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REPORT ON PRACTICAL
MEASURES WHICH MIGHT BE TAKEN
TO INCREASE TRADE, INVESTMENT AND
ECONOMIC COOPERATION BETWEEN
CANADA AND THE TURKS AND CAICOS ISLANDS

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A REPORT ON PRACTICAL MEASURES
TO INCREASE TRADE, INVESTMENT AND
ECONOMIC COOPERATION BETWEEN
CANADA AND THE TURKS AND CAICOS ISLANDS (TCI)

EXECUTIVE SUMMARY

The purpose of this report is to provide the Secretary of State for External Affairs with specific recommendations as to practical measures which might be taken to increase trade, investment and other forms of economic cooperation between Canada and the Turks and Caicos Islands (TCI). The information in the report was obtained as result of research and discussions with representatives of the private and public sectors in both the Turks and Caicos Islands and in Canada.

In general, there are a number of pragmatic measures which could be taken to increase the extent and nature of economic cooperation between Canada and the Turks and Caicos Islands. While most of these involve the private sector in Canada and the TCI, there is also a modest but important role for the public sector in each country in facilitating the efforts and activities of individuals, firms and institutions in the private sector. The key to increased economic relations appears to be the need to improve the quality, range and timeliness of information available to the private sector. At the same time it is important for both the Canadian and TCI governments to continue to cooperate in the field of economic and social development.

CONCLUSIONS

1. The Turks and Caicos Islands face many of the constraints and problems encountered by most other developing countries.
2. There are no legislative or political constraints to Canadian investment or trade compared to other nations. The comparative advantages enjoyed by other suppliers are basically economic and social. The TCI Government's role in international trade is very limited (except for the imposition of import duties and taxes) given the nature of the open-market economy and the scope for negotiating favorable terms in connection with specific investment projects which the Government deems beneficial to the local economy.
3. Public and private sector efforts aimed at economic and social development must take into account the Islands' limited natural and human resources and its fragile

ecology. TCI Government policies (including its proposed in revisions to its five year development plan and new draft legislation currently being considered) and their application will increasingly be factors in the extent and nature of future TCI developmental activity both geographically and sectorally.

4. The scope and shape of future Canadian private activity in the Turks and Caicos Islands could be influenced significantly by the TCI Government's decisions in 1989-90 on up-dating its long-range development plan and on possible revisions to a number of key ordinances (i.e. banking, immigration, tourism, gambling casinos, international financial services, land tenure, etc.)
5. There is considerable interest in the Turks and Caicos Islands in increasing the extent and nature of financial flows (both private and public) to the Islands from Canadian sources. The preference in the TCI would be for Canadian financial flows to be additional to or, at least, complement, rather than act as a substitute for, financial flows from the UK and USA.
6. Similarly, there is a great deal of interest among Canadian businessmen, investors and institutions in expanding trade, investment and other forms of economic cooperation with the Turks and Caicos Islands.
7. There is a serious lack of detailed and up-to-date statistical official information on the economy of the Turks and Caicos Islands. The last census was in 1980 and a TCI Government statistical report prepared in the mid 1980s has not been up-dated, although a revision is planned.
8. The TCI Government's Private Sector Development Office has several useful publications on the Islands' tourism policy and on investment opportunities. That Office is also in a position to respond to requests for information on the status of development activity and on the TCI Government's policies and regulations. However, there is room for improvement in the availability of the TCI Government's published data on economic trends, government policies and programs.
9. The public and private sectors in the Turks and Caicos Islands do not appear to have complete and up-to-date information on Canadian Government policies and programs and on the Canadian market.
10. The availability and cost of fresh water on at least some islands will likely continue to be a constraint on development of the TCI in the future.

11. The TCI Government's current sectoral priorities for development are:
 - a) tourism;
 - b) fisheries and mariculture;
 - c) international financial services;
(i.e. offshore financing and data systems);
 - d) light industry, including handicrafts; and
 - e) agriculture.
12. Within the current policy framework for Canadian Official Development Assistance (ODA) and available financial and administrative resources, there may be scope for increased use of the non-governmental delivery channel (e.g. the Canadian Executive Service Overseas (CESO), the Trade Facilitation Office Canada (TFOC), CIDA's Industrial Cooperation Program, Canadian non-governmental organizations and institutions, etc.).
13. The economy of the TCI is very dependent on tourism and foreign capital, both of which are very sensitive to changes in the global economic environment. However, with continued expansion of the tourist industry there will be increasing opportunities for Canadian trade and investment in fields which serve the tourist industry (e.g. architecture; construction materials; food production, processing and importing; equipment; furniture; housekeeping supplies; recreational equipment and facilities; landscaping services; repair and maintenance services; water and sewage treatment systems; renewable energy sources; local and international transportation; agriculture and mariculture; construction; communications; education medical services; etc.).
14. There appear to be shortages of qualified professional and technical personnel in certain fields in the TCI. Stiff competition for qualified personnel results in increased costs and staff turnover.
15. Canadian investors and businessmen should look for specific economic niches which offer comparative advantages in the Turks and Caicos Islands relative to other Caribbean Basin markets (e.g. small population and economy, low population density, proximity to USA, excellent beaches, climate topography, etc.).
16. Canadian investors and businessmen should seriously consider fields or activities in which they already have considerable domestic and international experience. It is necessary to think long-term when considering foreign trade and investment opportunities.

17. Expatriates should give preference to those ventures which would not be in direct competition with locally owned and managed enterprises.
18. Importing from nearby islands tends to be both expensive and/or frustrating. Business practices differ, transportation is limited and is not cheap; low volume, delays in delivery and a lack of quality control add to costs. Even procurement of goods and services from the USA tends to be expensive due to transportation costs, buying practices and the lack of international competition.
19. Prospects for manufacturing and import substitution appear limited in the short run due to the size and composition of the TCI labour force, the costs of production, the lack of local resources, the size of the local market and the relative lack of experience in exporting (except fisheries products to the USA).
20. There is a housing problem on the islands but it may be due more to the political question of land tenure, the distribution of income, and the recent influx of immigrants from nearby islands; than to a lack of mortgage money.

RECOMMENDATIONS

On the basis of the information available at this time a number of specific recommendations have been formulated in order to help increase trade, investment and other forms of economic cooperation between Canada and the TCI. The body of the report contains information on the various sectors of the TCI economy and recommendations for specific measures which should be considered in order to expand trade, investment and other forms of economic cooperation between Canada and the Islands. The following nineteen recommendations also appear in the relevant sections of the body of the report.

Promotion of Trade and Investment (Section III of the Report)

- (1) The Department of External Affairs should add a commercial officer to the staff of the Canadian High Commission in Kingston. This officer's time and resources should be devoted to improving trade and investment with the Bahamas, the Turks and Caicos Islands and Belize.

Information (Section IV of the Report)

- (2) The Department of External Affairs should arrange a seminar in Canada to exchange information and views on commercial and investment opportunities in the TCI. The subjects to be discussed might include:

- a) relevant Turks and Caicos Island legislation, regulations and procedures for foreign firms and individuals wishing to invest in or trade with the Islands;
 - b) opportunities for Canadian businessmen, institutions and investors in various economic sectors;
 - c) existing Canadian Government programs and mechanisms available to facilitate trade and investment with the Islands;
 - d) constraints to increasing trade and investment with the TCI;
 - e) relevant Canadian studies related to increasing trade and investment and their application to the TCI;
 - f) Canadian legislation and regulations relevant to foreign trade and investment; and
 - g) the role of the public sector in facilitating trade and investment.
- (3) The Canadian Government should continue to respond favourably to requests from the TCI Government for information about Canadian policies and programs, especially in the fields of trade, investment and other appropriate forms of economic cooperation.

International Transportation (Section V of the Report)

- (4) The Department of External Affairs should consider, based on the interest of the Canadian private sector in participating in the proposed information seminar on the Turks and Caicos Islands, adding the TCI to its 1988 transportation study on the Caribbean.
- (5) Air Canada and Canadian freight and charter carriers should be approached to determine their interest in participating in such a seminar to exchange information on constraints and opportunities to increasing Canadian trade and investment with the TCI.
- (6) Canadian shipping lines, transport, freight and forwarding companies should be approached to determine their interest in participating in a seminar on the Turks and Caicos Islands. As an example of some companies which should be invited to attend such seminars see Appendix 10: Liner Vessels Engaged in Direct Service between Canadian Eastern Ports and Caribbean and North-East Coast of South America (December 1988 to March 1989).

Canadian Exports to the Turks and Caicos Islands (Section VI of the Report)

- (7) Canadian suppliers of goods and services should be approached to determine their interest in participating in the proposed seminar to exchange information and views on the constraints and opportunities to increasing trade with the Islands.

Canadian Imports from the Turks and Caicos Islands (Section VII of the Report)

- (8) Canadian food and fisheries products importers should be approached to determine their interest in participating in the proposed seminar to exchange information and ideas on increasing Canadian trade and investment with the Islands.
- (9) The Trade Facilitation Office Canada (TFO) should be approached by CIDA and by the Department of External Affairs to find an appropriate means of helping TCI exporters become more familiar with the Canadian market..
- (10) The Department of External Affairs should assist the Government of the TCI in obtaining information on the Canadian market for products which are or could be produced in the Islands for export.

