM Regional Statistics (Online)

Demand is closely related to price; Figure 1 (from Dr. Roger Hosein) shows the index of retail sales, for all industries (the histogram) and for construction (the line) between 1984 and 2002.

What this indicates is that the greater variability of demand for construction than for all industry output. Although the business cycle hit other sales harder, construction varied more. Figure 2 shows the variation of the contribution of construction to GDP and the proportion of GDP that is construction output for the period 1966 through to 2002 for Trinidad & Tobago. This shows clearly how closely related they are.

When construction GDP increases so does the share of construction in overall GDP, when it falls, so does its share in total output.

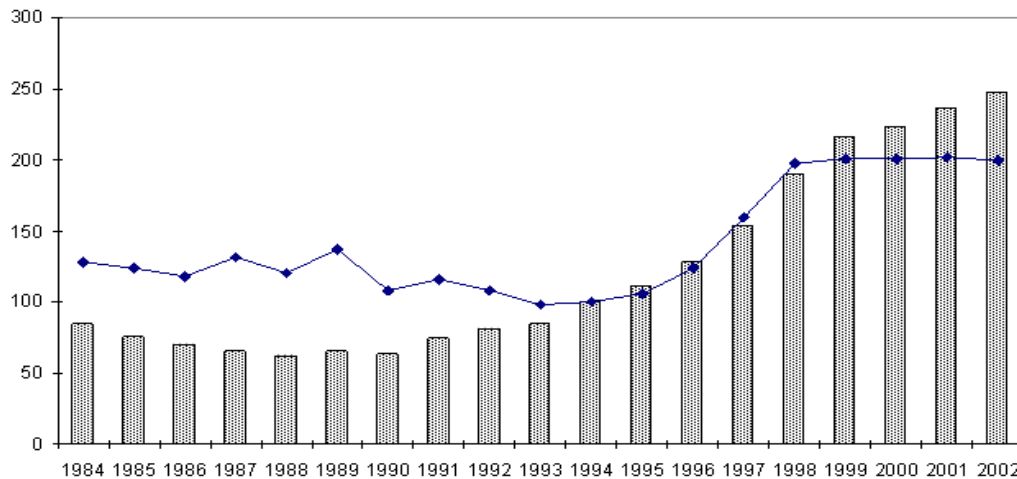


Figure 1: Index of retail sales, all industries and construction 1984-2002

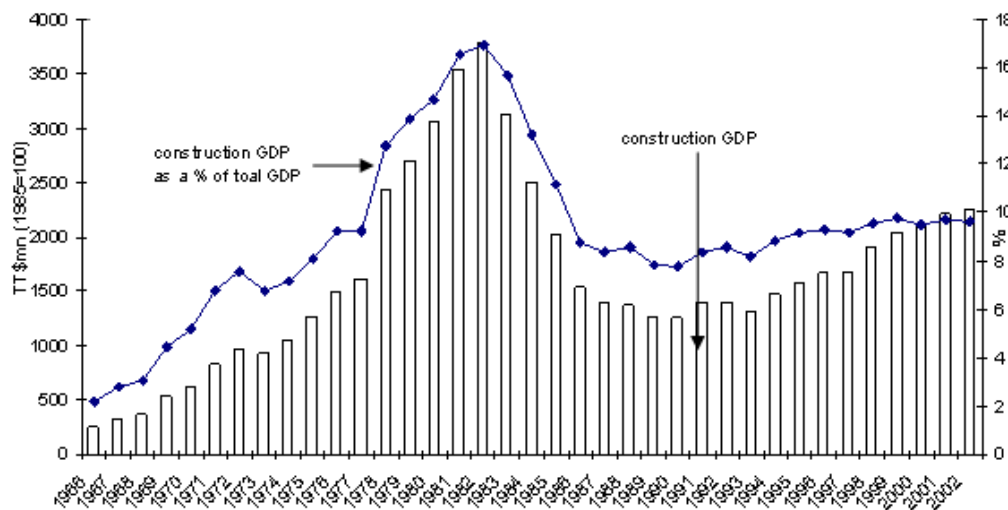


Figure 2 Construction GDP and share in total GDP (Source Dr Roger Hosein)

