

# CARIFORUM-EU Business Forum



## Recommendations and findings on ICT: Reaping the benefit of the EPA

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About the Forum

## About The CARIFORUM-EU Business Forum

**T**he Cariforum and the EU business sectors established the CARIFORUM-EU Business Forum on November 26<sup>th</sup>, 2008 in Barbados. The Forum, which follows the signing of the Economic Partnership Agreement (EPA) in October 2008, will serve as the framework for public-private sector dialogue for fostering business between the two regions.

The main objective of this Forum is to promote business among operators from both the Caribbean and the EU and to identify key sectors that will become the economic drivers to assist both regions - most particularly the Caribbean - in reaping the benefits of the EPA.

In its first stage, the Forum selected three key strategic sectors:

- Information and technology (ICT)
- Creative Industries: Film and Audiovisual
- Architecture and interior design.

The Forum will include other sectors as it continues its activities in the near future.

The main recommendations of the Forum were in two major sectors:

- Export Trade Expansion
- Business Enterprise Development

The creation of the Forum was the initiative of the Caribbean Association of Industry and Commerce (CAIC), the private sector umbrella of the CARIFORUM region, with the support of the Caribbean Export Development Agency (Caribbean Export) and the Caribbean Regional Negotiating Machinery (CRNM). The project was financed by Bizclim and supported by European and Caribbean institutions and associations.

The major recommendations of the forum were:

- To encourage the development and strengthening of sector-specific organizations
- To cultivate a greater degree of collaboration between governments and the private sector, particularly sectoral organizations and associations
- To pursue the harmonization of legislation within CARIFORUM
- To develop a streamlined and structured approach to training and skills development
- To Permanently establish the CARIFORUM-EU Business Forum in an organizational format that would provide the benefit of ongoing oversight as well as a framework to facilitate execution of a purposeful mandate and mission.





# EU Services Market and EPA Key Areas

*The EU services imports from CARIFORUM exceeds its export in the following categories: travel, transport, communication services and government services.*

**T** The EU services imports from CARIFORUM exceed exports in the following categories: travel, transport, communication services and government services. However, EU services exports are in surplus in the following areas: insurance, financial, construction services, computer and related services, royalties and licenses fees, personal, cultural and recreational services and other business services.

The EU represents about a quarter of the investment flow into CARIFORUM, with the UK leading the group, followed by Spain. Italy, France, Germany and the Netherlands are also important investors. The aim of investment provision in the EPA is to increase flows from the EU and third party countries, and to eliminate the need to negotiate new bilateral investment treaties.

Government services and government procurement were excluded from the EPA. The Agreement does have sectoral provisions on the following services: computer, courier, telecoms, financial services, maritime transport, tourism, e-commerce and cooperation.

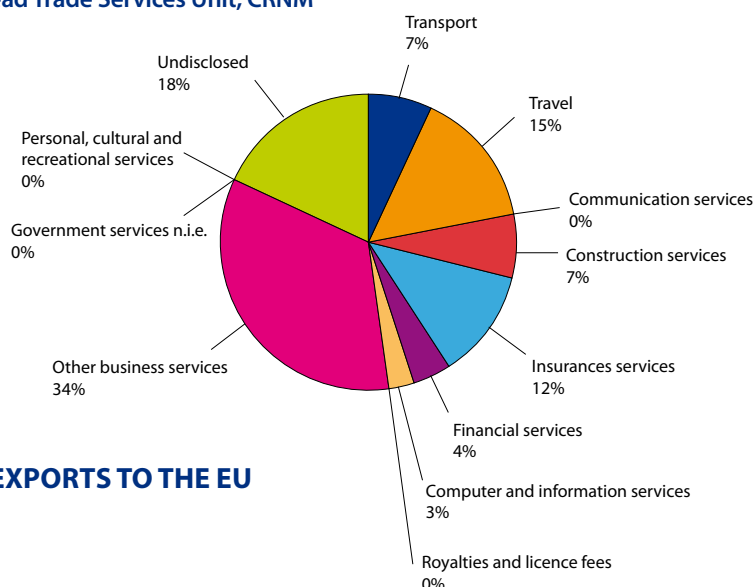
One important provision is the facilitation of temporary entry to the respective regions for up to 90 days for EU and Cariforum nationals in the following sectors: research & design, marketing, training seminars, trade fairs & exhibitions, sales & purchasing, tourism personnel.