Investment and Employment Opportunities (Section VIII of the Report)

- (11) Major Canadian investors should be approached to determine their interest in participating in the proposed seminar to exchange information and views on the constraints and opportunities to increasing investment flows between Canada and the TCI.
- (12) Canadians interested in investment and employment continue to use discretion in their own case by case assessment of the potential risks, costs and benefits involved. However, the Canadian Government (ie. the Department of External Affairs, CIDA and the Export Development Corporation) should improve their efforts to provide interested Canadians with timely general background information on the Islands and on our bilateral relations. For example, the Department of External Affairs should prepare and provide, upon request, a Country Brief on the Turks and Caicos Islands and up-date its Basic Country Data fact sheet (see Appendix 10).

- (13) Canadians who are interested in working in or retiring to the Turks and Caicos Islands should write to the TCI Government ministry or agency concerned for information on the Islands' requirements for employment and residence.

Canadian Foreign Aid (Section IX of the Report)

- (14) The Canadian International Development Agency (CIDA) should be encouraged to provide financial and technical assistance to the TCI in line with Canadian aid policies. Such assistance should be provided in consultation with other aid donors and international agencies in support of developmental programs and projects to help meet the Islands' economic and social needs, in accordance with the priorities established in the development plan for the Islands.

Free Trade (Section X of the Report)

- (15) The Department of External Affairs should examine the idea of a free-trade Agreement with the TCI (and perhaps other British dependencies in the Caribbean) as well as other countries in the region) to determine if it would be desirable and feasible.

Industrial "Free Trade" Zone (Section XI of the Report)

- (16) The Canadian Government should study the question of developing an industrial "free trade" zone in the Islands or of having the TCI become a Caribbean entrepot depending on an expression of interest by the TCI Government and by the private sector's readiness to consider investing in such a project.

Economic Cooperation Agreement (Section XII of the Report)

- (17) The Department of External Affairs should consider the desirability and feasibility of working with CARICOM members and with the remaining Commonwealth Caribbean Islands who are not members of CARICOM to have them join CARICOM and become signatories to a Canada/CARICOM members agreement.
- (18) The Turks and Caicos Islands Government should be encouraged to become more familiar with the aims and activities of: CARICOM and the other regional institutions in the Commonwealth Caribbean; and with CARIBCAN.

- (19) Scarce Canadian public sector resources should not be devoted at this time to supporting other measures (e.g. VIP visits, TCI trade missions, creation of a Canadian focal point for private sector activity in the TCI, etc.). This should not preclude the TCI from being included, as appropriate, in Canadian Trade Missions being planned for the Caribbean or for specific industries and sectors.

A REPORT ON PRACTICAL MEASURES
TO INCREASE TRADE, INVESTMENT AND
ECONOMIC COOPERATION BETWEEN
CANADA AND THE TURKS AND CAICOS ISLANDS (TCI)

I. INTRODUCTION

For the past ten years I have had an interest in the Turks and Caicos Islands (TCI), a British dependency in the West Indies. In fact, over the years many Canadian firms, institutions and individuals have expressed a similar interest. Hundreds of Canadians have contacted me about the prospects for increasing trade, investment and other forms of economic cooperation between Canada and the TCI. The Department of External Affairs has received inquiries from over 75 persons, firms and institutions in the past nine months.

A Committee of the Progressive Conservative Caucus was formed in 1986 to study the desirability and feasibility of Canada developing a political or economic association with the TCI. That Committee, like a Senate Committee which also studied the question, concluded it would be most inappropriate for the Canadian Government to initiate the negotiation of a political or economic association with the TCI. (See Appendix 1: Turks and Caicos Islands, Press Release, David Daubney MP, House of Commons, September 14, 1987 and Appendix 2: Eleventh Report of the Standing Senate Committee on Foreign Affairs, Appendix "A" to the Minutes of Proceedings, December 2, 1987. pp 1634-36.

The Daubney Committee recommended, inter-alia, that the Canadian private sector consider investing in the TCI based on its own assessment of the commercial opportunities and risks involved.

In March 1988, the People's Democratic Movement (PDM) formed the new TCI Government - a government supportive of improving relations between Canada and the Turks and Caicos Islands.

In May 1988 the newly appointed Chief Minister of the Turks and Caicos Islands, Oswald Skippings, indicated that he supports strengthening ties between Canada and the TCI - particularly in the fields of trade, transportation, education and foreign aid. For its part the Government of Canada indicated that it is open to discussion of ways to facilitate and promote trade with the Turks and Caicos Islands.

There is also a continuing interest in the private sector in increasing trade and investment and other forms of economic cooperation between Canada.

The British Government has indicated that it has no objection to Canada increasing its trade, investment and aid relations with the Islands.

As a follow-up to the recommendation of the Daubney Committee concerning the role of the private sector, I was invited in 1988 to examine the prospects of expanding contacts between Canada and the Turks and Caicos Islands involving the expansion of trade and investment in the Islands.

On January 1, 1989 a contract was signed which called for the preparation of a report that would contain specific recommendations as to practical measures which might be taken to increase trade, investment and other forms of economic cooperation between Canada and the Turks and Caicos Islands.

In order to carry out the study I visited the Islands in February 1989, for discussions with the Governor, appropriate Ministers and officials of the TCI Government and representatives of the private sector in the Islands. (See Appendix 4: Caribbean Contacts). I have also been in contact with a large number of Canadian private sector firms, institutions and individuals. These included shipping companies, airlines, manufacturers, investors, realtors, developers, legal and professional and representatives of various other groups. Many of these requested information of becoming involved with development on the Turks and Caicos Islands.

In addition, I have been in communication with Canadian Government officials in order to obtain information and to exchange views.

Apart from the Executive Summary, and this introduction, the report consists of:

- a general overview of the TCI;
- various sections concerned with specific trade, investment, aid and economic cooperation matters;
- specific recommendations based upon the information and analysis in the various sections which, if implemented, would contribute to an expansion of Canada's economic links with the Islands; and

- appendices which provide additional detailed information in support of the conclusions and recommendations.

II. OVERVIEW OF THE TURKS AND CAICOS ISLANDS

General

The Turks and Caicos Islands is located south-west of the Bahamas and north of Haiti. (See Appendix 3.) It consists of four larger islands (North, Middle and East Caicos and Providenciales), three smaller islands (South and West Caicos and Grand Turk) and some 23 small islands and cays. The low-lying rocky islands are shrub covered and are surrounded by continuous coral reef. The climate is warm (average temperature 28C) and the average rainfall varies from 530 mm (21 inches) in the eastern islands to 1,000 mm (40 inches) in the western islands. The total area is about 430 sq. km. and the population in 1988 was estimated at 14,000 (33 persons per sq. km. - one of the lower densities in the Caribbean). The capital, Cockburn Town is on Grand Turk. Most persons speak English but a form of creole is also spoken.

Background

The Islands, which had been a Jamaican dependency from 1874 until 1959, became a separate British colony in 1962. They were accorded their own Governor for the first time in 1972. The pro-independence People's Democratic Movement (PDM) won a majority of seats in 1976 in the first election held under the new constitution. The PDM made an agreement with Britain in 1980 whereby if they won the 1980 elections, the Islands would receive their independence and a payment of UK pounds 12 million from the UK. However, the PDM lost the election to the Progressive National Party (PNP) which is committed to continued dependence status. In the 1984 general election the PNP led by Chief Minister Norman Saunders won 8 of the 11 elective seats. The question of independence was not raised by either party during the 1984 elections.

In September 1986 a constitutional commission was appointed in September 1986 to review the Islands' future government. An agreement with the USA was signed in September 1986 giving U.S. investigators into drug trafficking access to banking information on the islands. Three of the four members of the Advisory Council resigned from the PNP in February 1987 and subsequently formed a new party, the National Democratic Alliance (NDA). The constitutional commission's recommendations were accepted by the British Government in March 1987 and a general election was held in March 1988 following the reintroduction of the Constitution in an amended form.

Political Situation

The Turks and Caicos Islands are a British Dependent Territory and the Governor, who is the personal representative of the British monarch, presides over the Executive Council. The Governor is responsible for external affairs, internal security, defence and the appointment of public officers.

Under the 1976 constitution (amended in 1988) executive power is vested in the Governor. The Governor is President of the Executive Council, which is comprised of eight members, three ex-officio and five appointed by the Governor from among the elected members of the Legislative Council. The Legislative Council is comprised of: a Speaker; three nominated members; the ex-officio members of the Executive Council and 13 members elected by universal adult suffrage.

In the March 1988 general election the PDM won 11 seats with almost 60% of the vote. Oswald Skippings was appointed Chief Minister. The PNP won two seats with about 30% of the vote, while the National Democratic Alliance (NDA), which is a splinter group of the PNP, did not elect any members but received almost 11% of the votes. The constitutional question, including, independence was not an issue during the 1988 campaign.

Defence and Internal Security

Britain is responsible for the Islands' defence. The 100 man police force is responsible for maintaining law and order in coastal areas and on-shore.

