

**TOWARDS A CARIBBEAN COALITION
OF SERVICE INDUSTRIES:
A CONCEPT PAPER**

by

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"We see the Coalitions as a prime example of how the service movement can go forward..... The future holds a place for this to be developed on a supra-national basis and it is already happening on EU and NAFTA levels".

Seamus Bannon,
President of the Services World Forum.

I. INTRODUCTION

There can be little doubt that services and intellectual capital are nowadays the essential keys to economic success for businesses and for nations. Analysts and business persons agree that the role of services is critical in determining the competitiveness of goods and of other services. Empirical analysis has clearly shown that in almost all countries the service sector is currently dominant in domestic employment and GDP; and its participation in international trade and investment flows has been growing faster than that of goods as a result of technological changes and the growing tradability of services, to mention some of the most important indicators of service sector dynamism.

The value of world exports of commercial services was 1,310 billion dollars in 1997 or 25% of world merchandise exports totaling 5,300 billion dollars, with services exports growing faster between 1990-97 at 8% annually compared with 6.8% for goods.¹ Services account for close to 60% of the world's foreign direct investment.

Yet, since services continue to face far more restrictions than goods, embedded as they are for the most part in national regulations (including at local and provincial or state levels) rather than appearing as border measures, it is logical to anticipate an acceleration of the services trade and investment dynamic with increasing deregulation and liberalization of services globally under the stimuli of new informatics and telecommunications technologies, public policy initiative and an increasingly organized services movement with global outreach centered around what is termed the World Service Economy. The resultant changes will undoubtedly be

¹ Data from WTO, *Annual Report 1998*.

profound. It is not farfetched then to adhere to the view that we are on the verge of what has been termed "the century of services".²

In such a circumstance, this paper argues essentially that Caribbean countries need to bring about a paradigm shift from their goods-related focus in order to come to terms with service-related opportunities and challenges, and that the time is ripe for giving serious consideration to setting up the *Caribbean Coalition of Service Industries (CCSI)* as an important instrument in service sector development within the socio-economic development of the region. The purpose of the paper, therefore, is to elaborate on the services coalition idea and to discuss the main issues to be tackled in any effort to bring such a proposal to fruition. While the term *Coalition* may be deemed to connote a temporary affiliation for the pursuit of a finite cause, what is envisaged is rather a permanent structure of collaboration.

To be sure, the notion of a services coalition is not new. It signifies some form of union, federation or association, whether at the national, sub-national or international (including regional) level, of entities (individual and/or collective) involved in service sector activities in order to achieve defined objectives. Formal service coalition building is still a fairly recent phenomenon; its origins date back to the early 1980s, but the movement is becoming more widespread and dynamic with the sector's rapidly increasing internationalization. Service Coalitions normally include business representation from a range of subsections such as the financial, professional, telecommunications, commercial, informatics, construction and engineering and others, but they can include as well as other interested bodies.

National Coalitions exist in Argentina, Australia, Chile, Hong Kong, Ireland, Sweden, United Kingdom, the United States and a few other countries. The US Coalition is the oldest having been established in 1982, and it is certainly the most active and influential internationally. Some national Coalitions came into being as the Uruguay Round got underway incorporating services for the first time on the multilateral agenda of negotiations, while others are creations of

² Speech by Mr. R. Kelley, Managing Partner (Government Affairs), Arthur Andersen, entitled *The Future of the CSI Movement*, delivered at 10th World Coalitions of Service Industries Conference, Dublin, 1995.

the 1990s. Box 1 provides a listing of the main national and subnational bodies known to this writer, with their Internet URLs wherever available.

Box 1

National and Sub-National Service Coalitions

- o Australian Services Network (ASN) – www.acsi.asn.au
- o British Invisibles (BI) – www.bi.org.uk
- o Hong Kong Coalition of Service Industries, Inc (HKCSI) – www.hkcsi.org.hk
- o Irish Coalition of Services Industries (ICSI) – www.ucd.ie/~sirc/ICSIintro.html
- o New Zealand Coalition of Service Industries
- o Service Exporters Committee of the Canadian Alliance of Manufacturers and Exporters
- o Services Exporting Committee³ of the Santiago Chamber of Commerce, Chile
- o Services Federation of the State of Sao Paulo, Brazil (FESESP) – www.fesesp.org.br
- o South Asian Service Industries Forum, India
- o Swedish Coalition of Service Industries
- o Unión Argentina de Entidades de Servicios (UDES),⁴ Buenos Aires.
- o US Coalition of Services (USCSI) – www.uscsi.org

While these are usually standalone bodies, in some instances they are specialized entities within wider national bodies. Such is the case of the prestigious HKCSI, a "highly autonomous body" within the Hong Kong General Chamber of Commerce. Sometimes they are not referred to as coalitions though performing the same role, as for example the Service Exporters Committee of the Canadian Exporters Association and the Services Exporting Committee (CES in Spanish) of the Santiago Chamber of Commerce in Chile. CES was set up in 1996 and organized the First Americas Business Forum in October 1997.

An important organization at the subnational level is Brazil's FESESP. This body, which was set up in 1995, comprises various subsector associations of workers and management. Its

³ Comité de Empresas Exportadoras de Chile (CES)

⁴ Argentine Union of Service Entities.

importance can be gauged from the fact that the State of Sao Paulo accounts for approximately one half of the Brazilian economy. It should be noted that plans for setting up a Brazilian national services confederation are quite advanced. This will be made up of FESESP, the Minas Gerais Federation and a new Federation of Accountants.⁵

At the international level, considerable activity has also been taking place through various Networks and Forums in which they participate. The Coalitions have long constituted an informal network of private-sector business organizations which share a common interest in the development of service industries worldwide. They meet about once a year in a CSI Conference, which is attended by national business organizations and the 13th Conference of Coalitions of Service Industries was held in Santiago, Chile on 28-30 September 1998.

The global services movement, it should be noted, is wider than this business-level process. The CSIs are also closely related to other international bodies with an interest in service industries which are of an academic and policy nature, such as the Services World Forum (SWF), the WTO, OECD and UNCTAD. The SWF was established in Geneva in 1986 as an independent association whose members are actively involved in education and research. The SWF assists researchers, businessmen, policy-makers and others by encouraging analyses of services issues and it promotes frank and open discussion of these issues.

But the services coalition movement has been expanding far more rapidly through recently created regional and global networks, such as the Services Business Network of the Americas, the European Services Network and the Global Services Network, probably catalyzed anew by challenging hemispheric and imminent multilateral service negotiations, to be discussed below. Thus, even if there is truth in the contention of a major protagonist in the services movement, who wrote as recently as 1995 that, "the services coalition movement now looks weaker than in the late '80s, and should be strengthened so that previous advances could be built on",⁶ the movement would appear to have gathered momentum once more. The forthcoming

⁵ According to Brazilian law three federations can form a confederation.

⁶ Julian Arkell, "World Trade in Services: a new agenda to ensure continuing expansion", *Progrès Newsletter*, No. 24, May 1996, p.10.

First World Services Congress to be held in Atlanta on November 1-3, 1999 (See Box 2) is testimony to this new impetus.

Box 2

The World Services Congress 1999

<http://www.worldservicescongress.com/>

The World Services Congress will draw 2,000 representatives of government, business, academia, foundations, and international organizations to discuss the most important issues affecting service sector growth, jobs, trade and investment. An important purpose of the Congress is to help prepare for Services 2000 negotiations by drawing together business, government and academic experts to consider the issues to be negotiated. Thus the Congress will be held four weeks before the 1999 WTO Ministerial. It will be chaired by CSI Chairman Dean O'Hare. Other important objectives are:

- to provide private sector guidance to governments as they prepare for the Services 2000 negotiations in the WTO
- be a catalyst for policy recommendations that contribute to the development of services markets
- introduce new research by leading academics
- provide a forum where business leaders can share their know-how on obtaining and expanding access to often difficult markets
- lay the foundation for an ongoing Global Services Network
- promote a continuing dialogue among policy makers, business and academia that will identify key service sector issues and advance solutions to them
- be an unparalleled opportunity for business and government leaders to network and create new strategic partnerships.

The CSI Research and Education Foundation, the OAS Trade Unit and the Economic Development Institute (EDI) of the World Bank plan to hold two regional conferences that would also focus on the trade-related academic work being done for the Congress. The purpose of the regional conferences is to engage participants from smaller and developing economies in the discussion and planning for Services 2000.

The origin, design, aims, functioning, experiences and other features of the coalitions and networks identified would obviously be instructive for any conceptualization of the CCSI. However, what is unusual about what we are proposing in this study is that, unlike existing regional or international bodies, the Caribbean Services Coalition is being considered in the absence of pre-existing national coalitions without, therefore, a structure or experience on which

to build. This circumstance raises certain unique questions as to how it might be kick-started and financed, its potential membership, country and sector composition, and in other respects, especially given the small sizes of the countries in the region and contending definitions of the Caribbean region itself.

