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SURINAME: TRADE SECTOR POLICY NOTE

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SURINAME

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Foreword

Trade is an important factor in determining the growth prospects of small and open economies such as Suriname's. Competitive providers of goods and services drive commercial exchange and help generate the export income needed to create and sustain jobs, finance a country's imports and maintain a healthy balance in its external accounts. This paper provides an overview of Suriname's trade sector and, based on an assessment of the sector's performance, presents policy recommendations, so that becomes a useful tool for improving the country's economic growth and development prospects.

The paper suggests that Suriname's primary objective in this area should be to maximize the benefits and mitigate the costs of trade liberalization. To achieve this, the country should focus on eight strategic areas related to trade: defining and adopting a trade strategy, strengthening trade-related institutions, improving public-private sector coordination, enhancing the regulatory framework, improving the quality and coverage of statistics, expanding access for Surinamese products in international markets, boosting domestic supply conditions, and supporting export diversification.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Center
CET	Common external tariff
CSME	CARICOM Single Market and Economy
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign direct investment
FIAS	Foreign Investment Advisory Service (IFC/World Bank)
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	Generalized System of Preferences
ICT	Information and communications technology
IMF	International Monetary Fund
KKF	Chamber of Commerce and Industry
LAC	Latin America and the Caribbean
MFN	Most favored nation
MTI	Ministry of Trade and Industry
RNM	Caribbean Regional Negotiating Machinery
SPS	Sanitary and Phytosanitary
VSP	Suriname Trade and Industry Association
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

I. SECTOR OVERVIEW

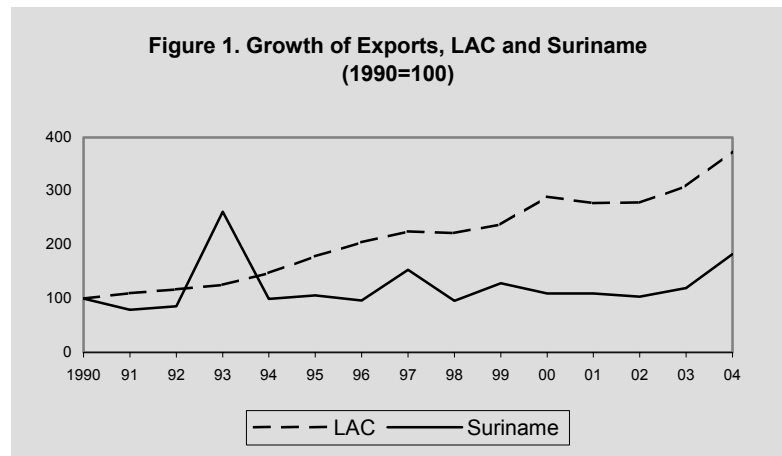
A. The Importance of Trade in the Economy

1.1 **Trade plays a crucial role in determining Suriname's growth and development prospects.** One way of illustrating this is to look at the value of the country's external transactions relative to its total output. Over the last decade, Suriname's trade/GDP ratio has averaged more than 110 percent.¹ This high degree of trade openness, coupled with a narrow export base dominated by a few natural resource products, renders the economy very vulnerable to external shocks such as fluctuations in international commodity prices or policy changes abroad. It also means that any significant change in the demand for, or supply of, Suriname's tradable products has an immediate effect on the country's GDP.

1.2 Another way of measuring the importance of trade in the Surinamese economy is by looking at the country's balance of payments. In the last decade, Suriname's current account balance was negative in most years. Weak export growth and rising imports contributed to the deficit, as did substantial outflows of private sector investment income. Although substantial remittances flowed into Suriname, they did not prevent the current account deficit from reaching over 13 percent of GDP in 2003 and 2004. Suriname financed the deficit with Dutch development assistance and private sector investment inflows (which doubled in two years to reach US\$152 million in 2004).² While the bauxite and gold industries could continue to attract sizeable amounts of foreign direct investment in the coming years, the sustainability of these large inflows is uncertain. Ultimately, improved export performance will be needed to restore the country's external accounts to a more healthy position.