The Economy

The traditional economic activity of the Islands, salt production, ceased in 1964. Subsequently, the economy has been based mainly on tourism, the off-shore financial industry and fishing. Agricultural possibilities are limited and most foodstuffs are imported. Manufacturing is virtually non-existent. In 1989 one of the smaller salt ponds re-opened on Salt Cay to provide salt for the US health food market. While the economy is growing it tends to be highly susceptible to changes in the international climate, especially with regard to flows of investment capital and to regional competition for tourists. The Government of the Turks and Caicos Islands is updating its development plan and, in order to achieve economic viability, is promoting diversification of development activity and foreign investment. Changes in legislation are being considered in several fields (e.g., banking, the off-shore financial industry, land tenure, gambling, immigration, etc.). GDP (at factor cost) per capita in 1986 was estimated at more than US \$2,700. The labour force is estimated at 5,000.

The UK has normally provided both budgetary support, to balance the Islands' budget, as well as Official Development Assistance (ODA). The major sources of Government revenue are: import duties and taxes; fees and other charges for the incorporation of investment companies; land transfer taxes, and budgetary support from the UK.

The rapidly growing tourism industry is the mainstay of the Islands' economy. Tourist arrivals have more than quadrupled over the past decade, from 11,900 in 1980 to an estimated 46,000 in 1988. Most of the growth in tourism has been on Providenciales, but the Government is anxious to balance the rate of development among the islands. The USA, Europe and Canada provide the major source of visitors. Tourist attractions include the excellent beaches and coral reefs, fishing and the climate.

The off-shore financial industry is a relatively recent factor in the Islands' development. Like its major competitors (e.g. the Bahamas, Cayman Islands, Guernsey, Isle of Man, Jersey, etc.) the TCI seeks to attract foreign capital to investment companies which are not subject to income or corporate taxes. The industry is very volatile and is extremely sensitive to the tax legislation and to the comparative advantages of other tax havens. The September 1986 agreement with the USA gives US drug investigators access to banking information in the Islands.

Currently there is very little agricultural activity on most of the Islands due primarily to inadequate rainfall on some islands, a lack of groundwater on certain islands and to poor soil conditions.

The Islands' major trading partner is the USA which is the source of most imports and the largest market for the Islands' exports of lobster, conch, conch shells and scale fish. Total exports in FY 1984/85 were US \$4.2 million. Imports in FY 1984/85 were US \$33.2 million comprised mainly of manufactured goods, food, fuel and raw materials. In recent years some concern has been expressed about over-exploitation pending the introduction of more effective maritime resource management and the successful development of mari-culture.

The U.S. dollar is used as legal tender on the Islands.

Foreign Policy

As a British Dependent Territory the Islands foreign policy rests with the UK. As a dependency, the Turks and Caicos Islands do not have any official representation abroad. The Islands look to western countries as a source of private and public sector financial resources for investment and to western donors and multilateral agencies (e.g. the United Nations

Development Programme (UNDP) and the Caribbean Development Bank (CDB)) for funds for economic and social development; to the UK for budgetary support and foreign aid; and to the USA, Canada and Europe as sources of tourism and as trading partners. There is some economic migration from Haiti and the Dominican Republic to help meet the demand for workers in the tourist and construction industry. The Islands are not a full member of the Caribbean Community (CARICOM), although the TCI is a member of associated institutions such as the Caribbean Development Bank (CDB) and the University of the West Indies (UWI).

Bilateral Contacts With Canada

Canada's interests in the Turks and Caicos Islands are monitored by the Canadian High Commission in Kingston, Jamaica. In 1987 both a Committee of the Progressive Conservative Caucus under the Chairmanship of former MP David Daubney and a Senate Committee, which also studied the question of Canada's relationship with the Turks and Caicos Islands, concluded that it would be inappropriate for the Canadian Government to take any initiative on question of association with the Islands. (See Appendices 1 and 2.)

As a British dependency the Islands are able to benefit in a modest way from the Canadian International Development Agency's (CIDA): regional program in the Caribbean; the Canada Fund; the Industrial Development Cooperation program; partnership programs with Canadian Non-governmental Organizations (NGOs) as well as through the multilateral delivery channel. In FY 1987/88 Canada provided a total of Cdn \$0.23 million in foreign aid to the Islands. This consisted of \$0.19 million in bilateral assistance and an estimated \$0.04 million through the multilateral delivery channel. Canadian bilateral assistance has been focussed on the transportation sector, human resource development and local initiatives.

In 1988 Canada exported Cdn \$0.673 million to the Turks and Caicos Islands and imported \$0.008 million. Major Canadian exports included electrical equipment and parts, food and beverages and machinery and mechanical appliances. Imports to Canada from the Islands consisted of plants and cut flowers. (See Appendices 5 and 6.)

The Islands benefit from Canadian programs for Commonwealth Caribbean trade investment and industrial cooperation (CARIBCAN).

In 1986 approximately 2,200 Canadians visited the Turks and Caicos Islands (i.e. about 7% of all tourists to the Islands that year). An estimated 4,100 Canadians visited the TCI in 1988. Currently there are four Canadians registered as resident in the Islands (although there may be 50-75 Canadians

residing in the TCI at any one time). Some 134 visitors from the Islands came to Canada in 1988, while two Islanders received landed immigrant status in 1987.

There is some Canadian investment in the Islands, primarily in real estate development and in the tourist and energy sectors.

Additional background information on the Islands is available in Appendix 7: History, Turks and Caicos: Newest Growth Centre, Safety British; Appendix 8: "Nautilus Villas". Shearwater Bay Limited; Appendix 9: Selected Bibliography on the Turks and Caicos Islands; and Appendix 10: Basic Country Data: Turks and Caicos Islands.

III. PROMOTION OF CANADIAN TRADE AND INVESTMENT

Promotion of Canadian trade and investment with the Turks and Caicos Islands is the responsibility of the Canadian High Commission in Kingston Jamaica, which has only one commercial officer to cover its four countries of accreditation (Jamaica, Belize, Bahamas and TCI). Reliable, relevant and up to-date information on the TCI is not readily available from published sources. For example, the latest official statistics on the Turks and Caicos Islands were prepared in March 1987 and covered 1985 and 1986. The lack of official data means that a variety of sources must be monitored and press reports and rumours doubled checked. As a result, Canadian firms, institutions and individuals do not consistently receive the information they require to make management decisions on the allocation of their scarce resources in pursuit of commercial opportunities.

Information collected as a result of my visit to the TCI indicates that the economy is changing at a rapid rate. Growth rates in tourism have generally exceeded those of many other Caribbean countries in the past twenty years. Finally, since the TCI is a British dependency the Islands do not have their own representatives in Canada and tend not to be as active in regional institutions as many other Caribbean states. This makes the collection of information on TCI even more difficult. Unless Canada devotes more attention and resources to the territory covered by our post in Jamaica, the Canadian private sector cannot hope to compete effectively with other suppliers of investment capital, goods and services.

Recommendation 1

The Department of External Affairs should add a commercial officer to the staff of the Canadian High Commission in Kingston. This officer's time and resources should be devoted to improving trade and investment with the Bahamas, the Turks and Caicos Islands and Belize.

IV. INFORMATION EXCHANGE

The Canadian private sector is interested in pursuing trade and investment opportunities in the growing TCI market. As a result of my study of developments in the Islands' public and private sectors, new information on opportunities and constraints has become available. There is also a demonstrated interest on the part of the private and public sectors in the Islands in looking to Canada as a source of investment capital, tourists, and imported merchandise and services in order to reduce the Islands' dependence on the USA and UK. Up to date and reliable information on the TCI market is not widely or readily available to the Canadian private sector. TCI businessmen and investors tend to look to the USA as a source of imported goods and services due to their unfamiliarity with the Canadian market.

Recommendation 2

The Department of External Affairs should arrange a seminar in Canada to exchange information and views on commercial and investment opportunities in the TCI. The subjects to be discussed might include:

- a) relevant Turks and Caicos Island legislation, regulations and procedures for foreign firms and individuals wishing to invest in or trade with the Islands;
- b) opportunities for Canadian businessmen, institutions and investors in various economic sectors;
- c) existing Canadian Government programs and mechanisms available to facilitate trade and investment with the Islands;
- d) constraints to increasing trade and investment with the TCI;
- e) relevant Canadian studies related to increasing trade and investment and their application to the TCI;
- f) Canadian legislation and regulations relevant to foreign trade and investment; and
- g) the role of the public sector in facilitating trade and investment.

Recommendation 3

The Canadian Government should continue to respond favourably to requests from the TCI Government for information about Canadian policies and programs, especially in the fields of trade, investment and other appropriate forms of economic cooperation.

It is of particular importance to approach representatives of the various industries specifically mentioned in subsequent sections of this report (e.g. transportation, exporters, importers, investors, etc.). However, the private sector associations concerned with exporting and importing as well as the major industrial associations (e.g. the Brewers Association of Canada, and the Canadian Construction Association) should also be included, especially those concerned with the key sectors of the TCI economy (e.g. tourism, construction, financial services.) In addition to representatives of Canadian private sector firms and institutions interested in expanding trade and investment with the TCI, relevant public and private sector bodies (e.g. the Trade Facilitation Office Canada, Canadian Executive Service Overseas (CESO), CIDA, Export Development Corporation (EDC), etc.) should also be approached.

If there is sufficient Canadian private sector interest in participating in such a seminar it could be self financing (i.e. "user pay"). A survey of Canadian private sector interest and the necessary administrative arrangements should be made by an appropriate Canadian non-governmental institution with an interest in the subject and region.