Subsequent sections of the paper will discuss in turn :

- ❖ The rationale for creating the CCSI
- ❖ National case studies of select Coalitions
- ❖ The regional and global coalition thrust, and
- ❖ The several issues to which this proposal gives rise.

II. RATIONALE FOR THE CCSI

The argument for creating the CCSI is based principally on the following five broad considerations, which we will examine in turn:

- * The economic importance of the sector in the Caribbean
- * General lack of awareness of the sector's importance and requirements, as well as insufficient official attention to its development
- * International contextual imperatives
- * The alternative of forging national coalitions, and
- * Interest manifested to date in the regional coalition idea

Economic Importance

Most Caribbean economies are heavily service-oriented, as shown by a number of key indicators which illustrate the sector's importance domestically and externally. Based on World Bank country data for 1996, the sector's GDP share surpassed 50% in all economies except Guyana and Haiti. Indeed, in most cases it exceeded 60%, reaching levels of 70% and above in Antigua and Barbuda, Barbados, Grenada and St. Kitts and Nevis, and exceeding 80% in the Bahamas. In most economies this share has also tended to rise over time. The sector accounts also for a high share of employment.

Though reliable employment data for the sector is scarce, ILO data for 1996 indicates that, as a share of non-agricultural and mining employment, service sector employment represented 81.3% in Barbados, 74.4% in Jamaica and 75.0% in Trinidad and Tobago.⁷

The sector's importance as a foreign exchange earner is far greater than is generally believed and for many economies surpasses considerably the importance of goods. We have calculated averages for service exports as a share of exports of goods and services, based on available ECLAC annual data, as shown in Table 1. The unweighted CARICOM average exceeds 50%, which is slightly above the Dominican Republic's 46%. The significance of these figures can be appreciated when compared with the average for Latin America and the Caribbean of 23%. It should be noted that Suriname's 12% average conceals a sharp continuous rise from an extremely low level – from 4% to 23% from 1990 to 1995.

Antigua and Barbuda	88%	Jamaica	47%
the Bahamas	87%	St. Vincent and the Grenadines	46%
Barbados	78%	the Dominican Republic	46%
Grenada	73%	Dominica	44%
St. Kitts and Nevis	70%	Haiti	33%
St. Lucia	60%	Trinidad and Tobago	23%
Belize	47%	Suriname	12%.

Source: Compiled from CEPAL, *América Latina y el Caribe: Series Estadísticas sobre Comercio de Servicios 1980-1997*, Cuadernos Estadísticos N° 26

Whereas most countries register ongoing merchandise trade deficits, they enjoy continuing services surpluses. Within CARICOM the exceptions to this pattern have been the three main natural resource-rich countries namely, Guyana, Suriname and Trinidad and Tobago,

⁷ ILO, *1998 Labour Overview*, Table 7-A. The services sector was defined to include trade, transport, financial establishments and services.

⁸ 1989-1996 averages for Antigua and Barbuda, the Bahamas, Barbados, Jamaica; 1989-1995 averages for Belize, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago; 1989-1994 averages for Dominica, Grenada, St. Kitts and Nevis. Data for Guyana is incomplete.

which registered continuing merchandise trade surpluses and services deficits. However, Suriname and Trinidad and Tobago have been experiencing an ongoing reduction in their services deficits. As a general rule, services surpluses are not sufficiently large to compensate for the merchandise deficits. They have in some years surpassed merchandise deficits in Antigua and Barbuda and the Bahamas, and in most years examined they have done so in the case of Barbados. It should be noted as well that in five of the seven years from 1989-1995 the Caribbean Community as a whole registered services trade surpluses surpassing in value its merchandise trade deficit. Since 1982 the Dominican Republic has registered services surpluses, which have increased proportionately over time.

Yet in all countries the external sector is heavily concentrated in tourism, and this is a worrisome source of regional economic vulnerability. This fact is of course recognized and efforts are ongoing to diversify the services sector in order to stimulate external earnings in other areas, most notably financial services, informatics, entertainment and some professional services. Indeed, World Bank and other analyses have pointed to an untapped potential in services for the Caribbean and to the fact that services constitute the necessary economic future of the smaller countries of the region,⁹ especially in view of the threats posed to their commodity exports, in particular bananas.

Limited General Awareness and Attention

Notwithstanding the actual and potential importance of the services sector for Caribbean economies and societies, there appears to be insufficient consciousness of this reality in the public perception and public policy has done little to focus attention on the critical role of services today and to stimulate sector development holistically. In the Caribbean, perhaps more so than elsewhere, “We still have this perception that making a product is better than providing a service,” to quote James Brian Quinn, Professor of Management at Dartmouth’s Tuck School.

⁹ For example, World Bank, *Prospects for Service Exports from the English-speaking Caribbean*, Report No. 15301 CRG, May 1996; and *Prospects for Information, Health Tourism, Offshore Financial, Entertainment, and Professional Services Exports from the English-speaking Caribbean*, May 1996.

This perception is reinforced *inter alia* by bank lending policies and government incentive regimes, both of which prioritize the production, marketing and sale of goods.

Within the Caribbean integration setting services has only recently gained attention with the July 1997 signing of Protocol II (Establishment, Services and Capital) amending the Treaty of Chaguaramas. Yet this Protocol is but a framework only applicable in practice when the activities it would cover are agreed upon. In the meantime many restrictions continue to hamper the development of intra-CARICOM trade and investment in services and thus the international competitiveness of CARICOM firms. This and other factors have made it difficult for the grouping to formulate a common external position and have hindered agreement on services liberalization with third countries, for example the Dominican Republic.¹⁰

There is consequently a dire need to take up the challenge of building awareness about the possibilities for service sector development and diversification. This involves crafting a vision for sector development in individual countries and regionally, of addressing the prerequisites for service sector competitiveness (for example, telecommunications efficiency and other critical infrastructure, training and education) and building consciousness about the sectors' importance and possibilities not merely among the broad public, but also in government, business, trade union, academia and other circles.

International Imperatives

The present international context also requires that special attention be devoted to the sector. This is so because technological change has brought about the sector's internationalization to an unprecedented degree, along with which has developed the requirement to shape rules of the game through international agreement and pave the way for the sector's liberalization. Thus, during the Uruguay Round services became for the first time subject to multilateral negotiation resulting in the adoption of the General Agreement on Trade in Services (GATS), which is now one of the major planks of the WTO.

¹⁰ CARICOM-Dominican Republic trade negotiations have in fact stalled around both services and goods issues, but the services impasse would probably be more difficult to overcome.

The GATS is a set of principles and rules governing trade in services, together with specific commitments entered into by individual countries. Though clearly pathbreaking, it is but a first step in what is termed the "progressive liberalization" of trade in services. Trade in services is defined more broadly than trade in goods. It encompasses both transborder and investment modes of service delivery, with transborder modes covering not merely the movement of the service, but also of the service provider and of the service consumer. This wider definition of trade renders the negotiating process considerably more complex than for goods and also complicates the tasks of evaluating implications and outcomes.

Not surprisingly developing countries made merely minimal commitments in the Uruguay Round; nor were they pressed to do much more in this initial exercise. Caribbean countries were no exception to the rule, although there is considerable variation in individual country commitments; whereas Trinidad and Tobago, Jamaica and the Dominican Republic made commitments in eight, seven and six sectors, respectively, OECS countries did so in four or five sectors, and Belize and Suriname in only two.¹¹

However, the Uruguay Round "built-in agenda" provides for the resumption of negotiations on services in the year 2000, and these negotiations will be launched as part of the activities of the WTO Ministerial to be held in Seattle the end of November 1999. Negotiations are expected to lead to tighter disciplines, wider sectoral coverage, as well as broader and deeper commitments by countries, including developing countries.

In addition, services is an important negotiating subject within the Free Trade Area of the Americas (FTAA) negotiations, which are currently underway and involve all countries in the hemisphere except Cuba in a process which it is intended would be completed by the year 2005. FTAA service commitments are expected to be "GATS plus", which means in effect that an eventual hemispheric agreement will carve out new ground in rule-making and sector coverage beyond whatever might be achieved in the Services 2000 negotiations. If the FTAA services

¹¹ A useful examination of CARICOM commitments can be found in Byron Blake and Timothy Odle, *Analysis of the Market Access and National Treatment Commitments made by CARICOM Member States under the General Agreement on Trade In Services (GATS) of the World Trade Organisation (WTO)*, mimeo, 1998, 122p.

regime happens to be based on the NAFTA approach, it would entail commitments for all services apart from negotiated exceptions and provide for national treatment of foreign service providers.