3.0 THE CARICOM SITUATION

The Caribbean community (CARICOM) is in the process of establishing a Caribbean Single Market and Economy (CSME) which will confer on each territory the greater power of being part of a trading bloc that can negotiate with other regional and world trading blocs as well as simplifying the trading relationships between the countries involved (intra-regionally). One of the key sectors in this liberalization process is that of services, and the construction industry is a significant part of the services sector. The construction industry, more than any other, covers the gamut of commercial activity including consulting, contracting and manufacturing, with more commonality in practice throughout the region. It also touches on more issues on international trade in services such as the free movement of people, market access, subsidies, and the right of establishment.

While the General Agreement on Trade in Services (GATS) is a government-to-government agreement, it is of direct relevance to firms because it lays down the framework of international rules within which firms operate around the globe. This allows companies to identify which markets are open to foreign service providers and to ensure that markets will remain open in the future. There are a number of issues relating to the intra-CARICOM negotiations (Protocol 2) and to the negotiations with other trading blocs that are of significance to the industries that are involved in construction sector. These will be discussed under separate headings: Accreditation of Qualifications; Harmonisation of Regional Legislation; Mutual Recognition and Reciprocity; Free Movement of Natural People; Market Access; Subsidies; Right of Establishment; Restrictions on the Provision of Services.

3.1 Accreditation of Qualifications

The overall objective is to “establish common standards and measures for accreditation or where necessary for the mutual recognition of diplomas, certificates and other evidence of qualifications...(and) to determine equivalency or accord accreditation to diplomas, certificates and other evidence of qualifications ...(and) the coordination of legislative and administrative requirements ... to facilitate access to, and engagement in, non-wage earning activities in the Community” (Protocol 2, Article 35 e).

The basic academic qualification for entry into the engineering profession is an undergraduate degree in engineering. The professional engineering organisations in the region are consistent in this stipulation. Currently The University of the West Indies (UWI) is the principal degree granting institution in the region amongst a range of Tertiary Level Institutions (TLIs) including the University of Technology (UTech) in Jamaica, and the Universities of Belize, Guyana, Suriname and Trinidad and Tobago as well as a number of technical and community colleges. The engineering degrees from UWI are currently accredited by the British Engineering Institutions, thus granting international recognition, the British being until recently the only ones who would accredit foreign degree programmes. The Caribbean Accreditation Council for Engineering and Technology (CACET) will soon be established. The critical issue is that the regional engineering accrediting agency should be recognized internationally and therefore should be a signatory to the Washington Accord² to enjoy reciprocity of recognition with other accrediting agencies worldwide. There are accreditation agencies in some CARICOM countries (notably Barbados, Guyana, Jamaica and Trinidad and Tobago) and discussions are taking place for the establishment of a Caribbean accreditation agency by the Council for Human and Social Development (COHSOD) of CARICOM.

A framework for incorporating academic qualifications and professional experience is being developed to harmonise the qualification requirements of the various professional bodies and registration boards.

The accreditation agencies deal with tertiary level education and training – professionals and technicians. However there is a need for an agreed standard for accrediting skilled artisans, tradesmen and craftsmen. The construction industry is dependent on these support staff for the effective and efficient running of its projects. Steps are being taken in this regard by the National Training Agencies in the region and the Caribbean Association of National Training Agencies (CANTA) through the introduction of the Caribbean Vocational Qualifications (CVQs) and PLAR (Prior Learning Assessment and Recognition).

² The Washington Accord is an agreement for mutual recognition of accredited professional engineering academic qualifications which started among the major English-speaking countries of the world, namely Australia, Canada, Honk Kong, Ireland, New Zealand, South Africa, United Kingdom and United States of America. It has gained tremendous recognition internationally and other countries have become members, e.g. Germany, Japan, India, Korea, Malaysia, Russia, Singapore, Sri Lanka and Taiwan.

It should be noted that some of the most successful contractors in the industry in any country have little or no academic training or qualifications. There is also the need for standardization and reciprocity in the treatment of the free movement of such persons within the region.