Canadian firms institutions and individuals participating in the proposed seminar should receive, in advance, an appropriate package of documentation on the Turks and Caicos Islands. This might, for example, include some of the attached appendices as well as new material recommended in this report.

V. INTERNATIONAL TRANSPORTATION

Location

The Turks and Caicos Islands is about 900 kms south-east of Miami, or approximately 1 1/2 hours flying time from that city. The Bahamas is 50 kms to the north-west of the Islands, with the Dominican Republic 160 kms to the south-east.

The TCI is currently served by two scheduled airlines, Pan American Airlines, from Miami; and Turks and Caicos National Airlines (TCNA) as well as by several charter carriers providing passenger and regular freight service. In 1985 there were: 20,256 domestic flights; 409 all freight flights (both domestic and international); and 7,219 "all other" flights (including domestic and foreign).

With the development of the Islands' tourist industry, an increasing number of Canadians have visited the Islands in recent years. Several Canadian carriers run weekly charter flights from Montreal and Toronto during the winter season. While there are no scheduled Canadian airlines currently

servicing the Islands, Air Canada, the designated Canadian carrier in the region, is studying the question of providing passenger and freight service to the Turks and Caicos Islands. Members of the TCI tourist industry are convinced that good airline service at competitive prices is essential to the development of tourism.

Airport Facilities

There are some eight airstrips on the Islands. Four of these are paved (Grand Turk, Providenciales, South Caicos and North Caicos) and the other four had landing trips (Middle Caicos, Pine Cay, Parrot Cay and Salt Cay). The airports on Grand Turk and Providenciales have been upgraded recently and are now capable of handling aircraft such as the Boeing 727. The terminals cope with the existing volume of traffic. Larger aircraft reportedly would necessitate lengthening and strengthening runways and would increase congestion in the terminals during peak periods. Such improvements would likely be quite expensive, especially on Providenciales due to topographical conditions. The airports are not able to handle night flights. However, significant increases in traffic, using less than "jumbo" size aircraft, could readily be accommodated by good scheduling of flights to even out peak periods for TCI facilities.

Shipping

Apart from perishable food exports and imports (many of which tend to move by air between Florida and the TCI) the bulk of the Islands' imports arrive by shallow draught vessel from ports in Florida. Most Canadian exports to the TCI travel by road/rail to Miami and hence by container to the Islands. U.S. exporters have a competitive advantage over Canadian firms due to the difference in shipping costs.

Many of the Islands' developers and importers are interested in buying Canadian products, but, regrettably, Canadian firms are missing out on supplying building materials, furniture and a whole range of items to the Islands, in part because of the cost of shipping Canadian goods and the time required for delivery.

As a prime example, the Sheraton resort, being developed by Canadian investors, is deterred from buying Canadian manufactured goods because of the lack of direct shipping.

The Ocean Beach Hotel Condominium on North Caicos was built by a Canadian, however all materials were purchased from the USA, again because of lack of direct shipping and competitive Cost Including Freight (CIF) prices.

Crosbie Shipping of Montreal should also be added to the list of transportation firms invited to the information seminar as they have the shallow draught vessels essential to navigate TCI harbors. The latter can only handle 15-foot draught vessels.

Port Facilities

The major TCI ports are on Grand Turk and Providenciales. While both ports have been improved in recent years their capacity to handle deep water vessels and to unload quickly remains limited. In spite of the fact that the total volume of current traffic is modest local TCI businessmen and developers complain about costs due to the time required to unload small vessels by lighter, dock/floating crane, etc. Such critics support the idea of further port improvements to handle larger vessels and to expedite unloading; or suggest proposals for the subsidization of shipping costs (by the exporting nation) to reduce CIF rates for imports to the Islands. There was no indication that port infrastructure improvements are being given high priority in the TCI five year development plan.

In 1985 it was estimated that about fifteen cargo ships visited the Islands per month. Estimated international shipping in 1984 included 150,000 metric tons of goods loaded and 164,000 metric tons of goods unloaded (e.g. about 26,167 metric tons per month or an estimated 1,700 metric tons per vessel). Incoming shipments are likely to have increased since the mid 1980s due to the growth in tourism and the construction of tourist facilities.

Port improvements might be economic if the Islands were exporting a significant volume of goods. However, TCI exports by ship are not likely to increase dramatically in the short to medium term. Consequently, the Islands face a "Catch 22" situation of not being able to attract export oriented manufacturing operations (in part due to shipping costs) and are having difficulty in justifying port improvements without the prospects of higher volume traffic. The facilities of existing harbours are not such to attract cruise vessels (compared to some other Caribbean states) and other TCI advantages are necessary to help offset the harbour situation. Consequently, unless the present situation changes significantly or unless an exporting nation is prepared (in effect) to subsidize freight rates, it seems likely that the TCI port facilities will continue to continue to improve modestly in line with increases in traffic. The question of port facilities in the TCI may warrant some discussion at the information exchange proposed in Section IV.

Recommendation 4

The Department of External Affairs should consider, based on the interest of the Canadian private sector in participating in the proposed information seminar on the Turks and Caicos Islands, adding the TCI to its 1988 transportation study on the Caribbean.

Recommendation 5

Air Canada and Canadian freight and charter carriers should be approached to determine their interest in participating in such a seminar to exchange information on constraints and opportunities to increasing Canadian trade and investment with the TCI.

Recommendation 6

Canadian shipping lines, transport, freight and forwarding companies should be approached to determine their interest in participating in a seminar on the Turks and Caicos Islands. As an example of some companies which should be invited to attend such seminars see Appendix 11: Liner Vessels Engaged in Direct Service between Canadian Eastern Ports and Caribbean and North-East Coast of South America (December 1988 to March 1989).

VI. CANADIAN EXPORTS TO THE TURKS AND CAICOS ISLANDS

In 1988 Canada exported Cdn \$673,000 worth of goods to the TCI. This represented less than 2% of the Islands' estimated imports of over US \$30 million. The TCI economy is relatively small, but imports have been expanding rapidly (over 110% in the first half of this decade.) Apart from fuel, the Islands' major imports are food and tobacco products and manufactures. With continued expansion in the TCI tourist facilities and continued growth in tourism, the market for building supplies and equipment, food and beverages, furniture and bedding, architectural and engineering services, etc. presents very interesting opportunities for Canadian firms.

Canada is not taking advantage of the market and its potential growth. Indeed, a number of importers in the TCI have indicated an interest in diversifying their sources of supply if Canadian exporters can respond to the Islands' demand for goods and services at competitive prices. Our limited success to date in the TCI market for imported goods and services is a result of several factors:

- a) the relative costs and problems of shipping from Canada compared to sourcing from the USA;

- b) the lack of relevant, reliable and up to date information about the TCI economy and commercial opportunities reaching Canadian suppliers;
- c) inadequate Canadian trade representation in the region;
- d) greater familiarity of TCI residents with US products; and
- e) proximity to the USA (ie lower telephone/telex charges, faster delivery and postal service).

The Canadian Export Association (CEA) should be invited to the proposed information exchange. It is of particular importance that the Brewers Association of Canada and the Canadian Construction Association be invited to attend the proposed seminars. The Canadian Construction Association represents over 20,000 member firms, most of which work in the non-residential construction industry. The Canadian Construction Association has, through its submission to the House of Commons Standing Committee on External Affairs and International Trade (March 1987) put forth a number of recommendations regarding Canadian aid to developing countries. Therefore, the Canadian Construction Association must be invited. The submission made by the Canadian Construction Association to the Standing Committee on External Affairs and International Trade (Appendix 12) should also be reviewed by the Department of External Affairs.

Of course, our Canadian lumber should definitely be exported to the Islands, particularly in view of the millions of dollars worth of development underway. Consequently, the Council of Forest Industries (COFI) should be included among those associations invited to the proposed information seminars.

Recommendation 7

Canadian suppliers of goods and services should be approached to determine their interest in participating in the proposed seminar to exchange information and views on the constraints and opportunities to increasing trade with the Islands.

VII. CANADIAN IMPORTS FROM THE TURKS AND CAICOS ISLANDS

In 1988 Canada imported only Cdn \$8,000 worth of goods from the TCI. These consisted solely of live trees and other plants, bulbs, cut flowers, etc, all of which were destined for Ontario. Traditionally Canada has not imported some of the TCI lobster tails, conch meat and scalefish (US \$3.5 million in FY 1984/85 which regularly go to the US market.) With the re-opening in 1989 of the salt industry on Salt Cay by U.S. investors, the Islands may be in position to export sea salt to Canada for the health food market.

At this time, the Islands do not produce agricultural products on a commercial scale. However, Islanders do raise vegetables (e.g. maize, beans, cassava, etc.) and citrus fruits for their own use. Agriculture on Middle Caicos could be developed to produce these and other tropical fruits (e.g. potatoes, sugar cane, peas, bananas, cotton, sweet apples, pumpkins, papaya, guava, etc.). The TCI Government is giving priority to agricultural development and hopes to establish a food processing industry.