Given the growing importance of services in the world economy, it is obvious that much is at stake in these negotiations in terms of both opportunities and challenges. For Caribbean countries there are opportunities for developing new exports and attracting more services-related foreign investment. However, they must be able to ensure that their interests are protected in such international service negotiations, which are both new and complex.

The industrialized countries are well prepared to pursue their interests with governments collaborating closely with private sector bodies on services issues. Indeed, the services coalition movement in industrial countries revolves considerably around the challenge of preparation for service negotiations and the formulation of positions and proposals to governments aimed at increasing market access abroad, as we will show.

By contrast Caribbean governments are ill prepared to tackle the intricacies of negotiations on services, a point that can hardly be contested. The private sector in Caribbean countries is still not attuned to an understanding of the subject matter of such negotiations and their implications. Apart from one or two major sectoral interests (for example, telecommunications) it is ill-informed, shows little interest generally in such processes, and is therefore at present in no position to contribute in any significant way to forging national or regional positions. The creation of a regional services coalition is intended to assist in redressing this major shortcoming.

Regional vs National Options

The question of opting for a regional coalition in the Caribbean rather than for creating national coalitions merits some attention, especially since region-wide bodies usually emerge out of national entities. But it is important to clarify at the outset that although national coalitions could clearly be beneficial for the creation and operation of a regional coalition, the existence of

national coalitions is not a necessary pre-requisite for the creation of a regional body. Nor is there any reason to believe that the existence of a regional body should impede the eventual setting up of one or more national bodies to dynamize the sector in individual countries.

The essential arguments for embarking on the regional option derive from (a) the undoubted urgency of addressing, from a private sector standpoint, the challenge of service sector development and liberalization in the Caribbean in the present global context, including the external negotiation imperatives; (b) the tendency in this respect toward regionalization in order to optimize impact, and (c) the certainty that unacceptable delay would result were we to await the prior creation of even a representative group of national service coalitions in the Caribbean.

Interest Manifested

Finally, it must be noted that some interest already exists in the creation of a Caribbean regional Coalition. The idea was probably initially mooted by this writer at a workshop on services organized in Jamaica on 11-12 July 1997 by the CARICOM Secretariat in conjunction with the UNDP (New York). It was subsequently discussed in a preliminary way during a Workshop on Trade in Services organized in Barbados by the CARICOM Secretariat and the Caribbean Export Development Agency on 9-11 September 1998.

A follow-up meeting was convened by the CARICOM Secretariat in Trinidad on 15 September 1998 and selected experts, including representation from the Caribbean Association of Industry and Commerce, the Caribbean Association of Consultants and the Board of Engineering of Trinidad and Tobago, were invited to explore the idea further. As a result of these deliberations the meeting decided that the idea had merit and that a concept paper was required to provide guidance on the way forward. The CARICOM Secretariat is also said to have been giving this recommendation serious consideration.

III. NATIONAL CASE STUDIES

An examination of selected national coalitions will serve to highlight various features which could be instructive for the conceptualization of a regional coalition in the Caribbean. Our selection of CSIs is based more on the availability of information than on any other consideration, but we believe that the cases examined provide a sufficiently diversified panorama of possibilities. We will concentrate on three prominent but quite different Coalitions, namely the USCSI, BI and the HKCSI, and attempt to comment on such aspects as origin, membership, aims and functions, organization (for example, committee structure) and financing, information on the latter aspect being generally sparse. In addition summary information will be provided concerning two other bodies, namely the ASN and the ICSI. In other sections of the paper mention is also made of relevant aspects of national Coalitions not specifically examined.

USCSI

The USCSI (or commonly CSI), based in Washington D.C., is the oldest and most influential of the national coalitions, as previously indicated. Essentially an advocacy organization its purpose, in the words of its Chairman, is "to create greater public awareness of the major role services industries play in our national economy; promote the expansion of business opportunities abroad for US service companies; advocate an increased focus on liberalization of trade in services in international trade negotiations; and encourage US leadership in attaining a fair and competitive global marketplace".¹² CSI has been instrumental in spreading the services gospel domestically and has pioneered the organization of international conclaves, some of which will be examined in the next section.

CSI membership includes major international companies with business operations in over 100 countries spanning the gamut of this heterogeneous sector including the banking, insurance, telecommunications, information technology, travel and tourism, accountancy, and diversified

¹² *Statement for the Record of Dean R. O'Hare, Chairman, Coalition of Service Industries, and Chairman and CEO, The Chubb Corporation, before the Subcommittee on Trade, House Committee on Ways and Means, March 4, 1999, http://www.uscsi.org/chairman_dean_ohare__stat.htm*

management service sectors. Its membership includes also some important professional bodies, such as the American Council of Life Insurance, the American Institute of Architects, the Bankers' Association for Foreign Trade, the Council of Insurance Agents and Brokers, the National Society for Professional Engineers and the Securities Industry Association.

The CSI's stated "foremost goal" is to open foreign markets to U.S. business to allow them to compete abroad. In advancing this cause, CSI has launched various initiatives in the areas of international trade, tax and regulatory policy, and statistics improvement. It seeks to:

- * Reduce barriers to services trade by working with the Executive Branch and Congress, and through multilateral organizations such as the WTO and OECD, in order to promote services trade, and encourage U.S. leadership in attaining a fair and competitive global marketplace.
- * Ensure U.S. economic policies reflect the importance of the service sector by stressing to US policy makers, legislators, and opinion leaders the importance of services to output, employment, and trade. CSI works with private and public sector representatives to forge consensus on trade, tax, and regulatory issues. CSI representatives testify before Congress and interact extensively with government agencies to advocate the interests of the service sector.
- * Provide data and analysis on the impact of services on the US economy through its publications and press releases.

The CSI concentrates on activities directly affecting the competitiveness of its members and has established a number of working groups. These groups focus on critical subsectors (with one example of status differentiation in Financial Services), on specific negotiation agendas and on particular issue areas (taxation and China):

- * Financial Services Group;
- * Financial Leaders Group;
- * Electronic Commerce, Information Technology & Telecommunications Working Group;
- * Transborder Data Flow;
- * Professional Services;
- * Committee on Financial Services Taxation;

- * Free Trade Area of the Americas Working Group;
- * China Working Group, and
- * Services 2000 Working Group.

These Groups have been working assiduously on the subject matter before them. The Services 2000 Working Group, for example, has produced a detailed initial statement of negotiating objectives for eight sectors: Distribution, Express Delivery, Financial Services, Health Care Services, Information Technology, Professional and Business-Related Services, Telecommunications, and Travel and Tourism. This statement was eventually tabled before the US Congress and is but one example of the way in which CSI impacts on the formulation of the US negotiating position on services.

CSI activities are, however, not limited to the services sector, for the need to forge broader alliances in support of the expansion of international trade and investment is well recognized. To that end the CSI has helped to form a coalition known as the US Alliance for Trade Expansion (USA Trade) to support the forthcoming WTO Ministerial. This coalition of trade associations and advocacy organizations represents \$2 trillion in annual trade and over 150 million American farmers, workers, and consumers, and it plans to have a strong presence representing its various constituencies at the Ministerial.¹³

CSI finances derive from membership contributions based on different membership levels in: working groups (\$5,000); Financial Services Group (\$15,000); full CSI Membership (\$20,000), which includes all working groups and membership on the Washington Steering Committee; and Chairman's Circle Benefits (\$25,000), covering also membership on the Board of Directors, special events with top officials and priority consideration for event sponsorship.