3.2 Harmonization of Regional Legislation

For engineers to be described as Registered Engineers (RE or REng), or Professional Engineers (PE or PEng) they must be legally registered and licensed by some form of Engineering Council or Board of Engineering. This registration protects the profession from having unqualified people claiming to be engineers, and the general public from incompetence, negligence or ignorance in the engineers they employ. The requirements for licensing extend beyond those required for entry into the profession. In order for the profession to be protected, and for that protection to be enforceable, appropriate legislation must be passed. For there to be regional equivalency, it is necessary that similar legislation be enacted in each country.

Model legislation, according to internationally accepted standards, has been forwarded by the Council of Caribbean Engineering Organizations (CCEO) to its various constituent members. Legislation exists in Barbados, Belize, Jamaica, St Lucia, Suriname and Trinidad & Tobago, and is under revision, where necessary, to comply with the essential features of the model. Several other states have bills in various stages of the legislative process. In the interim qualified Caribbean engineers in these countries can register with the registration boards in CARICOM countries where these exist.

3.3 Mutual Recognition and Reciprocity

Whilst the CARICOM region is moving to liberalise trade and the movement of nationals within its boundaries, it is also negotiating with other trade blocs about the terms under which they will treat with one another. It is felt that the principles of mutual recognition and reciprocity should guide these negotiations. In effect this means that we will deal with them as they deal with us. In the construction field, this impacts most immediately on the freedom of those involved to work on equal terms in one another's countries. If it is right for a CARICOM based engineer to have to register with the Professional Institution(s) in Canada, for example, in order to work there then it is right that a Canadian engineer should have to register with the local Professional Association(s) when working within CARICOM. In Caribbean countries where there are no registration bodies engineers from outside the region should have to register with a registration board in a CARICOM country where one exists.

3.4 Free Movement of Natural People

The international supply of construction services may involve movement of workers at all levels of skill. Although statistics regarding the movement of workers related to the industry are not readily available, analysts believe that a large proportion of the movement of workers into the industrialized countries and the Middle East from Asia, Latin America and other developing regions are construction-related. Because of the type of work involved, the majority of construction services are either supplied by the commercial presence of a foreign company or through the presence of natural persons.

One of the principal provisions of the Treaty Establishing the Caribbean Community is that it will work towards the 'free movement of natural people' between the member countries. In effect this will mean eventually that nationals and residents of the region will be able to move between the countries of the community without the need for passports, visas, work permits or any of the other impediments to easy movement and employment. This will be of significant benefit to the internationalization of the

construction industry. Construction requires not only the professional engineers, architects and surveyors, but also a whole range of sub-professionals, artisans and other workers who undertake the work involved.

There is however, a down side to this. The construction industry is also a heavy user of unskilled labour. This tends to be labour that is temporarily unemployed, structurally unemployed (i.e with skills that are no longer 'economic') or in transition from declining industries (like agriculture). This provides a valuable source of short-term employment within the economy, especially for the disadvantaged and unskilled. If contracting firms from abroad bring their whole workforce with them it will deny the locally unemployed from having the opportunity of work. Specific mention has been made of the tendency for certain contractors to bring their entire workforce with them, including many with very dubious 'skills'. Anecdotal evidence suggests that some foreign contractors use indentured-type labour on overseas jobs (in the Caribbean, for example), for minimal cost. There is no doubt that their presence is resented (and in some cases feared) locally. They may also be engaged in violation of accepted and/or legal standards of compensation, working conditions and accommodation. This makes them highly competitive, though unfairly so, on purely financial terms.

In addition to this, the sudden influx of a large itinerant workforce into an area with limited socio-economic infrastructure can also have damaging effects on that area. Thus, while it may be beneficial in terms of enhanced efficiency for a team to travel and work together, it may not be politically or socially acceptable particularly in this region of high unemployment and a fairly literate labour pool. In the Caribbean there have been several protests (and work stoppages) by residents of various districts to the wide scale 'importation' of non-professional and non-supervisory labour from outside the area, particularly on public funded projects. It is considered unlikely that firms from within the region would want to carry their entire workforce with them onto a project within the region, unless there were very special circumstances. Thus it is felt that a restriction on this sort of exercise, on socio-economic grounds would be justifiable. In other words, it is unlikely that the construction industry would view the unrestricted movement of unskilled 'natural' persons with equanimity.