The Caribbean community in Canada is a potential market for these Island products. Both consumers and retailers in the Greater Toronto area have expressed interest in having these island products available here. However, the Islanders lack knowledge of the Canadian market and do not have an official trade promotion office in Canada to provide the TCI Government and the private sector with information and recommendations. Thus far, the TCI have not benefitted from the programs of the Trade Facilitation Office (Canada (TFOC) to help the Islands' exporters and tourist industry penetrate the Canadian market. The Canadian Importers Association (CIA) may be a useful contact for TCI exporters as well as a valuable participant in the proposed information exchange.

Recommendation 8

Canadian food and fisheries products importers should be approached to determine their interest in participating in the proposed seminar to exchange information and ideas on increasing Canadian trade and investment with the Islands.

Recommendation 9

The Trade Facilitation Office Canada (TFO) should be approached by CIDA and by the Department of External Affairs to find an appropriate means of helping TCI exporters become more familiar with the Canadian market.

Recommendation 10

The Department of External Affairs should assist the Government of the TCI in obtaining information on the Canadian market for products which are or could be produced in the Islands for export.

VIII. INVESTMENT AND EMPLOYMENT OPPORTUNITIES

In 1987 the TCI Government published a brief but attractive and informative booklet, "Investment Opportunities"; which provides general background information on the Islands; the political, economic and social environment; sectors of opportunity; and 'how to' go about investing in the Islands. (See

Appendix 13). Most of the TCI investment capital comes from the USA and Europe. There is already a modest amount of Canadian investment in the Islands, primarily in the tourist industry (hotels), real estate development, banking and energy sectors. However, because of the TCI political history, the size and nature of its economy and Export Development Corporation's (EDC) limited resources it remains difficult for Canadian investors to have good access EDC funding for development projects.

A number of Canadian businesses, institutions and individuals have expressed an interest in obtaining information about the Islands, including investment opportunities there. (See: Appendix 14: Canadian firms interested in Exporting to the Turks and Caicos Islands; Appendix 15: Bestek Micro Devices and Systems Inc. letter; Appendix 16: Offers of Assistance; Appendix 17: Armand Associates letter; Appendix 18: Solway Energy Corporation letter; Appendix 19: Canadians Ready to Start Investments.)

During the week of February 13, 1989 US \$3.5 million in real estate sales were reportedly made in the TCI. This year it is estimated that a total of at least US \$600 million will be invested in the Islands, including the construction by Bovis International Limited of a UK Pounds 200 million hotel and villa complex on Parrot Cay, an uninhabited island in the Turks and Caicos. (See Appendix 20: "Deserted Island gets hotel".) Aside from the purchase of Parrot Cay, two other uninhabited TCI Islands have been recently bought, namely Dells Cay and Big Ambergris Cay. A major hotel (over 100 rooms) reportedly is being planned for "Hotel Beach" on Grand Turk.

Based on the surge of interest from investors and developers, it is entirely possible that total estimated investment from all sources of US \$600 million in development could reach US \$1 billion. Such major projects normally involve extensive negotiations and lengthy development and construction stages.

The TCI Government has established the following sectoral priorities for the Islands' future development:

- 1) tourism;
- 2) fisheries and mariculture;
- 3) international financial services;
- 4) light industry, including handicrafts; and
- 5) agriculture.

Information on TCI Government policies and regulations directly related to investment in the Islands and development of these sectors was obtained from the Government and copies are attached. (See Appendix 13: Turks and Caicos Islands Investment Opportunities; Appendix 21: Government of the Turks

and Caicos Islands Tourism Policy; Appendix 22: Turks and Caicos Island Land (Summary of Government Policy); Appendix 23: The Encouragement of Development Ordinance 1972, No. 2 of 1972; Appendix 24: The Encouragement of Development (Amendment) Ordinance 1980, No. 8 of 1980; Appendix 26: Business Licences, Information on Government Policies and Procedures; Appendix 26: Checklist of Preliminary Information Required in Support of Investment Proposals; Appendix 27: The Business Licensing Ordinance 1983 (Section 22) Application for a Grant of Business Licence; and Appendix 28: The Employment Ordinance 1988, No. 17 of 1988.)

There are no TCI legislative or political constraints to Canadian investment in the Islands compared to other nations. TCI has an open market economy and the Government's role in the investment field is focussed on:

- a) ensuring that foreign investment provides long term benefits to the Islands' people and economy in the direction of self-reliance;
- b) negotiating terms for development projects which are favorable to the TCI;
- c) monitoring developmental activity to ensure compliance with TCI laws and contractual arrangements; and.
- d) facilitating private sector development through the provision of necessary ancillary services (e.g. land registration, operation of a Private Sector Development Office, etc.).

Recommendation 11

Major Canadian investors should be approached to determine their interest in participating in the proposed seminar to exchange information and views on the constraints and opportunities to increasing investment flows between Canada and the TCI.

(a) Specific Potential Investment Opportunities in the Islands

Canadians are missing out on development activities on the Islands. There are significant investment opportunities in a range of fields and of various sizes and complexities. The Islands already have a modest economy geared primarily to tourism, the financial services industry, fishing and government services. However, there are specific fields where new investment would appear potentially desirable and feasible, particularly as the economy expands and the number of tourists and expatriate residents increase. Such potential opportunities include expansion or establishment of firms in

the service industries such as hotel/resort, automotive rental agencies, realty, financial consultant/estate planning, legal and insurance offices, accounting, laundry, landscaping, yacht charter, marine, sports such as windsurfing, motorboat/sailboat/canoe rental, scuba diving, clinic and spa activities, veterinary clinics, and other fields serving the tourist industry including expatriate residents and retirees. The current edition of the "Caribbean Yellow Pages Telephone Director 88/9" (International Edition) contains a listing of a number of existing firms in the TCI in various fields.

Hotel/Resort Development

In order to determine whether to bid on contracts offered by developers, Canadians should have detailed and up-to-date information on such major developments such as:

- the above-mentioned hotel and villa complex on Parrot Cay;
- a Sheraton Hotel, being developed by Canadian investors;
- the proposed 100 bed hotel on Grand Turk;
- a Ramada Resort, now under construction; and
- the Leeward Development on 425 acres at the north-east tip of Providenciales which is a residential, commercial, hotel condominium and marina development, currently under construction.

Retail Trade

Retail trade on the Islands consists mainly of building supplies imports, liquor stores, grocery stores and supermarkets, specialty shops, landscape supply, automotive parts and marine supplies. There are also several major importers which act as wholesalers.

Food Processing

The TCI Government has indicated its interest in developing a food processing plant on the Islands where scalefish would be one item processed. Canadian interests are currently studying the feasibility of such a business venture.

Central Sewage Disposal Systems

Another potential area for private sector investment is the installation of centralized sewage disposal systems. The TCI Government has come to appreciate more fully the need for more effective sewage treatment facilities in order to preserve the Islands' ecology and to protect the environment essential to

the continued development of the tourism industry. Current Government thinking is to cluster tourist facilities on each island in order to facilitate efficient and effective water and sewage systems designed to serve each group of hotels, resorts and related facilities.

A Canadian firm designs and manufactures sewage disposal systems that convert human waste to clear water, which is then used to water lawns, flower beds, shrubbery, etc. Information on this firm's products was provided to the TCI Government in February 1989.

Water/Central Desalinization Plant

Canada currently exports water to California and Japan and the exporting of bottled water to the Turks and Caicos Islands could well be another potential business opportunity for Canadian entrepreneurs. (See Appendix 29: Water Exporting Information.)

During the period when the U.S. Government leased land on Grand Turk for two military bases it reportedly installed and operated a desalinization plant to meet its needs. I have brought to the attention of the Government of the Turks and Caicos Islands the possibility of establishing central desalinization plants to meet the growing need for potable water. This item is now being discussed between the TCI Government and Canadian private sector businesses.

The TCI Government is receiving some assistance from the United Nations Development Programme (UNDP) in the Water Sector as part of the UNDP's Second Country Programme (see Appendix 30).

Cold Storage Plant

The Islands are in need of one or more cold storage plants.

Agriculture/Mariculture

Most recently I have been contacted by a Canadian group interested in the possibility of establishing a 1,000 acre poultry breeding operation on Middle or North Caicos. This group is researching the possibility of growing their own feed stock. They wish to purchase all their materials from Canada.

Animal husbandry is another field of opportunity, particularly in the area of improved cattle and goat breeding, which would open up the need for veterinary services.

There is also potential for a Honeybee Queen rearing operation which could supply Canada and eventually the USA, with Honeybee Queens (see Appendix 31).

The Caicos Conch Farm on Providenciales, operated by TWI Ltd., appears to be a viable enterprise, (see Appendix 32). It raises Queen Conch from eggs through the larval stage before selling them to help re-stock or re-establish the species. The Caicos Conch Farm also offers tours and handicrafts to tourists. The King (Spider) Crab research project by the Smithsonian Institute on Grand Turk has not yet produced commercial size Mithrax Crabs. However, it has added to the data base on the species and may, in the future, be able to produce smaller soft shell or "Blue Crabs" at competitive costs.

If the Islands proceed with plans for the agricultural development, a biological and agricultural research centre would be a useful adjunct.