In January 1998 the CSI's Research and Education Foundation was inaugurated for the purpose of carrying out research and educational projects that would complement CSI's activities. The Foundation's initial program gives high priority to tracking closely ratification and

¹³ See Statement for the Record of Dean R. O'Hare, *cit.supra*.

implementation of the WTO financial services and telecommunications agreements and to continued work on data privacy. Another high priority project is a survey of the current state of the U.S. government's collection of data on services trade, productivity and employment. Other projects include work on government's new business classification survey, addressing shortcomings in the measurement of US service sector inflation, revising the CSI's quarterly publication *The Service Economy* and undertaking joint venture research.¹⁴

The USCSI considers that it has created greater public awareness of the major role services play in the U.S. domestic economy and has shaped domestic and international economic policies to the benefit of the service sector. It was instrumental in the inclusion of services within the Uruguay Round, and more recently it concentrated much attention on the WTO telecommunications and financial services negotiations. A salient example of international action is the fact that the CSI Financial Services Group together with European business leaders founded the Financial Leaders Group, creating a unique process that led to unprecedented transatlantic cooperation. The FLG not only agreed on the principles it would seek to achieve in the negotiations and on the key countries from which concessions would be sought, it also agreed on the precise barriers it wanted removed. The unanimity in the Financial Leaders Group became a message to governments that the US and European financial community wanted meaningful liberalization and a substantial success, and that the negotiators should cooperate to achieve it. The FLG considers that the strategy clearly worked.¹⁵

BI

British Invisibles was incorporated in 1986 as a non-profit making company limited by guarantee. Unlike the broad-based CSI membership, BI's membership currently 89 in number is concentrated on financial and related services only. In addition to leading financial and business services companies, members include trade and professional organizations (for example, the Association of British Insurers, Law Society of England and Wales, Association of Unit Trusts

¹⁴ For CSI, *Statement of Purpose*, January 1998, see http://www.uscsi.org/csi_research_%26_education_f.htm

¹⁵ See President's Report to the Membership and Board of Directors, September 24, 1998, which can be found at http://www.uscsi.org/presidents_report.htm.

and Investment Funds, Institute of Chartered Accountants of England and Wales), organized markets and institutions, as well as the Bank of England and Corporation of London. BI has close links with government departments, in particular the Foreign & Commonwealth Office (FCO), the Department of Trade and Industry (DTI) and HM Treasury.

BI's objectives are defined as "promotion, facilitation and information". It actively supports members' international operations by arranging conferences and visits worldwide, meetings with senior representatives of foreign governments and briefings for businessmen, journalists and diplomats. BI also works for greater liberalization of trade in services, and for the removal of constraints on invisible earnings arising from tax and other regulations. Finally, BI seeks to promote awareness of the importance of invisibles to the economy.

BI's committees and advisory panels are made up of senior representatives from the private sector, the government and the Bank of England. In this way BI provides an effective interface between the private sector and government on a wide range of business, regulatory and market access issues.

Export promotion is regarded as the central pillar of BI's work. Its Export Promotion Forum (EPF) was established following a remit by the Chancellor of the Exchequer to BI to recommend ways of improving information flows, and co-ordinating and prioritizing the international promotion of financial services. The role of the EPF is to identify areas of outstanding new opportunities, or areas where the UK's position is being challenged and extra effort is required, and a master plan has been established for promoting UK-based financial services overseas on both a sectoral and a geographic basis. The plan includes:

- * focusing on sectoral and geographic priorities for the promotion of UK financial services overseas by members of BI and British Embassies overseas;
- * establishing the "Third Wednesday" initiative – a network of financial sector groups in British Embassies overseas actively involved in the co-ordination of export promotion;

- * creating an annual Export Promotion Dinner at the Mansion House with the Lord Mayor of London and the President of the Board of Trade at which new initiatives can be announced;
- * using Royal Navy vessels whilst on courtesy visits in temporary replacement of HM Britannia, as a focus for overseas promotional events; and
- * co-ordinating an enhanced training program on invisible trade amongst FCO commercial officers.

Through its Liberalization Of Trade In Services (LOTIS) Committee comprising a cross-section of BI members and public sector officials, BI is engaged in major initiatives to help ease regulatory and other constraints, providing the link between the technical expertise of the private sector and the UK government political negotiators. It is the established voice for UK financial services interests in connection with ongoing negotiations in the World Trade Organization (WTO) to remove barriers to international trade and investment. The strength and effectiveness of the LOTIS Committee derives from the open and cooperative interface which exists in its work between its private sector members and the British government officials who are involved in the negotiating process in Brussels and Geneva.

The focus of BI's LOTIS work in 1999 is on the preparation of objectives and strategies for the WTO negotiations beginning in January 2000. In this connection it formed its High-Level Group to carry forward its LOTIS activity at the highest influential level. Chaired by Andrew Buxton of Barclays, the group is composed of 15 or so Chairmen and CEOs or their equivalents. They are joined by senior officials from HM Treasury, DTI, FCO, Bank of England and the Financial Services Authority. LOTIS has already submitted its objectives for the new WTO round to the British Government and was involved in conveying parallel objectives to the US and European negotiators.

Advice provided by the Committee was formative in producing the financial services agreement reached at the end of the Uruguay Round in 1997. In addition to its work on financial services BI supports the interests of British professional (law and accountancy) and maritime services in relation to the WTO's work to open markets worldwide. BI has also played a leading

role in the formation of the private-sector European Services Network (ESN) in January 1999 under the Chairmanship of Andrew Buxton.

HKCSI

The Hong Kong Coalition of Service Industries, founded in 1990, is very active in the territory's heavily service-oriented economy, with services contributing 85.2% of GDP and employing 79.3% of the working population in 1997. The HKCSI represents more than 50 service sectors and is the major private sector voice for Hong Kong's service industries.

In contrast to both the USCSI and BI, its members are mainly service associations or federations but a few individual enterprises (in air and sea transport and telecommunications) share membership. The aim of the HKCSI is "to promote the continuing development and competitiveness of Hong Kong's service industries",¹⁶ through achieving seven objectives:

1. To promote the development of a "service friendly environment" in Hong Kong.
2. To provide a focal point for liaison with Government.
3. To establish and maintain cooperation between members of Hong Kong's service industries for the purpose of achieving common goals.
4. To represent the interests of service industries in Hong Kong and to formulate policies and make submissions on behalf of members of the Hong Kong Coalition of Service Industries.
5. To promote fair, effective and comprehensive international and multilateral rules for trade in services.
6. To contribute to the opening of the services sector of the Mainland
7. To establish and develop links with counterpart organizations elsewhere.

The HKCSI is structured along committee lines covering key subsectors and the subject of statistics. Besides the Executive Committee, which meets around four times a year, there are seven committees:

- * Financial Services Committee

¹⁶ See HKCSI, *Annual Report 1998*. <http://www.hkcsi.org.hk/annual/a1998.html>

- * Information Services Committee
- * Professional Services Committee
- * Real Estate Services Committee
- * Statistics Committee
- * Transport/Infrastructure Committee
- * Travel/Tourism Group

The HKCSI undertakes a wide range of tasks and activities to promote the services domestically and internationally including:

- * The Hong Kong Awards for Services China Program, which is a key territory-wide program in services promotion consisting of five award categories, namely Innovation, Productivity, Customer Service, Tourism Services and Export Marketing. The scheme is financed by a combination of sponsorship and government funding.
- * Promotion of Services through the organization of seminars, roundtable luncheons, workshops, conferences and other functions on a variety of service subjects.
- * A Tripartite (government, business and academics) Forum on the policy agenda for promotion of services was launched by the Coalition in 1998.
- * The HKCSI Management Consultants Group appointed an academic team to conduct a study on promotion of management consultancy, which resulted in the formulation of an action plan to promote that activity and a decision to form a Management Consultants Association as an industry body to take forward the promotion of Hong Kong's management consultancy sector.
- * Assistance for professional associations. In 1998 the Coalition conducted a survey among small business associations on the desirability and feasibility of establishing a joint business center for these organizations. Following the survey, a feasibility study for such a business center was conducted with the help of the government Business and Services Promotion Unit and the Management Services Agency.
- * China Program consisting of an annual delegation to Beijing to exchange views on the development of tertiary industries in China with policy-making Ministries and departments. The HKCSI also conducts training seminars for Chinese officials and receives delegations from the Mainland.
- * Publication & Research through a quarterly newsletter *Hong Kong: The Servicing Economy*, a bi-monthly HKCSI Newsletter, and other publications on particular

topics. Research studies are conducted to investigate the development of services sectors.

- * Statistical work involving publication of the monthly Consumer Services Price Index (CSPI) to chart the movement of consumer prices on services and composition of Hong Kong's Yearly Service Statistics Card.

The HKCSI also has significant representation in the advisory bodies of the Government and, on its own initiative or by invitation, the Coalition presents papers extensively to the Government on issues affecting business and the economy in general, and the services sector in particular. Internationally, the HKCSI is the Hong Kong private sector's principal spokesman on the General Agreement on Trade in Services in international and multilateral forums such as the World Trade Organization, Asia Pacific Economic Cooperation, the Trade Policy Forum of the Pacific Economic Cooperation Council and the International CSI Conference.

ASN

The Australian Services Network (formerly Australian Coalition of Service Industries) is a private sector *network organisation* of CEOs and Managing Directors of some of Australia's most distinguished service companies, public and private, large and small. A Board of Directors is drawn from the membership body (Council). The ASN was established in 1988 to raise the profile of service industries and bring them into the mainstream of policy and economic debate.

The ASN is actively engaged in promoting the understanding and importance of service industries within government and the broader business community, particularly their potential to create wealth and make a positive contribution to Australia's Balance of Payments. Its articulated mission is to build globally competitive services businesses in Australia within a vision of Australia becoming one of the World's leading service economies by 2010.