3.5 Market Access (GATS Article XVI)

The CSME is intended to provide conditions in which nationals can access the "collective resources of the Region on a non-discriminatory basis" (Introduction to *Protocol 2 Amending the Treaty Establishing the Caribbean Community*). The intent behind provisions for market access are that smaller economies should be given the opportunity to expand by being allowed access to other markets than their own, just as the larger ones do. In construction terms this would mean facilitating access of the consultants and contractors operating in the smaller and less developed countries to project opportunities elsewhere. However in practice it is unlikely that they could grasp the opportunity. Mainly because of their very limited size, and their shortage of resources (both human and financial) they would find it very difficult if not impractical to contemplate working outside their home countries, at least in the short term.

Thus 'Market Access' to work outside their home country is not usually an issue for small local firms. At present it is not much of an issue for larger firms within the region in the context of the region as a whole as home territory. Firms within the region are more concerned, at this time, with unfair competition at home than access to extra-regional markets. Within the region there are contractors and consultants that are of a size to bid on major projects that are internationally tendered at home and abroad. However, the pre-qualification criteria that are used by the lending agencies tend strongly to favour foreign firms because they give extra weight to extra size even when this may be irrelevant to the job at hand. Foreign contractors or consultants may take small jobs in the region to get a foothold in a new market, and they will take those jobs at cost, or even at a loss for strategic reasons. It is very hard for local firms to compete on these terms. This is a form of 'dumping' and under-pricing and should not be tolerated in the

construction industry in a similar way that it is not tolerated in manufacturing, because of its destructive effect on local industry and competitiveness.

3.6 Subsidies (GATS Article XV)

Most industries in countries within the larger trading blocs receive hidden subsidies that help them compete abroad. The European and American agricultural subsidies are enormous and massively distort the world trade in agricultural commodities. Butter mountains and wine lakes are well known (inconvenient) side effects of these policies. Although the actual form of the subsidies received by the construction industry is less well known, there is no doubt that they exist. The British government is well aware of the 'invisible' earnings from the overseas operations of the construction sector, and that they are a major contributor to that sector's economic performance. There is little doubt that the British government is prepared to support this industry by any 'appropriate' means to help ensure that it maintains its position of strength. These subsidies no doubt influence the competitiveness of firms in international markets.

Quite apart from such home-country subsidies the countries of the region also offer inducements to foreign firms that work against the interests of their own nationals. One form of a local subsidy is in the granting of tax concessions. These exist within the Caribbean Community just as elsewhere. One particular concession is on the waiving of import duty on machinery and equipment brought into the country by a foreign contracting firm for a construction project. Duty only becomes payable if the firm eventually sells the equipment after the project. Local firms do not enjoy this luxury. There is also a form of discrimination in the need for local contractors, in some countries, to pay duties (e.g. a consumption tax) on materials for their projects, while foreign contractors are exempted.

There is a need to examine the various concessions, in terms of support, subsidies and incentives that are available both in the home countries of the large international firms and locally, that may work against the competitiveness of the local firms, especially as many of these subsidies are 'hidden'.

3.7 Right of Establishment (Protocol 2, Articles 35 b and c)

The guiding principles for the Caribbean Community are basically laid out in the General Agreement on Trade in Services (GATS). There are four distinct "modes" of trade defined in the GATS [Article 1], as discussed in the following sections.

3.7.1 Mode 1 - Cross Border Supply

Cross border supply consists of the supply of a service from the territory of member Country A into the territory of member Country B. For example, a service supplier of Country A provides service inside Country B, though A's service supplier is not "present" inside Country B, i.e. maintains no subsidiary, sales office, or sales staff in Country B. In the past the cross-border supply of construction services were generally assumed to be practically non-existent as a result of technical infeasibility (i.e., construction services cannot be supplied without the movement of service providers). However, some services (such as blue-print designing) may be traded over telecommunications infrastructures. Electronic communications including e-commerce have also impacted other changes in the way that construction services are supplied.