Minerals and Mining

Aragonite, (C_2CO_3) is a pure carbonate of calcium, produced in the sea by marine organisms like coral. The Turks and Caicos Islands apparently contain as much as 500 square miles of commercial concentrations on the shallow banks between South Caicos and West Caicos. Currently, one of the few (depleting) resources being "mined" from the sea bottom is at Bimini in the Bahamas. It is used in the smelting of fine metal alloys, the manufacturing process of certain cosmetics, and in the production of gypsum products and fine concrete. This is another potential opportunity for Canadian investors, depending on the demand for this mineral and the relative cost of production. (See Appendix 33). However, environmental considerations will need to be taken fully into account in the exploitation of this non-renewable natural resource.

Soft local limestone rocks are often broken-up manually to provide gravel for concrete and are sold in 45 gallon lots.

A number of Islanders are good masons. Fieldstone slabs of soft coral limestone in natural pastel colors are rough-finished by hand and used as a decorative face in the construction of homes and commercial buildings. This architectural feature is common on all the Islands and offers prospects of employment for the local population.

Commercial excavation of "curry" or road-grade soft stone which compacts well, is becoming common due to rapid development and need for roads, driveways and fill. There is sufficient material in the numerous low hills - but because excavation causes ugly white slashes in the landscape, it is now very tightly controlled under a Government ordinance, with only certain designated sites being excavated under license.

Block-cutting for construction reminiscent of the Bermudan tradition brought to these Islands by early settlers, is an almost dormant trade on Grand Turk and South Caicos. Canadians have imported stone-cutting equipment to the Turks and Caicos and demonstrated its feasibility, for use in the "old-world Caribbean architecture" which is being considered as the style for several future tourism projects on North Caicos and Grand Turk. It is a labor-intensive cottage industry for mechanically-adept individuals, but is not a high-tech or large commercial operation. The revival of a traditional Island trade at community-level scale could provide employment and vocational pride for qualified Islanders.

The revitalization of the salt industry using the abandoned salt ponds is another potential opportunity for Canadians in the Turks and Caicos Islands if there is sufficient demand for sea-salt as a health food or specialty product.

Transportation

The Government of the Turks and Caicos Islands is gradually upgrading the road system on the Islands. In order that transportation to and between the Islands can meet the needs of the Islanders, developers and tourists, it is necessary that a transportation study be carried out. Such a study would be conducted over a number of years, as there are many aspects and possibilities that should be examined.

For example, would a STOL or other type of aircraft be the best type of transportation to go from one of the three international airports on the Islands to any of the large resort Islands? Perhaps a ferry service between the Islands is the answer. I believe, however, that the practical solution is the building of causeways similar to those between the Florida Keys. Such a "spine-road" is also favoured by the TCI Government which reportedly is giving priority to the North Caicos/Parrot Cay link. Culverts would be used to ensure the free flow of sea water. Local gravel and rock construction of these causeways likely would be more than sufficient, given the approximately 160-200 km length of road/causeway which would be required to link the major North, Middle and East Caicos Islands from Providenciales to South Caicos. For transportation on the Islands, a bus service or additional car rental agencies could be considered.

Communications

The telecommunications system on the Islands is an area in which Bell Canada and Canadian Marconi could become involved. (See Appendix 34: Turks and Caicos Islands Telecommunications Licence Agreement Between the Government of the Turks and Caicos Islands and Cable and Wireless (West Indies) Limited;

and Appendix 35: Petition to the Governor of the Turks and Caicos Islands Regarding the Quality and Price of Telecommunications Service Provided by Cable and Wireless (West Indies) Limited.) Both companies could bid on the contract, which will soon be up for renewal, to supply the Islands with telephone and cable television services.

There has also been some interest shown by Canadian investors in the establishment of additional radio stations on the Islands to supplement the modest services already available locally.

The Turks and Caicos News is published weekly in the Islands. Another newspaper, the Island Sun Times is also published locally.

Education

On September 17, 1988, the Canadian Executive Service Overseas (CESO), in cooperation with participating organizations in the recipient country, arranged for Mr. Dario Profumo of Winnipeg to spend three months in the Turks and Caicos Islands to teach hotel management to the staff of smaller hotels. (See Appendix 35 for newspaper articles on Canadian development assistance being provided to the Turks and Caicos Islands in the hospitality industry.)

Canadians could help with the development of TCI vocational schools. Practical training programs and education in the trades and service fields have a high priority. Teaching positions in the following fields (e.g. blue collar jobs, hotel service industry, boat-building, agriculture, mariculture, yacht charter, music and culture and training of medical trades) may offer opportunities for Canadian educators and advisers. The possibility of an "off-shore" business school was mentioned as means of combining the attractions of the Islands with the use of expatriate instructors on a working holiday or sabbatical.

The Islands are also seeking greater access to overseas education and training programs for those students who can benefit from studies in foreign universities and colleges. Some "Islanders" already send their children to secondary and post-secondary educational institutions abroad. For those without the necessary financial resources, competition for scholarships is keen.

There may also be an interesting opportunity for Canadian correspondence schools. (See Appendix 37: Granton Institute of Technology.).

On September 1, 1988 CIDA announced that the University College of Cape Breton (UCCB) would receive Cdn \$185,681 for a scholarship program for students from the Turks and Caicos Islands. Four students from the Islands are to study hospitality management at UCCB for three years before returning to apply their knowledge in the Islands' expanding tourism industry.

Environment

National Museums of Canada has expressed an interest (see Appendix 37) expressing an interest in developing a research program on Pine Cay and in international conservation. The Museum also indicated an interest in carrying out surveys, assessments and impact studies. There may also be opportunities in the re-cycling of the Islands' waste and garbage. (See also the paragraphs above on central sewage disposal systems and water desalination.)

Medical

The Islands have a "natural healing" environment due to climate factors and a lack of allergens. Therefore, it may be a suitable location for those individuals suffering from rheumatic/arthritic conditions, skin and allergy problems, as well as being a quick-healing location following cosmetic surgery.

Opportunities here include the setting up of clinics and spas, with the possibility of Canadian companies supplying pharmaceutical items..

Energy

The Islands are virtually completely dependent on diesel power generation for all of its electricity needs. In FY 1985/86, petroleum imports amounted to US \$4.5 million, representing over 50% of total TCI imports. Wind and solar energy may offer other sources of power to reduce the dependence on expensive, non renewable sources of energy. Turks and Caicos utilities has a Canadian wind turbine which was installed several years ago with assistance from CIDA's Industrial Cooperation Program. The local utilities may be interested in increasing its wind turbine capacity but, thus far, has only expressed interest in procurement with concessional funding and apparently has not explored the concept of the consumers also becoming a potential supplier to the power grid. Appendix 38 contains information provided by the Canadian Wind Energy Association in this regard.

Financial Services: Financial Consultant/Estate Planning

While there are a number of firms already active in the offshore financial services industry, the TCI Government is interested in increasing the contribution this industry makes to the Islands' economy. The financial services industry was the subject of a recent study by a consulting firm and its recommendations are currently being studied by the TCI Government which is undertaking consultations with both the banking and offshore financial services sectors. A change in TCI Government policy designed to make the Islands more competitive with other international financial centres would likely result in revisions to existing ordinances regulating the banking, insurance and offshore financial services industry. (See Appendix 40: The Banking Ordinance 1979, No. 1 of 1979; Appendix 41: The Banking (Special Provisions), Ordinance 1979 (No. 4 of 1979); Appendix 42: The Confidential Relationships Ordinance 1979 (No. 1 of 1979); and Appendix 43: The Companies Ordinance 1981 and the Companies (Amendment) Ordinance 1985, July 1987.

Another recent study commissioned by the TCI Government deals with the question of changes in the Islands' legislation governing gambling. At the present time there are no casinos on the Islands. There is a possibility that this may change if the TCI Government decides to permit casinos, perhaps as part of a major hotel development. Such a decision would likely result in a revision to the existing ordinances (see Appendix 44: The Casinos (Amendment) Ordinance 1978 (No. 13 of 1978); and Appendix 45: The Casinos Amendment Ordinance 1987 (No. 8 of 1987).

Construction/Architecture

The expansion of the Islands's tourist facilities presents potential opportunities for the Canadian construction industry. The TCI building codes are based on U.S. (Florida) standards and, while there are several local construction firms, large developments may also involve foreign firms and experts in the design and construction of buildings and related facilities.

The Canadian Construction Association has indicated its interest in actively seeking contracts in foreign countries and has put forward a number of recommendations to the Canadian Government regarding Canada's foreign aid policies and programs. (See Appendix 12: Canadian Construction Association Submission.)

Recommendation 12

Canadians interested in investment and employment opportunities in the Turks and Caicos Islands should continue to use discretion in their own case by case assessment of the potential risks, costs and benefits involved. However, the Canadian Government (ie. the Department of External Affairs, CIDA and the Export Development Corporation) should improve their efforts to provide interested Canadians with timely general background information on the Islands and on our bilateral relations. For example, the Department of External Affairs should prepare and provide, upon request, a "Country Brief" on the Turks and Caicos Islands and up-date its Basic Country Data fact sheet (see Appendix 10).

(b) Employment Prospects for Canadians

Information on the TCI Government's regulations for immigration, temporary residence, permanent residence, work and business licenses, is normally available from the TCI Private Sector Development Office. However, official information on specific employment opportunities in the Islands is not readily available. Economic and social conditions and government policies in developing countries may change quickly.