B. Trade Performance: Slow Growth, High Export Concentration and Volatility

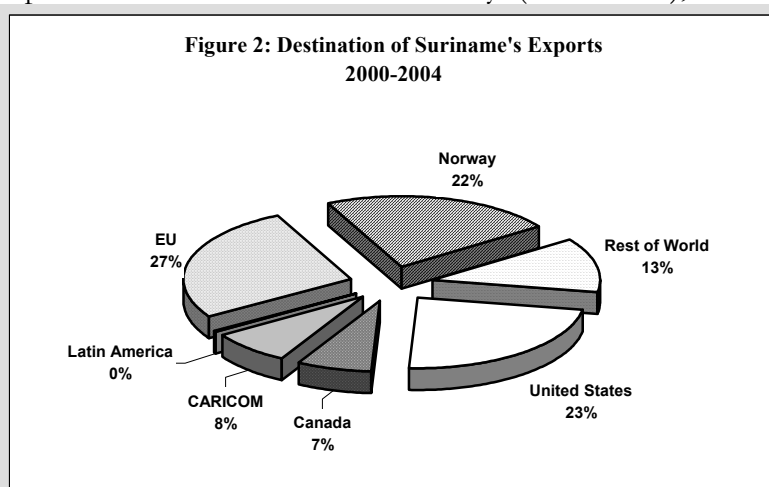
1.3 Suriname trades mostly goods, which account for 90 percent of the country's total exports and 70 percent of imports. **From 1990-2004, Suriname's merchandise exports grew by an average of 4.4 percent a year in value terms.** Most of this growth occurred from 2002-2004, when exports almost doubled from \$474 million to \$835 million; in the previous 12 years, annual growth averaged less than 1 percent. As Figure 1 shows, Suriname's export growth was both highly volatile and much weaker than that recorded for the LAC region as a whole during the period examined.



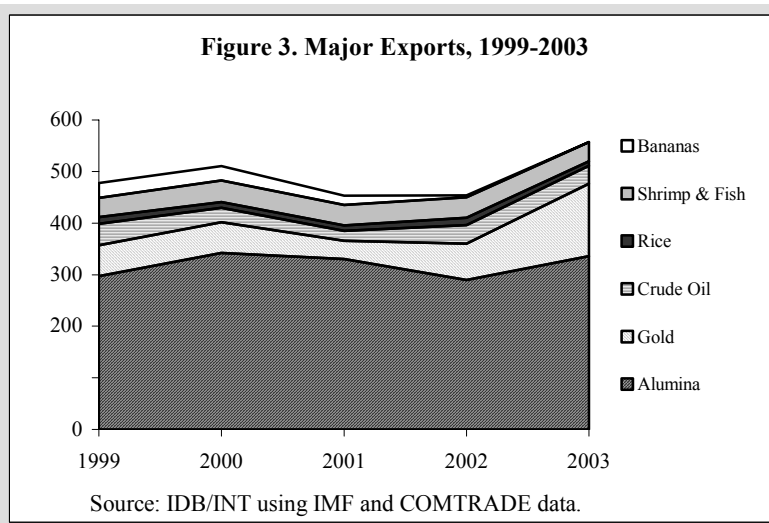
¹ The trade openness ratio is exports plus imports of goods and services, divided by GDP, and is a weighted average for the period 1993-2003.

² IMF-Article IV Consultation on Suriname, March 2005.

1.4 Suriname's largest export destination is the European Union (EU), which absorbed 27 percent of the country's total sales in the period 2000-2004, down from an average 35 percent in the early 1990s. This is followed by the United States, with 23 percent, and Norway, with 22 percent. Exports to the Caribbean Community (CARICOM), which Suriname joined in 1995, have grown fourfold in the last decade, and now account for 8 percent of Suriname's total exports. Exports to Canada have grown even faster, from virtually zero to almost 7 percent of total exports (average for 2000-2004). Meanwhile, a drastic decline in exports to Brazil has reduced Latin America's share from 10 percent in the early 1990s to less than 1 percent today (see Figure 2 and Annex V, Tables 1-2).

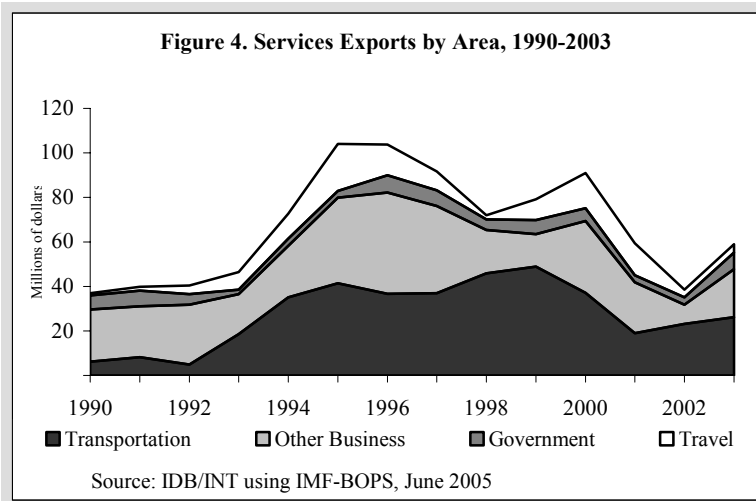


1.5 **Suriname's exports are dominated by a small number of natural resource products.** In the period 1999-2003, seven products accounted for approximately 90 percent of total merchandise exports. Three of these (alumina, crude oil and gold) account for three quarters of exports, while four agricultural products (rice, fish, shrimp and bananas) account for another 15 percent (Figure 3). Ores and metals represent the majority of exports to the United States and Europe, while fuels are the biggest category of exports to CARICOM countries (see Annex V, Tables 3-5). Frequent changes in international prices for these commodities largely explain the high degree of volatility in Suriname's export earnings.