Among its points of focus are E-commerce, service sector infrastructure, regulatory frameworks, Australia's human resources, exports of services and services statistics. the ASN appears to have concentrated much of its recent activity in its Online Services Working Group.

In February 1997 it published *australia.com: Australia's Future Online*, a report on the opportunities and risks that the online economy has created for Australia. This report was the result of a collective effort of 58 executives from Australia's most important service sector organizations involving extensive research, group discussions and problem solving, and individual contributions that took place over a period of more than six months. The first report was followed by the publication in January 1999 of an Issues Paper entitled *Knowledge.com.au A National Strategy Proposal for the Service Sector in the Online Economy*, intended to complement that report by identifying "the policy framework that will encourage growth in the services, knowledge and content industries."¹⁷

ICSI

The Irish Coalition was founded in 1995 in order to represent its own interests to the community and Government, as well as to the wider fora of GATT and the Single European Market. It seeks to perform that coordinating role and provide the appropriate forum to:

- * Gain greater recognition within Ireland of the contribution of service industries and to improve the image of those industries;
- * Ensure equality of treatment by national Government and the European Union of services in parity with other sectors (manufacturing and agriculture);
- * Improve the legislative framework in which the service sector operates; and
- * Develop an information exchange to remove barriers to trade in services.

ICSI's has only seven members which are mostly trade associations with a combined membership of approximately 5,000 firms represent a wide spectrum of the services sector. A somewhat unique and very important founding member is the Service Industries Research Center (SIRC), established at University College Dublin (UCD) in 1988 to promote greater awareness and better understanding of the role of services activities in Ireland's socio-economic development. SIRC's main focus has been on economic and development studies in the services sector both in Europe and developing countries and the provision of technical expertise. It

¹⁷ See <http://www.acsi.asn.au/publicat/knowledge.htm>.

publishes, twice a year, a newsletter *ServiNews*, which highlights issues relating to the services sector on a national and international level. The Coalition has been working to provide a voice for the services sector in many issues that have an impact on business in Ireland, among which are the following:¹⁸

- * Recognition from Government and the wider community commensurate with its contribution
- * Providing input to Government policies on business regulation and policy, with emphasis on how such policies affect the services sector
- * Representing the services sector on matters under on-going review such as legislation, taxation, grants, incentives, competition and market entry
- * Identifying and working to eliminate impediments to the efficient operation of service industries
- * Providing a forum for sharing experience and information

Synthesis and Comment

The preceding spotlighting of some of the main actors in the services coalition movement provides important elements of similarity and difference, which lend themselves to certain generalizations about these national coalitions, that are probably applicable to others also. The more salient features will be briefly identified before turning our attention to the regional and international thrust of the services movement.

With regard to their aims and activities there is little divergence though differences in emphasis. However, the most striking feature is that their foremost objective (the ASN perhaps being an exception) is to reduce barriers to their exports and open foreign markets through international and regional trade and investment liberalization. It follows that they seek to be closely involved in the development of national negotiating positions, strive to table proposals for the structuring of external negotiations (the FTAA, the forthcoming Services 2000 negotiations, as well as bilateral negotiations) and make specific recommendations as to what should be achieved in relation to the various service subsectors.

¹⁸ See <http://www.ucd.ie/~sirc/ICSIintro.html>

This kind of emphasis derives from their belonging to societies with modern or modernizing and liberalized service sectors already benefiting from international competition, a fact which applies also to both Argentina and Chile (but less so to Brazil). The situation is different in the Caribbean, where the first priority needs to be sector development and diversification domestically and an appropriate pace of liberalization externally. This, it must be stressed, is an important reason why a Caribbean presence could help to make the services movement more representative and also attuned to the concerns of smaller economies.

Other common aims are to promote public awareness of the importance of the sector; to influence public policy through close interface with governments and legislatures; to table policy proposals, including the development of strategies for promoting particular subsectors (with online activity given increasing attention); to conduct studies, pursue statistical work and be involved in publishing; and also to be active in the international services movement.

Examination of their membership categories shows interesting differences, but the models that emerge are essentially two-fold: the association-specific model and the mixed model, which allows for membership of both associations and enterprises. The main lesson to be drawn is that it provides successful experiences of the juxtaposition of company membership with that of associations, and that membership can include other entities, for example, interested academic institutes and even the Bank of England in the case of BI.

Functionally these bodies are structured along various lines – by subsectors, issue areas (for example, statistics), negotiating arenas (WTO), country emphasis (attention to China), and even the figure of a Leaders Group, all of which provide a useful menu of options. Interestingly the deliberations of these bodies are not necessarily limited to private sector participation, as evidenced by the modus operandi of BI and ASN. Both the membership categories and the functional groups have implications for the fee structure of coalition membership.

IV. REGIONAL AND GLOBAL THRUST

National service coalitions have also been involved in the creation of regional and global alliances and networks adding dynamism to the services movement internationally, are instrumental in providing a vision of pro-competitive regulatory reform and are effectively influencing and even shaping negotiating agendas.¹⁹ We examine the development of the regional and global processes in order to understand more fully the international dynamic of the services movement and to pinpoint aspects that could be instructive for conceptualizing a Caribbean Services Coalition.

Hemispheric Developments and Networks

Increased collaboration among hemispheric services bodies has coincided with the FTAA process, within which the private sector has been involved by hosting on the occasion of Ministerial Meetings the Americas Business Forum, wherein negotiating subjects are discussed in private sector workshops which formulate pertinent recommendations for official attention. It should be noted that some business groups coordinate private sector positions within their sub-region prior to participation at Business Forum meetings.²⁰

In order to make such collaboration permanent rather than limited to Forum events, a decision was taken on the occasion of the Denver Ministerial and Business Forum to set up the Business Network for Hemispheric Integration (BNHI), whose basic objectives include: helping to structure an orderly and constructive conversation about the relevant issues in hemispheric integration, improving the intellectual basis and the preparation of the private sector for negotiations, and developing trade and investment. However, the BNHI was not accorded a representation function, this remaining as an exclusive prerogative of each participant organization. The Network was defined, therefore, as a collective mechanism in support of

¹⁹ See for example CSI paper on *Service Sector Recommendations on Negotiation Structure, The Role Of The Private Sector and Business Facilitation Measures* at the Fourth Business Forum of the Americas, March 16-18, 1998, San Jose, Costa Rica.

²⁰ For example, the Mercosur Business Coordination Meeting prior to the Third Americas Business Forum in Belo Horizonte.

individual action.²¹ The BNHI is run by a Coordinating Committee and serviced by a Technical Secretariat.

The Coalitions were nevertheless convinced that services merited special attention.²² The USCSI, in the words of its President Robert Vastine, had "created an alliance" with the Santiago Chamber of Commerce in Chile, UDES of Argentina and the Services Federation of Sao Paulo in Brazil.²³ This led to the holding in September/October 1997 of the First Services Business Forum of the Americas, hosted by the Santiago Chamber of Commerce, with the participation of more than 200 business leaders of the services private sector from all over the hemisphere, providing also an opportunity for close interaction with government negotiators at this two day conference. In this way, during the preparatory phase of the FTAA process the Working Group on Services, chaired by Chile, was the only group to carry out a joint activity for government officials and business representatives combined. In this Forum the service sector was divided into seven subsectors (Telecommunications, Financial Services, Express Cargo Transportation, Construction and Engineering, Professional Services, Information Technology and Tourism), and precise recommendations were formulated to facilitate future negotiations for the liberalization of services trade in the hemisphere and these were discussed in the presence of the FTAA Working Group on Services.²⁴ Business Forum discussions continue to focus on these sectors.

The Santiago Forum took the initiative to set up a permanent network and in March 1998 the Services Business Network of the Americas (more commonly known by its Spanish acronym "RedServ" than the English "ServNet") was formally launched at the Fourth Business Forum held in Costa Rica, coinciding with the FTAA Trade Ministerial Meeting. RedServ has two main aims: to identify and eliminate barriers to trade in services, and to provide support for the implementation of programs to promote services trade. Any firm, chamber of commerce or

²¹ For further background, see José M. Salazar-Xirinachs, *The FTAA Process: Assessment of Progress and Implementation Mechanisms*, first draft of paper commissioned by the Institute of International Economics for the Workshop on Implementation of the Summit of the Americas, Washington, May 29, 1996, p. 14-15.

²² Up to the Second Business Forum in Cartagena, the subject of Services had not been a separate workshop topic.