Consequently, Canadians interested in foreign investment and/or employment opportunities would be well advised to ensure that their plans are economically viable. While the TCI Government welcomes foreigners who meet the Islands' conditions for residence, public and private sector representatives made a number of suggestions about the selection of a field of activity for foreign investors. These included the following:

- i) expatriates should concentrate on larger scale and more complex enterprises requiring capital, expertise technology and experience not readily available locally in the Islands;
- ii) in most foreign owned businesses it is usually good business practice to hire a well qualified local as resident manager;
- iii) Appendix 46: (Permanent Residence Certificate Government Policy Statement) provides some information on the current requirements for foreign nationals to acquire "permanent residence certificates." These requirements may change in the near future if the TCI Government adopts revisions to the relevant ordinance. See also Appendix 25: Business Licences and Appendix 47: Work Permits, Information on Government Policies and Procedures for the current requirements for other types of visas which permit foreign nationals to reside and/or work in the Islands.

Recommendation 13

Canadians who are interested in working in or retiring to the Turks and Caicos Islands should write to the TCI Government ministry or agency concerned for information on the Islands' requirements for employment and residence.

IX. CANADIAN FOREIGN AID

The Government of the Turks and Caicos Islands and the British Government would welcome increased access to Canadian development assistance. The TCI private sector has also expressed a desire for closer cooperation with Canada in pursuing the Islands' development. Canadian aid not only contributes to enhancing economic and social conditions but facilitates the development of institutional linkages and personal relationships as well as enhancing the ability of the Canadian private sector to pursue mutually beneficial commercial opportunities.

Canadian aid has been welcomed in the TCI. (See Appendix 36, for example.) Additional financial and technical assistance will be greatly appreciated. The TCI public and private sectors have requested and received information on current Canadian aid policies and programs. The sectoral development priorities of the Government of the TCI are:

- a) tourism;
- b) fisheries and mariculture;
- c) international financial services, including data systems;
- d) light industry, including handicrafts; and
- e) agriculture.

Education and training programs and the provision of experts especially in the above economic sectors are high priority forms of assistance.

Within these broad priorities there may be various opportunities for the use of Canadian technical assistance (i.e. both experts and training and education programs). For example, the Ministry of Natural Resources and Labour is looking for practical, short term (ie three month) training programs for building inspectors. The Ministry is also interested in locating a Director of Planning. The TCI Government is also looking for an agricultural expert/advisor to work with small farmers to improve their productivity.

Some Canadian assistance would also be welcomed to assist in rehabilitation program for handicapped Islanders.

Recommendation 14

The Canadian International Development Agency (CIDA) should be encouraged to provide financial and technical assistance to the TCI in line with Canadian aid policies. Such assistance should be provided in consultation with other aid donors and international agencies in support of developmental programs and projects to help meet the Islands' economic and social needs, in accordance with the priorities established in the development plan for the Islands.

X. FREE TRADE

There is some concern that our Free Trade Agreement with the United States will hurt Canadian trade and investment in the Caribbean. Some Caribbean officials feel Caribbean manufacturers will be unable to compete with their U.S. counterparts, and any trade advantage gained under the CARIBCAN Agreement will be lost.

In its October 1988 report (Appendix 48: Impact of Canada-United States Free Trade on Commonwealth Caribbean Countries) the Conference Board of Canada concludes that:

"There are two factors to consider in assessing the impact of the Free-Trade Agreement on third parties such as the Commonwealth Caribbean countries: trade and investment creation, and trade and investment diversion. These dynamics pull in opposite direction, and it is their relative strengths that will ultimately determine the implications of the Agreement for Commonwealth Caribbean trade and investment. This study concludes that trade under the CARIBCAN program will not be altered by the Free-Trade Agreement because of the uniqueness of the goods coming into Canada under the program. Trade that is outside the CARIBCAN program is mostly non-dutiable and hence does not face the threat of being displaced by U.S. exports. The trade creation effects of the Agreement may boost exports from the Commonwealth Caribbean region.

"The effect on investment is somewhat more ambiguous because the factors influencing foreign investment decisions in third-party countries will be affected only indirectly at most by the Free-Trade Agreement. The extent to which investment opportunities are unique to the Commonwealth Caribbean countries will play an important role in determining the level of

Canadian investment. There is no reason for the Agreement to affect investment by Canadian firms in Commonwealth Caribbean countries because investment decisions are based on a plethora of factors unconnected to the Agreement. At the same time, there is a strong possibility that the Free-Trade agreement may strengthen the Canadian corporate sector's ability to undertake projects outside North America since overall corporate financial resources are limited in the short term. Nevertheless, given the lack of direct investment in manufacturing in the region, and the fact that free trade will spur mainly manufacturing investment, the potential for investment diversion in the Commonwealth Caribbean countries is marginal. Over the long term, because of the positive impact of the agreement on overall economic growth and financial resources, investment creation could take place in third-party countries."

In a March 16, 1989 Ottawa Citizen article (see Appendix 49: "Caribbean Envoy Represents Six States") it is reported that J. Bernard Yankey, High Commissioner for all but one of the seven members of the Organization of Eastern Caribbean States, has his time consumed by his attempts to remove the barriers to the free flow of trade between his Caribbean region and Canada. The article points out that his organization wants Canada to provide duty-free access to its market for such Caribbean exports as textiles, footwear, luggage, and to clear the way for "direct" shipping of products from Canada to his Caribbean regions. "The current 'transshipping' system is a costly and time-consuming process," added Yankey.

Most Canadian imports from Commonwealth Caribbean countries, including the TCI, (which last year sold only Cdn \$8,000 worth of goods to Canada) enter Canada duty-free. This duty-free access applies to almost all goods that are currently imported from the region, as well as to goods that could be exported in the future. The few exclusions reflect the economic sensitivities of certain industries in Canada and include some textiles and clothing, footwear, luggage and handbags, leather garments, lubricating oils and methanol. Because these duty-free provisions conflict with Canadian obligations under the GATT, Canada sought and obtained a waiver for the 1986-1998 period. In 1998 Canada will need to request an extension if it is considered desirable at that time to seek continued duty-free access.

The TCI Government imposes customs duties and taxes on a large number of imports according to a schedule of tariffs (see Appendix 50: The Customs Tariff (General) Order 1985). Such duties and taxes are an important source of revenue for the TCI Government (almost 37% of total Government revenues in

FY 1985/86). However, the TCI Government apparently is prepared, when considering large and very important development projects, to enter into negotiations on the customs duties payable on imports required to construct and equip the facility. Such action is taken on a case by case basis at this time.

Some Canadian developers and exporters are interested in promoting the idea of "free trade" between Canada and the Turks and Caicos as a means of reducing their costs and of competing with developers/suppliers from other countries. Such a bilateral free-trade proposal probably could not be negotiated without the Islands receiving something in return to offset the loss of customs duties. Whether a free-trade agreement of this nature would be acceptable to the UK and to other GATT members (some of whom, like France, are investors in and exporters to the TCI) would have to be explored. The loss in TCI customs duties and taxes resulting from a bilateral free trade agreement with one country could possibly be made-up by charging higher taxes and fees on other goods and services.

Businessmen in the TCI are also looking at implications for the Caribbean when the member countries of the European Community (EC) lift the remaining trade barriers for trade among EC members. (See Appendix 51: Europe and the Caribbean - Looking to 1992). The TCI is already including under the Canadian Programs for Commonwealth Caribbean Trade Investment and Industrial Cooperation (CARIBCAN) see Section 12 "Economic Cooperation Agreement" below. Under CARIBCAN the TCI already benefit from duty free access to the Canadian market on a preferential basis.

Canada's exports to the Caribbean Basin market (i.e. Mexico, Central America and Guyana, Suriname and the Caribbean islands) were Cdn \$1,566.2 million in 1988. Our imports from the region were Cdn \$2,240.0 million that year, resulting in an unfavourably balance of trade of Cdn \$673.8 million. (See Appendix 5.) The "Caribbean islands" market (excluding Mexico and Central America Guyana, Suriname and French Guiana) consists of some 25 countries with a total population of over 32 million. (See Appendix 52.) In 1988 Canada's exports to these 25 Caribbean islands totalled Cdn \$918.757 million, while our imports were Cdn \$649.871 million, producing a favourable trade balance for Canada of \$268,886 million.

Free trade with the TCI and other islands in Caribbean, coupled with direct shipping to the region at competitive prices, would provide Canada with the competitive edge needed to expand our trade with the Caribbean nations.

Recommendation 15

The Department of External Affairs should examine the idea of a free-trade Agreement with the TCI (and perhaps other British dependencies in the Caribbean) as well as other countries in the region) to determine if it would be desirable and feasible.

XI. INDUSTRIAL "FREE TRADE" ZONE

Several Caribbean islands and a number of other nations in the region (e.g. Panama) have established industrial "free trade" zones to promote employment and to increase foreign exchange earnings. In general, such "free trade" zones in the host country appear more likely to achieve their objectives if they meet certain criteria; e.g.:

- (a) the local costs of production, especially labour, land, capital and other inputs (ie energy, raw materials) are at least competitive with other locations;
- (b) efficient transportation facilities are available capable of handling imports and exports at competitive rates;
- (c) the local government continues to respect the duty and tax free arrangements on imports and re-exports and does not become greedy or allow "leakages" in the system;
- (d) there is not a high level of competition among other countries with considerable "free trade" zones in the region;
- (e) the host country enjoys other comparative advantages - perhaps in purchasing, processing/manufacturing, packaging and marketing; and
- (f) the economy of the host country is large enough to be able to absorb some of the goods coming through the "free trade" zone at competitive prices after paying taxes and customs duties on "exports" to the domestic market.