Market access in services: Cariforum has an average of 65%, with Dominican Republic at 76% and Organisation of East Caribbean States at 50%. The EU broadened their offer to Cariforum countries by 90% under WTO regulations. There are major gains in cultural industries where the EU has for the first time offered access to this sector. There is a Cultural Industries Protocol.

The implementation of the EPA will face certain challenges, including legislative or regulatory changes, information dissemination, organization of businesses by sectors, developing industry standards and credentials, development of mutual recognition among CARIFORUM and then CARIFORUM-EU, and the need to access developmental support. It is also important to highlight the potential of the animation sector as a subset of the film and audiovisual sector.



**Ramesh Chaitoo, Head Trade Services Unit, CRNM**



**CARICOM EXPORTS TO THE EU**

# Challenges and Opportunities of EPA

## The view from the Caribbean:

**T**he EPA offers opportunities for the private sector of the region. However, it is necessary that in-depth research is carried out in order to be able to understand where those opportunities come from. It is also important that the Caribbean becomes more innovative in pursuing new markets. The key areas of concern for the region in terms of EPA include **restrictions outside the provision of the agreement encountered by services providers which are outside the provision of the agreement**, but that affect exports of services, such as work permit and visa requirements to enter EU countries, the lengthy visa approval process for CARIFORUM nationals, the lack of double taxation treaties between CARIFORUM and EU countries and nationality or residency requirements for the establishment of certain companies in the region. Certain restrictions within and outside the EPA can limit the Caribbean access to the EU market. Therefore, there is a recognized need for capacity building and competitiveness of CARIFORUM firms in order to compete in the EU and other markets.

Based on the presentation by Ben Arrindel, Country Manager Partner, Ernst and Young, Barbados

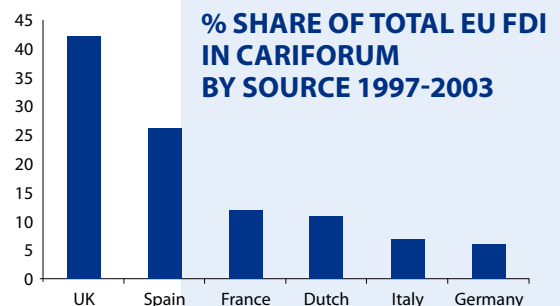
## The view from Europe:

**T**he private sector members of the European Services Forum **welcome the signature of the EPA**. It is the first agreement signed by the EU that not only includes services but also has provisions for investment. In the EPA, the EU, whose economy is heavily based on services (77%), has opened up 94% of its service market, and CARIFORUM, with 70% percent of its economy in the services sector, has opened up 74% of its services market.

The signature of the EPA is just the beginning. Now the implementation begins, divided in two parts: to **implement the commitment at home and to find ways to benefit from the Agreement**. It is important that both of these aspects are carried out. CARIFORUM must look at what legislative changes are required and assess the current conditions in the various services sectors in order to identify and make the necessary modifications in the shortest time possible. CARIFORUM member states must also begin looking for business partners both in the region and in Europe. For the implementation of the EPA, a kind of **Caribbean Interconnecting Machinery** is needed in order to help bring potential partners together.

It is important to **develop a long-term strategy** for the sectors and then use the funding available to implement that strategy. The Forum is a good first step to look to build partnership and opportunities.