²³ See *Statement of Robert Vastine, President, Coalition of Service Industries, before the Subcommittee on Trade, House Committee on Ways and Means, Tuesday, March 31, 1998*. <http://www.uscsi.org/bvtest.htm>

²⁴ See *Statement of Robert Vastine, cit. supra*.

business association interested in regional integration in services and representing in any way service providers at country, regional or city levels, is eligible to participate in RedServ. Its organizational structure is flexible and informal, but it is headed by a Council and an Executive Committee. The Council is composed of representatives of the 34 FTAA participating countries, while the Executive Committee comprises a president, three vice presidents and a secretary.²⁵ To date it has held General Assembly sessions in Miami and Santo Domingo.

European Services Network (ESN)

The RedServ mechanism has its parallel in Europe. Formed recently on September 28, 1998 the ESN is a network of high-level representatives from the European services sector, the world's largest exporter of commercial services – some 26% of all transactions globally. The ESN involves nearly 50 major firms in the European Union and 25 European federations covering the whole range of services.

Under the Chairmanship of Andrew Buxton, Chairman of Barclays Bank PLC, it is committed to promoting actively the interests of European services and the liberalization of services markets throughout the world in connection with the GATS 2000 negotiations. The ESN will provide business input for these negotiations and work closely with the European negotiators, as well as with similar counterparts in other countries which share the same objectives. At its inaugural meeting on 26 January 1999 it agreed to a set of principles and objectives and launched its work program.

The ESN has been set up for a period covering the preparation and subsequent conduct of the GATS 2000 negotiations which are anticipated in the period from now up to and including December 2003. To achieve its objectives, the ESN will advise European Union negotiators on the key barriers and countries they should focus on in these negotiations.²⁶ Information on trade barriers “adversely” affecting European service suppliers is registered in the European

²⁵ Information provided by the Santiago Chamber of Commerce, which is currently RedServ's secretariat

²⁶ See European Services Network, *Set of Principles*, 26 January 1999. <http://gats-info.eu.int/gats-info/gatsesn.pl?DOC=11112>

Commission's Market Access Database, which is freely accessible only from a European Union member country.

The structure of the ESN, as approved at its inaugural meeting, consists of three inter-related components:²⁷

- * The European Service Leaders group composed of some 46 CEOs or equivalent leaders of services firms;
- * The Policy Committee, composed of interested European sectoral services organizations such as BI, the Union of Industrial and Employer's Confederations of Europe and the personal representatives of CEOs, who will implement and carry out ESN activities on an ongoing basis and give substantiated input to the European Services Leaders group, and
- * A small secretariat.

Global Services Network (GSN)

The concept of a global network had been suggested as early as 1995 in Dublin. It was mooted once more and adopted at a now famous private sector meeting held in April 1998, at Ditchley Park in Oxfordshire, England, which was chaired by Dr. Jaime Serra, former Minister of Trade and Minister of Finance of Mexico. The meeting was attended by participants from Argentina, Australia, Canada, Costa Rica, the European Commission, France, Hong Kong China, Ireland, Japan, Mexico, the UK, and the US. It included representatives of the private sector, academia, and public officials acting in their personal capacity. Advisers from the OECD, UNCTAD, and the WTO also participated.²⁸

The GSN idea was promoted mainly by USCSI and BI, and the new Network is intended as the main private sector voice in pushing for greater liberalization of trade in services. It would focus primarily on services trade policy and in the meantime it would concentrate on Services 2000.

²⁷ See European Service Network, First Meeting, *Press Release*, 26 January 1999. <http://gats-info.eu.int/gats-info/gatsesn.pl?DOC=11111>

²⁸ See the Declaration entitled *Global Services Network Formed: Services 2000 Issues Agreed*, April 26, 1998.

It was decided that it would be a loose, "virtual" body with a Web site as a point of contact (www.globalservicesnetwork.com). It would be made up of CSIs and related bodies as the core, but is open to all organizations representing service industries and interests, including academic institutions and individual companies. It has a steering committee of eleven (11) organizations from seven (7) countries. These are the Argentine Coalition, the Association of British Insurers, British Invisibles, the Business Council on National Issues (Canada), the Canadian Bankers Association, the French Federation of Insurance Companies, the HKCSI, the ICSI, the London Investment Bankers Association, the SWF and the USCSI.

Synthesis and Comment

Analysis of the preceding cases was undertaken not merely to learn about the objectives, structure and other features of coalition networking, but perhaps even more so in order to provide insights into the special attention accorded to services within the international business network as a whole, as well as the orientation and far-reaching nature of these activities. They illustrate clearly how the international services movement is being consolidated through the activity of regional and global networks.

The formation of these networks has not been delayed by the under-representation of national coalitions, since the latter constitute only one membership segment, important as it might be. Leading companies and other service-related institutions more than take up the slack. The networks have instead been brought into existence by the pressing need to promote business dialogue and forge consensus around the objective and strategy of opening markets to crossborder trade and investment in services, in order to be able to formulate concrete proposals and positions in respect of the negotiating issues involved. This goal is being pursued almost single-mindedly, which is not to say that other concerns do not come into play as well.

The principal protagonists in this dynamic are the USCSI and British Invisibles, and it is obvious that the combined strength of the USCSI and ESN, and through them the GSN, will exert a strong influence on OECD positions for the Services 2000 negotiations. Significantly,

apart from Hong Kong, Asia is hardly active in this process.²⁹ Developing countries as a whole are left out of the global loop because of their extremely low institutional participation and their firms are too small to participate alongside global giants. Within this hemisphere the situation is somewhat different but the USCI, American big business and other U.S. institutions (for example the American Chambers of Commerce in different capitals) are dominant, even though the business sector from a number of other countries is active within this ambit.

Informed Caribbean participation is practically non-existent at all these levels. This means in essence that Caribbean business is unable to benefit from the learning-by-doing which is occurring as these networks develop agendas and policy positions, or from the confidence-building and forging of international contacts that result; nor are they in a position to insert their concerns and interests into such processes. The analysis hopefully serves also to bring home the point that very small national coalitions, such as individual Caribbean countries might be able to create, could hardly be effective in such arenas, and consequently that measurable benefit could accrue only through a more powerful body such as the Caribbean Coalition proposed.

V. CONSIDERATIONS FOR A CARIBBEAN COALITION

We turn now to what, in our view, are the main elements to be considered in taking any decision to create the CCSI. Our aim is to offer insights concerning different possibilities or options and their implications rather than to make choices, though at times we do when the argument appears to lead clearly in a particular direction.

Geographical Coverage

The country coverage of a Coalition that is Caribbean in scope is not self-evident, since at least three options involving widening definitions can be considered—CARICOM, CARIFORUM and ACS. Each definition has an institutional foundation. Yet we consider only the first two since we believe that the achievement of an ACS-wide Coalition at the present time would be unrealistic.

²⁹ Two Japanese were present at Ditchley Park but their profile appears to have been low.

On the other hand, when one considers that Haiti is already a provisional member of the Caribbean Community and allowed to participate in Community deliberations at the highest level, CARICOM and CARIFORUM country coverage differ only insofar as the Dominican Republic is not a member of the former.

The CARICOM option, apart from having tradition on its side, is buttressed by the fact that various professional and other service sector entities, such as the Caribbean Bar Association and the Caribbean Shipping Association, are themselves organized on a CARICOM-wide basis. It can also be correctly argued that business interaction and entrepreneurial collaboration is most intense at this level, since it is the first line of attack for exporters and investors in CARICOM countries. Yet tradition is being diluted to the extent that common heritage of the English-speaking Caribbean is no longer a CARICOM hallmark with Suriname's admission to the grouping. The eventual formalization of Haiti's membership, which considerably tilts the demographic and cultural balance, would render the grouping far less culturally homogeneous.

The CARIFORUM option has much to commend it and appears to be the wave of the future. Business (and political) linkages have gradually increased between CARICOM countries and the Dominican Republic and it is significant that two important regional bodies supportive of the private sector are already CARIFORUM in scope, namely the Caribbean Association of Industry and Commerce (CAIC) and the Caribbean Export Development Agency (CEDA), the latter maintaining an office in Santo Domingo. A number of regional service entities have a vocation beyond CARICOM, for example, the Caribbean Association of National Telecommunication Organizations (CANTO) and the Caribbean Hotel Association (CHA).

A geographically wider body devoted to services is likely to have a much larger membership and more resources, as well as exercise more influence and impact than one more restricted geographically. It would also be able to provide more useful input to the Regional Negotiating Machinery (RNM) which exercises CARIFORUM representation for trade negotiations with Europe and close consultation with the Dominican Republic on FTAA issues.³⁰

³⁰ The Dominican Republic is committed to make a financial contribution to the RNM.

Such a body would moreover in no way preclude membership of entities that are purely CARICOM in scope.