Based upon the information available at this time it would seem that the Islands may not satisfy several of the key criteria. The Islands lack direct shipping facilities to a number of nations in the Caribbean Basin and the Islands' ports are not now capable of handling a significantly larger volume of traffic. The costs of production in the TCI may be somewhat higher than those in other Caribbean states. These constraints may not rule out a modest industrial "free trade" zone which would utilize existing transportation facilities. However, real success might depend on finding the right product mix to take maximum benefit from the TCI location, economy and any other advantages relative to other states in the region.

A number of the factors which are relevant to the analysis of industrial "free trade" zones also apply to a discussion of the TCI prospects as an entrepôt for the warehousing, distribution and re-export of goods to other Caribbean countries. Traditionally successful entrepôts have enjoyed a strategic location, geo-political leverage, or other comparative socio-economic advantages.

In the case of the TCI, the prospects for a viable "free trade" zone/entrepôt in the foreseeable future would seem to depend to a considerable extent on whether a modest, very specialized operation - perhaps targetted a particular market - might be developed which would benefit from a comparative TCI advantage, and on the availability of investment capital.

The TCI Government is interested in exploring the idea of establishing an industrial "free-trade" zone; and/or in having the Islands become an entrepôt for the Caribbean. I am not aware that the Canadian private sector has seriously investigated the commercial advantages of investing in an industrial "free-trade" zone in the TCI.

Consequently, it would seem premature at this stage to pursue the question further. If the Canadian private sector is seriously interested in investing in a "free-trade"/entrepôt project in the TCI, they should raise the question at the proposed information exchange (Section IV).

Recommendation 16

The Canadian Government should study the question of developing an industrial "free trade" zone in the Islands or of having the TCI become a Caribbean entrepôt depending on an expression of interest by the TCI Government and by the private sector's readiness to consider investing in such a project.

XII. ECONOMIC COOPERATION AGREEMENT

In the short term, the Government of Turks and Caicos Islands is interested in improving the economic and social conditions of the Islands' people. Its long term goals are economic viability and self reliance, and eventually, political independence. While the present TCI Chief Minister has indicated a desire to explore ways of improving relations with Canada, he has also made it clear that he is not interested in trading one colonial power for another. For its part, the Canadian Government has stated that it has no intention of taking action which could be construed as promoting some form of political association with the Islands. This allows us to focus on practical and mutually beneficial economic development measures.

Canada has had an international agreement with the members of the Caribbean Community and Common Market (CARICOM) since 1979. (See Appendix 53: Trade and Economic Cooperation Agreement Between the Government of Canada and the Governments of the Member States of Caribbean Common Market.) However, the Turks and Caicos Islands, like some other British dependent territories in the Caribbean (i.e. Bermuda, British Virgin Islands and Cayman Islands) and another Commonwealth Caribbean country (the Bahamas) are not now members of CARICOM. This suggests the possibility of looking at developing a bilateral economic cooperation agreement between Canada and each of the Commonwealth Caribbean islands that are not now members of CARICOM; or of working with CARICOM members, Britain and the remaining Commonwealth Caribbean countries to have them join CARICOM and to become signatories to an up-dated Canada/CARICOM members agreement.

Inclusion of the remaining Commonwealth Caribbean islands in CARICOM would be consistent with efforts to develop regional institutions and to strengthen regional cooperation. A Canada/CARICOM members agreement (covering all of the Commonwealth Caribbean countries) would provide a practical demonstration of Canada's interest in increasing its economic relations with the region while offering Commonwealth Caribbean countries an alternative "third option" to the USA's Caribbean Basin Initiative and to the post-1992 Economic Community. Some of the provisions of the current CARIBCAN arrangement (duty-free entry) will cease in 1998 unless an extension is agreed by GATT's Contracting Parties. A "new and improved" CARIBCAN agreement and/or a Canada/CARICOM agreement with additional Commonwealth Caribbean states could be mutually advantageous to both Canada and CARICOM members. In the meantime, pending TCI's accession to independence and its membership in CARICOM and other key Caribbean regional institutions, the attached draft economic cooperation agreement between Canada and the Turks and Caicos has been prepared. (See Appendix 54.)

Recommendation 17

The Department of External Affairs should consider the desirability and feasibility of working with CARICOM members, and the remaining Commonwealth Caribbean Islands who are not members of CARICOM to have them join CARICOM and become signatories to a Canada/CARICOM members agreement.

Recommendation 18

The Turks and Caicos Islands Government should be encouraged to become more familiar with the aims and activities of: CARICOM and the other regional institutions in the Commonwealth Caribbean; and with CARIBCAN.

XIII. OTHER PUBLIC SECTOR SUPPORT TO ASSIST THE PRIVATE SECTOR BUSINESS COMMUNITIES IN CANADA AND IN THE TCI TO INCREASE TRADE AND INVESTMENT

At the present time information in Canada about trade and investment opportunities in the Turks and Caicos Islands is somewhat limited and fragmented. Some information is available from:

- (a) The Canadian High Commission in Kingston, Jamaica;
- (b) the Caribbean and Central American Trade Development Division in the Department of External Affairs;
- (c) the Government of the TCI, including, in the case of investment in the Islands, the Private Sector Development Office;
- (d) firms, individuals and associations with a vested interest in attracting foreign investment in and commerce with the Islands (e.g. Canadian banks in the TCI, real estate agents and developers, lawyers and tax consultants specializing in estate planning and off-shore (international) financial services, the TCI Chamber of Commerce, the Turks and Caicos Development Organization, the Turks and Caicos Islands Research and Development Corporation, etc.);
- (e) first-hand knowledge acquired through visits to the Islands and discussions with representatives of the public and private sector.

The Department of External Affairs and its diplomatic and commercial officers abroad are primarily interested in promoting Canadian exports and investment in Canada.

Although the Canadian Government has assisted Canadian exporters to visit other Caribbean countries, there do not appear to have been any publicly supported Canadian trade missions to the TCI in recent years. The Canada Government apparently has not supported in-coming buying missions from the TCI, possibly due to the relatively small size of the Islands' economy.

The Government of the TCI support for the activities of its private sector aimed at attracting foreign investment and in promoting exports tends to be focussed primarily on investment. The TCI Private Sector Development Office is active but operates primarily on a responsive basis with a limited budget. The TCI Government does not have its own diplomatic, consular or commercial representatives in Canada (or in other countries). The Islands have a Tourist Board and a Hotel Association, but neither is officially represented in

Canada. Visits to Canada by TCI exporters have been uncommon due to the limited extent and nature of the Islands' exports and the ability to sell available fish products to the U.S. market.

Visits by parliamentarians between Canada and the TCI have been infrequent. Most of those parliamentarians who have travelled to the other country have tended to have done so without public support.

Previous sections (e.g. III, IV, V, VI, VII, VIII, X and XII above) have outlined some of the constraints to increased trade and investment and recommended a number of specific remedial measures. My discussions with representatives of the private sector in Canada and in the TCI indicate that they would welcome additional support from the public sector (beyond those areas mentioned in preceding sections of this report). The ideas proposed by the private sector focus on the following, ie additional public sector support for:

- (a) a program of visits by political leaders;
- (b) creation of a focal point in Canada to facilitate TCI contact with potential investors, and exporters; and
- (c) Canadian trade missions to the Island to promote exports and TCI missions to Canada to increase tourism.

There is also a feeling on the part of some members of the private sector that Canadian investment in the Islands would increase if there was some assurance about the security of investment.

On the surface these would appear to be mutually beneficial activities which would warrant public sector support. However, from the Canadian perspective these are practical constraints. These focus on:

- (1) the limited availability of financial and human resources in relation to our priorities in other countries with larger markets and greater potential economic benefits for Canada (See Appendix 52 for a comparison of population and Gross National Product and GNP per capita for countries in the Caribbean and Central America); and
- (2) the prevailing view that the private sector should remain responsible for making its own decisions on resource allocation based on a case by case assessment of the potential profit and loss and of the risks involved.

It is, of course, up to the Government of the TCI to establish its own priorities and to allocate its resources accordingly in support of the private sector's role in trade and investment.

Consequently, at this stage it would seem preferable to focus limited Canadian public sector resources on those recommendations in the preceding sections (e.g. Recommendations 1, 2, 3, 8, 9, 12, 13, 14 and 16) rather than pursuing additional measures (parliamentary visits, trade missions, a Canadian focal point for private sector activity in the TCI, etc.). This should not, however, preclude the Department of External Affairs from including the TCI in trade missions with a specific industrial or sectoral focus or those aimed at the Caribbean market. Participants at the proposed information exchange seminars may wish to comment on the need for measures to assist the private sector in Canada and TCI to increase trade and investment for mutual benefit.

Recommendation 19

Scarce Canadian public sector resources should not be devoted at this time to supporting other measures (e.g. VIP visits, TCI trade missions, creation of a Canadian focal point for private sector activity in the TCI, etc.). This should not preclude the TCI from being included, as appropriate, in Canadian trade missions being planned for the Caribbean or for specific industries and sectors.

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