Based on presentation by Pascal Keanis, Managing Director European Services Forum (ESF)





# Issues for the ICT Sector in the Caribbean

A shared responsibility of public and private sectors

| Overall issues   | Public sector responsibility | Private sector responsibility (sector/ Business) | Timeline (immediate (I), short to medium term (SMT), long term (LT)) |
|--|------------------------------|--|--|
| <b>Public Policy</b>   |                              |  |  |
| ■ Strategic development and expansion of basic ICT educational opportunities.  | X                            | Sector   | SMT  |
| ■ Promote and streamline national facilitating investment programmes.  | X                            | Sector   | SMT  |
| ■ Encourage development of more effective regional coordinating mechanisms.  | X                            | Sector   | SMT  |
| ■ Proactively pursue liberalization of the region's telecommunications sector.   | X                            | Sector/Bus.                                      | SMT  |
| ■ Development of quality assurance standards   | X                            | Sector   | SMT  |
| <b>Legal</b>   |                              |  |  |
| ■ Develop more effective legal and regulatory frameworks to facilitate industry expansion in regard to areas such as investment planning, international telecommunications, e-commerce and intellectual property rights. | X                            |  | SMT  |
| <b>Infrastructure</b>  |                              |  |  |
| ■ Develop improved data and information transmitting facilities in order to expand capacity and attain greater economic efficiencies   | X                            | Sector   | SMT  |
| <b>Human Resources</b>   |                              |  |  |
| ■ Incorporate ICT education as an integral component of public policy relating to education and training.  | X                            | Sector/Bus.                                      | SMT  |
| ■ Promote and facilitate software knowledge and skills development.  | X                            | Sector/Bus.                                      | SMT  |
| ■ Expand opportunities for ongoing skills specific training, including the fostering of mentorship programmes.   | X                            | Sector/Bus.                                      | I  |
| <b>Research and Business Development</b>   |                              |  |  |
| ■ Encourage and promote, on a structured basis, more industry-specific research initiatives, in collaboration with institutions of higher learning, such as universities.  | X                            | Sector/Bus.                                      | SMT  |
| ■ Encourage intra-industry networking, including registration and information sharing with organizations having similar interests.   |                              | Sector/Bus.                                      | I  |
| ■ Provide financial and technical assistance to foster development and growth of small enterprises having impressive growth potential.   |                              | Sector/Bus.                                      | I  |
| ■ Encourage and promote the development of group clusters.   | X                            | Sector/Bus.                                      | I  |
| <b>Marketing Development</b>   |                              |  |  |
| ■ More structured dissemination of information on markets, their conditions and outlook.   |                              | Sector/Bus.                                      | I  |
| ■ More aggressive promotion of the regional strengths as provider of ICT services in relation to key target markets.   |                              | Sector/Bus.                                      | I  |

Source: ICT Discussion Paper. Cariforum-EU Business Forum

# Forum Highlights: Regional Initiatives to Move the ICT Sector Forward



*Private-Public partnership  
to foster an enabling  
environment and sector  
growth*

*Regional ICT private sector  
alliance, for synergies,  
advocacy and effective*

*Searching excellence  
to boost ICT enterprises  
competitiveness*

**B**

ettering the enabling environment and promoting supportive public policies, in particular

- The development and/or adoption of internationally accepted standards of technological compatibility and appropriateness across the region
- The enhancement of relevance and competitiveness in the quality of training
- Policies to lower costs associated with access to infrastructure
- The improvement of the harmonization of statutes and regulations across the region and with other regions
- The simplification and harmonization of the taxation regimes
- The obliteration of regional trade restrictions and barriers
- The establishment of a regional (CARIFORUM) ICT (intergovernmental) body
- The adoption of regional (Caribbean) wide electronic payment and settlement systems

The forum also stressed the importance of the establishment of a single regional representational body for the ICT sector through which its interests could be advocated, and the development of a single virtual online interface that connects CARIFORUM ICT sector players. Such an organisation could also be central to promoting the Caribbean as a location for serious ICT business enterprise development, and to ensure effective representational arrangements in major potential markets.

The forum recommended greater cooperation among enterprises to develop expertise and build technological capacity, and to jointly pursue and exploit business opportunities, prioritising and sourcing excellence only in well-targeted market niches. Technologically savvy firms need to enhance their marketing capacity, and look for joint-ventures (both with regional and extra-regional firms) to develop new markets. Caribbean firms should consider the price differentials with the EU and US markets as a key competitive advantage. The forum also called for the larger economic players of the region to establish a 'business angels' group that could encourage and support investment in innovation.