A variant of this is a CARIFORUM-plus option (that is, including Cuba), which could be considered as a possibility for the future, as relations with Cuba develop further bilaterally and within CARIFORUM itself, as a result of Cuban participation with observer status in Lomé talks. Whether this should be contingent also on the broadening of that country's private sector is a point worthy of additional consideration.

Aims and Objectives

The essential purpose of the CCSI should be twofold: to promote the development of the sector in the Caribbean and to perform an advocacy function. Sector development involves building efficiency and competitiveness, as well as stimulating sector growth through diversification, export promotion and the attraction of investment. Advocacy is essential at local, regional and international levels for the safeguarding and enhancement of sector interests.

We consider that a core set of specific objectives should be pursued in order to accomplish these goals, although the range of activities that might be pursued to those ends would depend on resources mustered. The objectives proposed are:

- 1) ***Awareness Building***. An indispensable goal should be the building of broad awareness of the sector's importance, possibilities and challenges, as well as improvement of the sector's image. The target audience should include the business sector itself, government, labor and academic circles, with the latter being encouraged to conduct and disseminate service-related research. Services awareness building exercises could take a variety of forms, including holding seminars and workshops, issuing press releases and information updates, conducting subsector-specific information exercises and publishing research findings.

- 2) ***Institution Building.*** Related closely to the above objectives, the CCSI should embrace the challenge of broadening the services movement in an institutionalized way by encouraging and assisting in the formation of new subsector associations (for example, of architects, engineers, accountants, entertainment, informatics professionals, etc.) at national and regional levels, thereby contributing to its own eventual strengthening.
- 3) ***Sector Development and Policy Action.*** In order to develop a modern, competitive services sector, action needs to be taken on many fronts – some at the national level and others through regional action. The CCSI could work to:
- * Secure improvement of the legislative framework within which the sector operates and work towards regional harmonization in this area;
 - * Ensure equality of government treatment of the sector with that of the manufacturing and agricultural sector and work for services incentives package,³¹ as well as for the elimination of impediments to the efficient operation of service industries;
 - * Work to raise standards within the service sector, and
 - * Promote regional cooperation and integration in services and specifically the removal of intra-regional access barriers.
- 4) ***Investment and Export Promotion.*** The CSI should formulate joint strategies for the promotion of service exports, both within the Caribbean and externally, bearing in mind the various modes through which services are traded. This could include
- * Collaboration in targeting select extra-regional markets for specified services;
 - * Special attention to professional issues, in terms of proposing mutual recognition and standards-related criteria, and facilitating the movement of professionals within the Caribbean (including within CARICOM);
 - * Enhancement of a Caribbean image as a service-friendly environment in order to encourage service-related FDI, joint ventures and strategic alliances with extra-regional partners.

³¹ The Information Services Investment Facilitating Act is an example of such a policy approach that seeks to encourage investment of information service companies in the OECS countries. Another example is the introduction by Trinidad and Tobago, as part of the Government's program of economic diversification, of an Export Allowance for extra-CARICOM exports of the following services:- architectural, engineering, design, quantity surveying or contracting services in connection with the building industry, where such services are performed by a person resident in Trinidad and Tobago.

5) ***International Negotiations.*** A fundamental reason for proposing the CCSI is to enhance the region's negotiating capacity for the very complex trade in services external negotiations (FTAA and WTO in particular) in which Caribbean countries will continue to be engaged in the coming years. The CCSI would aim to engage the private sector in a far more meaningful partnership with the official sector for the purpose of formulating negotiating positions and strategies through:

- * The development of a mechanism for collecting information from the private sector on external obstacles faced, as well as opportunities sought;
- * Policy advocacy regarding negotiating subjects and agenda proposals, as well as contributing ideas as to how the subject of smaller economies should be tackled in relation to services; and
- * Dialogue with private sector counterparts during services trade negotiations.

6) ***Research and Information Dissemination.*** Capacity development in this respect is essential to the pursuit of a number of objectives previously mentioned, in particular awareness building, policy action and international negotiations.

In pursuing certain objectives the CCSI could benefit from the assistance of a number of inter-governmental bodies carrying out service sector-related programs (for example, the OAS Trade Unit, ECLAC, IDB, UNCTAD, UNDP and the European Commission), as well as from bilateral assistance programs aimed at the private sector. The CCSI could also benefit through collaboration on programs and sharing experiences with other CSIs.

Approach to CCSI Creation

A basic premise we espouse is that in the Caribbean a "bottom-up" approach is required rather than a "top-down" approach. In practice this means that the CCSI should be constituted only when a sufficient number of entities deemed eligible for membership makes it feasible for such an umbrella body to be created, instead of tackling the task the other way around by seeking to expand the functions of an already existing body, for example CAIC or CHA. This clarification is necessary because the latter suggestion has already been mooted in the search for a solution. In

rejecting such an approach, we are conscious nevertheless that it is akin to the genesis of the Services Exporting Committee of the Santiago Chamber in Chile, which has proven to be a successful initiative.

The reason for not recommending this approach for the Caribbean is because any existing bodies that could be considered appear too small in resources or staffing, are arguably insufficiently representative of their own constituencies, or are too specific in focus to be able to assume added responsibilities and adequately tackle the diverse challenges posed by this heterogeneous sector even for an initial gestation period. Taking this approach is likely to lead to a false start. We believe that the sector's importance and future is far too important to play games with its organization. It is instructive that most other CSIs in OECD countries were not created in this way even though amply endowed business institutions were already in existence. On the contrary we believe that working vigorously from the base would serve to stimulate interest and assist in the identification of entities genuinely committed to tackling the challenges identified, until hopefully they are sufficient in number to launch the Coalition.

Membership Eligibility

We take the view also that, given the narrowness of subsector activity associated with extremely small size, the Caribbean can in no way afford to adopt a restrictive approach to CCSI membership, but must opt instead for a broadly-based mixed or inclusive membership body. This criterion is intended to (a) improve the chances of obtaining critical membership mass for launching and sustaining the CCSI; (b) facilitate representation of as many subsector activities as possible, as well as (c) draw on the widest array of intellectual resources and experiences that could help to ensure success. Accordingly it should incorporate the following entities, which merit brief explanation:

- * Caribbean regional business and professional umbrella bodies (including sub-regional bodies);³²
- * national umbrella bodies;

³² For example OECS or Eastern Caribbean.

- * individual firms and conglomerates;
- * relevant regional academic and research institutions, and
- * other bodies deemed suitable.

There are important reasons for advocating affiliation of national umbrella bodies, in addition to regional umbrella bodies. The main reason is that without them it is likely that service industry segments that are important commercially and/or employment-wise would not be represented in a CCSI if no regional umbrella body exists (for example, architecture, entertainment), which is more the rule than the exception. The non-existence of certain regional bodies is due to the fact that national bodies are often weak or too few to make regional association an attractive proposition (construction, quantity surveying, real estate, management consultancy), although some regional bodies have been created from merely two national bodies.³³ Sometimes national bodies have deemed it more beneficial to be affiliated instead to universal bodies, for example the Trinidad and Tobago Contractors Association's membership in the International Contractors Association.

Regional associations are also not necessarily permanent and could disintegrate in time into national components, as occurred with the Caribbean Advertising Agencies Association which comprised only three national bodies (Barbados, Jamaica and Trinidad and Tobago). At the other end of the spectrum a national association may also be striving to regionalize its activity, a case in point being the Institute of Internal Auditors (comprising around 50 firms in Trinidad and Tobago), which is attempting expansion through incorporation of firms operating outside the country. It must also be kept in mind that regional-level linkages of the Dominican Republic, Haiti and even Suriname are few and any institutional involvement on their part in the CCSI would be primarily through national umbrella bodies. Other reasons can be adduced.

A similar case is made for firm membership in the absence of even national bodies, a circumstance applying particularly but not exclusively to the CARICOM LDCs. In addition,

³³ The Caribbean Association of Consultants and the Caribbean Management Development Association.

firms operating in certain highly important service industries may be concentrated in one (or few countries), for example, marine drilling, oil consultancy, oil field services and other energy-related services, with the bulk of operations based in Trinidad and Tobago and yet no national body of affiliation exists in any instance. Sometimes national bodies have not been formed because of the relative newness of the industry to the region (software programming) although the service may be available in many countries. We consider also that conglomerates engaged in diverse service industries in many countries merit representation in their own right.

The argument for proposing eligibility of relevant regional academic and research institutions is associated mainly with the particularity of the University of the West Indies as a pivotal regional institution, but is not intended to confine the recommendation to this body. Similarly other regional bodies could be considered, such as the Caribbean Development Bank and Eastern Caribbean Central Bank, in view of their important development roles in the region.