It is also possible that, for example, for a consulting engineer in Trinidad may carry out a design for a client in Guyana without ever having an office or representative in that country. In principle this may appear fine, however, in practice there are a number of specific problems particularly in relation to service

providers from outside the region. For example, there is a strong belief that there is a separate and distinctive Caribbean aesthetic that is expressed in our built environment. The architectural profession in some of the CARICOM countries feels strongly that this aesthetic should be preserved by restricting the practice of architectural design to firms that are established within the region. This would have the specific intention of preventing an architect from 'sitting in an office in London' and designing a significant structure for an environment with which he/she is totally unfamiliar. There are some philosophical difficulties with this position however, and some of the most famous international architects, have indicated that architecture should not be a closed system within any country, but should be open to new influences. For example Santiago Calatravas wrote, "...God protect me, at least, from defending national ideals. Our profession should be devoted to a universal understanding of man. If there is a humanism in our profession, it isn't based on nations. It's the basic humanism of the everyman."

The same applies to engineering where design parameters may be affected by factors like the locally available materials, the culture, work ethic, climate and seismicity that may not be familiar to the foreign engineer. These factors could significantly affect the design if it was produced without an understanding of these issues. Exposure to the issues by having a local establishment would go a long way to overcoming these reservations.

It is not thought that there are any significant limitations on the provision of construction services via cross-border trade, although some countries do limit certain types of construction undertaken from barges, which are protected by cabotage restrictions.

3.7.2 Mode 2 - Consumption Abroad

Consumption abroad consists of the supply of a service by a service supplier of member Country A to a "service consumer" of member Country B who is present in Country A. Here, as in Mode 1, A's service supplier is not "present" in Country B. An example of this could be a contractor from Trinidad & Tobago who builds a structure in Trinidad for a Barbadian client, like, perhaps the Barbados Mutual Life Assurance Society (recently renamed Sagicor Life Inc.) building in Port of Spain, Trinidad.

Several firms in the region have branches, subsidiaries and other types of holdings in more than one territory, in insurance, banking, manufacturing and other areas. It is anticipated that this will become a more common occurrence within the CARICOM region, especially as more firms regionalize their operations. It is also expected that increasingly, foreign firms operating in the region, will employ the local construction industry to undertake their building projects, rather than having them designed and/or built by firms from their home countries. In other words, the capabilities of the local firms will eventually be recognized, as will their cost advantage.

3.7.3 Mode 3 - Commercial Presence

Commercial presence consists of the supply of service by a service supplier of member Country A to service consumers in the territory of member Country B, where A's service supplier is deemed to be "commercially present" in Country B. An example of this could be a Barbados contractor who owns a company, or has a representative office or branch in Grenada, or participates in a partnership or joint venture based there in order to provide services to Grenadian clients. Currently this tends to be a popular approach amongst firms within the region who maintain representation or contacts within each country, which are 'operationalised' when specific projects require such associations.

The only restrictions on commercial presence appear to be those where non-resident construction contractors are required to submit a deposit or post a bond, or where there are residency requirements, or, where there are across the board restrictions on the ownership of assets, particularly real property.

3.7.4 Mode 4 - Presence of Natural Persons

Presence of natural persons consists of the supply of a service by a service supplier of member Country A to service consumers in the territory of member Country B by way of the presence in Country B of people who are themselves service suppliers of Country A, or employees of A's service supplier organizations. An example of this could be a Barbadian contractor who establishes a separate largely autonomous firm in Jamaica to provide services to the Jamaican construction sector.

Under circumstances where company registrations are regional rather than local, it is likely that firms will set up wholly owned, limited liability subsidiaries in other countries where they work. This is quite common practice now, especially with foreign contractors who set up 'local' operations (e.g. Keir, Carillion, Teamwork). This approach has the double benefit of being politically correct (it's a local company) and of limiting their exposure (if things go wrong).