# Forum's ICT Panel Conclusions: A Plan Of Action For The ICT Sector

## Recommendations for Organizing the ICT Sector for Sustainable Export

| Key issues                                   | Areas to be addressed   |
|--|---|
| <b>Standards development and compliance</b>  | ICT professionals, including consultants, need to establish standards for areas such as certification and cross-border movements. The development and/or adoption of internationally accepted standards, as well as strict compliance with their requirements, represent an absolute imperative for the sector.   |
| <b>Industry representation</b>               | Development of a single regional representational body through which ICT sector interests are advocated is essential for development and growth of the sector.  |
| <b>Development of a CARIFORUM ICT portal</b> | A single virtual online interface that connects CARIFORUM ICT sector players, linking them with counterparts, as well as potential customers in Europe.   |
| <b>Training, research and development</b>    | <ul style="list-style-type: none"> <li>■ the quality of training provided by regional institutions of learning, particularly at the tertiary level</li> <li>■ Greater attention needs to be paid to applied research and development in niche (specialty) areas which are considered to possess attractive business development opportunities</li> <li>■ The existing cadre of very skilled regional software developers, for example, was considered to represent an area to be more exploited in building regional capacity.</li> </ul> |
| <b>Investment support</b>                    | The need to increase capital investment to foster sector growth and development. The establishment of a business angels group that would encourage and support investment represents an approach that should be explored.   |
| <b>Infrastructure costs</b>                  | Relatively high costs associated with access to infrastructure facilities have served to place the CARIFORUM region at a competitive disadvantage in the market place. There is the need for higher investment on telecommunication infrastructure as well as collaborative roles of regional industry stakeholders in addressing these matters and in seeking improved harmonization of statutes and regulations.  |
| <b>ICT CARICOM sub-group</b>                 | Need to collaborate closely with the CARICOM ICT Task Force   |
| <b>Repositioning need for the region</b>     | The need to change the misperception, among many persons, that the Caribbean region caters primarily to resort and leisure and therefore, would not represent a preferred or recommended location for serious ICT business enterprise development   |
| <b>Business travel restraints</b>            | Travel arrangements requiring the issue of visas to CARIFORUM nationals conducting business in EU territories and in some instances, even within the region, often represent a major challenge. Provision in the EPA needs to be followed up.   |
| <b>E-commerce, borderless trade</b>          | Need for the adoption of electronic payment and settlement systems to facilitate the development of electronic commerce and international trade   |
| <b>Security and privacy</b>                  | Security and privacy, particularly in regard to proprietary information, are among matters considered to be of critical importance in an expanding international trading environment. Forum needs to address this issue as provision in EPA text is deficient in this regard.   |
| <b>Taxation</b>                              | Double taxation treaties as well as harmonize and simplification should be pursued both in Cariforum as well as in EU. Need for more information to understand the present system is a start.   |



# Recommendations for Organizing the ICT Sector for Business Enterprise Development



| Key issues   | Areas to be addressed  |
|--|--|
| <b>Niche industry focus</b>  | Export development and expansion initiatives should preferably be niche focused in relation to areas for which there are distinct competitive advantages, Development of software for the aviation industry was presented as an example of a growing area being exploited by regional software developers.   |
| <b>Separation of technological expertise from marketing expertise</b>                              | In the ICT sector, it is critical that business enterprise development strategies seek to separately deploy persons having marketing competences from those who are technologically driven   |
| <b>Single representational body for regional ICT entrepreneurs</b>                                 | In order to more effectively impact public policy, as well as build critical mass, ICT entrepreneurs in the region need to develop a single representational body  |
| <b>Collaboration in pursuing product development as well as business development opportunities</b> | Greater collaboration among business enterprises to jointly pursue and exploit business opportunities within the region, including regional EU territories, as well as in Europe. The Information Technology, Telecommunication and Electronics (INTELLECT) Association model of the U.K. was considered to represent a model that could be emulated in the region.    |
| <b>Outsourcing and partnering</b>  | Joint venture partnerships can provide effective mechanisms in competing for large projects in major markets. Joint venture arrangements between regional and extra-regional firms also often bring higher levels of credibility from a team perspective. There are opportunities in the areas of software development and data entry services that could be explored. |
| <b>Business development services</b>   | CARIFORUM business enterprises are therefore encouraged to explore the development of effective representational arrangements in major potential markets. It was recommended that a regional body such as CEDA develop such a mechanism to serve regional ICT enterprises.   |
| <b>Billable rates-CARIFORUM vs the EU</b>  | Relatively higher billable rates in the EU provide CARIFORUM enterprises with a competitive edge in bidding for regional business opportunities. This opportunity should be exploited by regional firms.   |