We believe that the approach set out would be the most feasible. As a first step in gauging empirically membership possibilities, we compiled an indicative listing merely of regional service-related umbrella bodies that could potentially be interested in this initiative. The result offers ground for optimism because it illustrates a wider regionally institutionalized constituency than might be imagined, with regional entities engaged in a fairly diversified array of services, such as accounting, airline piloting, auditing, banking and finance, broadcasting, commerce, consultancy, electricity generation, engineering, hotels, legal services, shipping, telecommunications, tourism and yachting. The list is presented in the Annex to this paper. A fuller range of possibility would quickly emerge if a similar exercise were carried out in respect of national umbrella bodies currently unaffiliated at the regional level.³⁴

Kick-Starting the CCSI

A crucial question is how to get the process moving. Information available to us about the coalitions we have studied reveals little about how they were started. We know, however, that in

³⁴ This is not to suggest that the CCSI should not cater to membership of national umbrella bodies that are already part of some regional umbrella body.

Chile the Santiago Chamber decided to convene a meeting to determine how services could be catered to specifically and that this led to the formation of the Chamber's Services Exporting Committee. Some transnational networks resulted from initiatives taken by a single prominent business leader. Indeed it seems obvious that all options depend on some important private sector-related entity or business personality taking the initiative to convene a meeting, in order to get initial agreement for launching the Coalition idea. Possible options are:

- * Some leading regional agency or organization linked to the private sector (for example, Caribbean Export), acting alone or in collaboration with other bodies, could convene a meeting of potentially interested national and regional bodies and/or of subsectoral umbrella bodies with the expressed objective of considering the setting up of a Caribbean Regional Coalition;
- * One or more leading regional sectoral umbrella bodies or national business bodies (such as Chambers of Commerce) could do likewise;
- * A group of prominent business leaders from throughout the region could be stimulated to sponsor a regional meeting to do likewise.

Institutional Aspects

In order to minimize costs a simple institutional structure is suggested. The management of the CCSI could be carried out by a Coordinating Committee comprising business representatives from a wide range of service subsectors and supported by a permanent secretariat administered by an executive head. The Coordinating Committee would provide overall policy guidance and be responsible for budgetary and fund raising activities, for organizing CCSI events, as well as performing high-level representation and advocacy functions.

We consider a permanent secretariat preferable to other secretariat options, such as a rotating or ad hoc secretariat (with functions performed by different subsectoral bodies in accordance with predefined rotation criteria), or a joint secretariat (with existing secretariats of regional and perhaps also national umbrella bodies sharing responsibilities), or a "virtual" secretariat, which does not seem feasible in present Caribbean circumstances. In a region made up of widely scattered units from Belize to Suriname a permanent secretariat is the sole option capable of providing a clear focal point, of affording program coherence and continuity, and of

housing certain functional units on a more economical basis than would be possible otherwise. It allows also for an executive head with a representation function essential to advocacy tasks and sector promotion within the region and beyond. The secretariat would maintain links and cooperate with constituent bodies, and also act as the valid interlocutor with similar bodies in third countries and with international agencies (inter-governmental and non-governmental).

It is suggested that a research and publications unit be set up within the secretariat to provide the foundation for the efficient pursuit of CCSI's information and awareness building functions, as well as to support the work of its committees. A high priority of the unit would be the compilation of an inventory of external barriers facing Caribbean service producers. The setting up of a CCSI web site would facilitate this effort by affording firms easy direct access to a central information depository, an approach pursued by the European Commission in order to compile an European inventory of services trade barriers. It is not suggested, however, that this be the only medium used for this purpose in the Caribbean. A web site would also facilitate the Coalition's information dissemination and awareness building functions. The web site would constitute, therefore, a key mechanism for two-way communication among members, the Secretariat and the Coordinating Committee. Another important task that could be tackled relates to service sector statistics, the absence of which complicates planning and places the region at a disadvantage in services negotiations.

With regard to committee orientation, it is suggested that work could initially revolve around merely two committees – one dealing with policy and promotion and having primarily an intra-regional orientation, and the other dealing with external relations. Both committees would interface directly with governments and play an advocacy role.

The policy and promotion committee would address a range of issues having a bearing on sector competitiveness, as well as services investment and export promotion. It could also address specifically CARICOM single market issues. These subjects could be handled as separate programs. Other programs could be instituted as deemed necessary or feasible.

The external relations committee should be drawn from a cross section of membership, with main responsibility being the development of positions and proposals for FTAA, WTO 2000 and, if need be, Lomé services negotiations. Where necessary it would also contribute to a private sector presence in such negotiations.

Prioritization of subsectoral activity is not possible at this stage since this would depend on CCSI's membership composition . The only certainty is that the Coalition should avoid any duplication of work falling within the domain of subsector regional associations and seek merely to complement their efforts and fill voids where such associations are non-existent. It is to be hoped that the main services areas of importance to the region's future would be adequately covered, namely financial, telecommunications, tourism, informatics, entertainment, professional services, in addition to electronics commerce which CARICOM countries have identified within the FTAA process as being of special interest.

Financing

This is obviously critical to CCSI's viability and the challenges are many. Experience shows that umbrella bodies or federations made up mainly of associations tend to face difficulties as their constituent units themselves encounter financial problems and this can result in their demise notwithstanding successful performance, as occurred with the Costa Rica-based Central American Federation of Private Sector Entities (FEDEPRICAP) a few years ago. If membership is small the problem is aggravated. Because of its small membership the ICSI is suffering the same fate notwithstanding Ireland's increasing successes in the services sector, and it is kept afloat merely through the dedication of limited staff operating on a voluntary basis.³⁵ This underscores once again the need for identifying the widest possible membership base before launching the CCSI.

The main source of financing would obviously come from membership fees and this could be supplemented by earnings from fund-raising events. Consideration could be given to

³⁵ Communications received from Tom Martin, ICSI Secretary, dated 11 May and 12 May 1999 .

adopting different fee levels based on the membership categories suggested (page 35). The USCSI practice of a much higher fee level for what they refer to as "Chairman's Circle Benefits" is also worthy of consideration.

Serious consideration should be given to setting up a Research and Education Foundation (REF), in order to capture additional revenue in support of the research and publications unit and the CCSI public awareness program. Funding for such a Foundation could be provided through special grants from large firms and associations in the region over and above their normal contributions (which could make them eligible for Chairman's Circle Benefits). In addition the Foundation could seek contributions for special projects from international agencies as previously identified and from governments, including governments within the region.

The CCSI should aim at the development of a REF capability over time such that it would be increasingly self-financing through the vending of service-related research as well as the organization of service workshops and training sessions, since such activities are likely to be increasingly in demand as the business sector focuses more closely on the opportunities of this sector. It should go without saying that a research capability can be developed without all the requisite in-house skills, since outside expertise could be contracted to carry out specific tasks.

Final Comments

This exercise was undertaken to provide the broad contours essential to understanding what service coalitions do, the advantages of forming a Caribbean Coalition and how one might go about doing so. If the orientation provided herein elicits a favorable response and a decision is taken to proceed towards this goal, certain specifics would have to be worked out as part of the second stage of preparation. Essential tasks among these are:

- * A comprehensive listing of regional and national umbrella bodies, as well as of firms and other entities, that could be interested in CCSI membership
- * Subsequent sounding of interest in CCSI membership

- * An estimate of budgetary needs bearing in mind that our suggestions regarding CCSI objectives and functions are modest though tailored to enable the Coalition to play a meaningful role from inception
- * Development of a methodology for determining membership contributions.

ANNEX

INDICATIVE LISTING OF REGIONAL BODIES IN THE SERVICES SECTOR

- Association of Caribbean Economists (ACE)
- Caribbean Association of Banking and Financial Institutes (CABFI)
- Caribbean Association of Consultants
- Caribbean Association of Consulting Engineering
- Caribbean Association of Indigenous Banks
- Caribbean Association of Industry and Commerce (CAIC)
- Caribbean Association of Life Underwriters (CALU)
- Caribbean Association of National Telecommunication Organizations (CANTO)
- Caribbean Organization of Supreme Audit Institutions (CAROSAT)
- Caribbean Association of Travel Agents (CATA)
- Caribbean Bar Association
- Caribbean Broadcasting Union (CBU)
- Caribbean Council of Engineering Organizations (CCEO)
- Caribbean Electric Utilities Services Corporation (CARILEC)
- Caribbean Export Development Agency (CEDA)
- Caribbean Health Research Council
- Caribbean Hotel Association (CHA)
- Caribbean Management Development Association
- Caribbean Regional Airline Pilots' Association
- Caribbean Shipping Association
- Caribbean Telecommunications Union (CTU)
- Caribbean Tourism Organization (CTO)
- Caribbean Yachting Association
- Eastern Caribbean Institute of Banking
- Insurance Association of the Caribbean (IAC)