3.8 Restrictions on the Provision of Services

The fundamental purpose of Article 36 of Protocol 2 is that there should be no restrictions on the provision of services based on their origin. In other words, service providers from anywhere within the community will be treated equally. Rights of establishment are slightly different across modes, but generally the principle is that nationals of the community should be free to adopt any acceptable mode of establishment they consider appropriate to provide their services to the community. New restrictions on the provision of services are expressly prohibited by the terms of Protocol 2, Article 36. For example, it is inappropriate for professional organizations to propose new restrictions on their membership that are expressly discriminatory against non-nationals, other than in exceptional circumstances. Existing restrictions on the provisions of service will need either to be removed or to be harmonized across the Community, and this, of course, is the objective of the CARICOM Working Group on Services meetings that have been taking place since mid-2001.

In general terms there is no problem with free and fair competition within the region. It is not so clear-cut when it comes to the relationship between the region and the rest of the world, however. In addition to the issues mentioned previously there are, for example, reservations about firms designing and planning works for the region with little or no knowledge of the region, its culture, climate, geography or its geology. Most of these reservations would be removed if the firms had to have a physical presence (an establishment), or a meaningful association with an establishment within the region.

4.0 RECOMMENDATIONS

4.1 Levelling the Playing Field

The Public Sector should:

- a) Avoid combination/multi-stage contracts, which make them too big for local firms, for example, financing, construction and installation works as in major turnkey contracts. Disaggregate very large projects into multiple contracts where feasible so that
- b) Established protocols for consortia of local firms and joint ventures between local and foreign firms for adequate technology transfer and equitable sharing of risk, responsibility and profits.

- c) Review pre-qualification criteria, particularly the weighting given to 'local experience', which should be significant.
- d) Promote the use of uniform standards and specifications relevant to the region. Legislation is needed to codify building codes and expeditious approval of plans.
- e) Facilitate access by local firms to funds to enable interest rate equalization and in the provision of insurance and bonds to alleviate disadvantages of the small size of the economy and firms.
- f) Address the issue of unfair tax concessions for foreign consultants and contractors.
- g) Restrict the right to Commercial Presence by a foreign firm when this can be shown to be detrimental to local firms.

Local firms need to collaborate, as consortia or joint ventures where appropriate, with other firms to gain size and financial strength to compete for larger contracts.

4.2 Institutional Strengthening

- a) Local associations need institutional support for the further development of the professional bodies (e.g. tax-free status as a charitable body).
- b) Professional associations should have institutional representation on Boards of Directors of engineering related public sector institutions.
- c) Government regulatory/approval agencies need strengthening with adequate professional resources.

4.3 Training and Recognition of Qualifications

- a) Strengthen technical and technology-based training in the region.
- b) Promote standardisation of technical and technology-based training in the region.
- c) There is a need for an agreed standard for accrediting skilled artisans, tradesmen and craftsmen. This is the responsibility of the Caribbean Association of National Training Agencies (CANTA).
- d) There should be mandatory local registration of all professionals and firms as a precondition for offering construction and installation services in the region.
- e) For regional equivalency and reciprocity, it is necessary that similar registration legislation be enacted in each country.
- f) The Caribbean Accreditation Council for Engineering and Technology (CACET) should be established as soon as possible and become a member of the Washington Accord.
- g) There is a need for a system for reciprocal recognition of similarly registered and licensed professionals from other countries or regions.
- h) Limit foreign personnel to professional and senior supervisory staff.

4.4 Information Flow and Access

Both Governments and the private sector organisations have a responsibility:

- a) To facilitate and encourage information flow through the local sector, especially documentation and access to project proposals and data.
- b) To carry out further studies into the performance of the construction sector for baseline data on construction costs, educational and training programmes and human resources in the various categories of skills.
- c) To initiate a process whereby Governments, developmental and lending agencies would provide information on development plans, proposals and tenders.
- d) To establish and maintain an up-to-date website on the Caribbean Single Market and Economy and trade negotiations and agreements and their implications for the regional industry.