## Competition vs. Opportunities: The Case of ICT:

**Mr. Pascal Keanis of ESF** believes that ICT is a good sector for development in the Caribbean as a result of the lack of license restrictions and low-level regulation. However, the **competition worldwide is tremendous**: it is already a priority sector in Egypt, Morocco, Kenya, Uganda, Dubai, the Andean countries, China, etc. It is a very competitive field and the present economic crisis will make things more difficult as fewer of the big companies will outsource these services.

**Mr. Nigel John**, President of CAIC, indicated that the region has selected the ICT sector as a priority sector both in the context of the EPA and in the Forum because of its proven potential. Whilst it is true that it is a competitive field, that is the very reason that many countries have identified ICT as a priority sector. The region is looking at low-level services, such as data entry - areas which have been analyzed as having a competitive advantage.





# Follow-up Actions Undertaken for ICT Sector

## Regional Contacts:



### Caribbean Export Development Agency (Caribbean Export)

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### Caribbean Association of Industry and Commerce (CAIC)

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### Caribbean Regional Negotiating Machinery (CRNM)

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 rchaitoo@crnm.org  
 Website: www.crn.org

**T**he Caribbean Export Development Agency (Caribbean Export) organized two follow-up meetings of ICT firms, one in Barbados in February 2009, and another regional workshop in Santo Domingo, Dominican Republic on March 26-27<sup>th</sup> 2009.

A further Bizclim-sponsored ICT meeting for the ICT Sector is planned to take place in the Dominican Republic in June 2009. The objective is **“to establish a Competitiveness Agenda to boost the ICT sector in the Dominican Republic”**. The meeting is being organized by the Santo Domingo Chamber of Commerce.

## EU and other support offered to the ICT Sector:

Several programmes and organizations offer assistance to the ICT Sector in CARIFORUM countries, including:

| Potential Sources of Funding  | Main Purposes   |
|---|---|
| <b>The European Union:</b>  |   |
| 1. <b>9<sup>th</sup> EDF Caribbean Regional Indicative Programme</b>  | Integration support: CROSOQ and CRNM<br>9 <sup>th</sup> EDF Caribbean Trade and Private Sector Development Programme      |
| 2. <b>10<sup>th</sup> EDF Caribbean Regional Indicative</b>   | Currently being programmed. €72 millions for EPA implementation   |
| 3. <b>EDULINK</b>   | Tertiary education development support  |
| 4. <b>PROINVEST</b>   | Support for investment projects   |
| 5. <b>Centre for Development of Enterprises</b>   | Technical assistance and sector support for ICT firms   |
| 6. <b>The ACP Business Climate Facility (BizClim)</b>   | Support for business environment improvement initiatives.   |
| 7. <b>CORDIS-F7</b>   | EU funds for the promotion of innovation. Through EPA, the Caribbean have access to this funds                            |
| 8. <b>Other European Union Sources</b>  | Pledges of individual member states for the support of EPA development related projects. Funds from DFID, GTZ and others. |
| <b>Other Sources</b>  |   |
| 1. <b>CIDA CARICOM Trade and Development Project</b>  | Support of the Secretariat for CSME harmonisation activities. Other funds being programmed                                |
| 2. <b>The World Bank</b>  | Support for e-commerce initiatives  |
| 3. <b>The Multilateral Investment Fund(MIF) of the Inter-American Investment Bank (IDB) and other IDB Funds</b> | Special project support from IDB resources  |