1.6 Suriname's merchandise imports have grown by an average 2.6 percent per year since 1990, compared to import growth of over 10 percent for the LAC region as a whole. The origin of imports is quite diversified: North America (mainly the United States), Europe (mainly The Netherlands) and Asia (mainly China and Japan) each account for 25-30 percent, with the remaining imports coming from Latin America and the Caribbean (mainly Trinidad and Tobago). Most of Suriname's imports consist of manufactured goods, which are primarily sourced from the EU and the United States (see Annex V, Tables 6-8). The country has a trade deficit with all of its main trading partners except Canada and Norway.

1.7 Services account for only a small share of Suriname’s total trade, 10 percent of exports and one third of imports. **In recent years, services exports have declined both in absolute terms and as a share of total exports.** Transport services account for the largest share of services exports, 40 percent on average in the last decade. As Figure 4 illustrates, Suriname’s travel or tourism sector is quite small compared to that of other CARICOM member states, representing a share of less than 15 percent of total services exports. Travel services receipts have been highly volatile during this period, with exports of \$2 million in 1998, \$16 million in 2000, and just \$4 million in 2003. Other services exports, including financial, insurance, telecommunications and business services, account for one third of total services exports. Suriname’s deficit in its services trade balance is large and has moreover widened in recent years (see Annex V, Tables 9-10).



1.8 It is important to note that Suriname suffers **serious deficiencies in the collection and dissemination of trade data**, both for goods and services. Timely and reliable data is an indispensable tool for effective business planning and public policymaking, particularly in the current context of Suriname’s participation in a number of trade liberalization initiatives that, once fully negotiated and implemented, will have a significant impact on the Surinamese economy (see Annex I for an overview of these initiatives).

C. Challenges Ahead: Preference Erosion and Growing External Competition

1.9 In addition to the vulnerability associated with a narrow export base, Suriname faces substantial new trade challenges ahead. For some important export crops (rice and bananas), Suriname faces the erosion of EU preferences and stronger competition in international markets in the coming years. Although rice and bananas constitute only a small share of the country’s total exports, they account for 11.2 percent of employment, and even small changes in market access could spell sizeable economic disruptions in the sector. The mining sector is globally competitive and an important foreign exchange earner for Suriname but contributes little in terms of employment (3.5 percent). Meanwhile, the economic weight of manufacturing has declined steadily since the country’s entry into CARICOM, and with the exception of alumina production and some (mainly fisheries-related) food-processing industries, manufacturing activity is mostly limited to supplying the small domestic market. Only further expansion of export activity would provide space for growth and employment creation. Diversification of the export base is also of strategic importance (see Annex II for a more detailed analysis of the performance and growth prospects of Suriname’s main goods and services exports).

- 1.10 A history of state control, coupled with the lack of an enabling environment and the small size of the domestic market, has hindered the development of Suriname's private sector. Local investors are not always sufficiently prepared to confront the challenges (or grasp the opportunities) posed by the trend towards increased global market liberalization. At the same time, international investors are becoming more selective in choosing their investment destinations, opting for countries with attractive investment climates built on good governance, sound institutions and protection of property rights. Apart from some sizable new investments in the mining sector in recent years, Suriname's record with regard to inward FDI has been poor. Structural economic conditions, macroeconomic instability and the presence of a legal and regulatory environment that is not conducive to private sector development are generally considered to be the main factors behind this poor investment record (see Annex III for a brief overview of FDI in Suriname).³

Box 1. Business Climate, Infrastructure and Trade Policy: Crucial to Enhanced Export Performance

In the medium to long term, growth and diversification of the trade base will require substantial improvements to the local investment environment and infrastructure. In the short term, however, the Surinamese authorities also face the immediate challenge of negotiating a favorable outcome for the country in a series of ongoing trade negotiations. The results of these negotiations and the alliances that are formed will serve to drive the country's future opportunities and economic development. Equally urgent is the effective implementation of existing trade agreements in order to enable the private sector to take full advantage of the market access opportunities inherent in these accords. Effective trade policies, aimed at facilitating Suriname's successful participation in the global economy, are indeed a necessary condition for improving the local business environment and attracting the investment that is needed to ensure the economy's sustained growth.

D. Trade Policy Design and Implementation

- 1.11 **Suriname's trade regime has undergone substantial revisions in the last decade**, reflecting the gradual abandonment of the inward-looking development policies pursued by successive governments after the country's independence in 1975. Since the mid-1990s, Suriname has reduced its import tariffs from an average 35 percent to 13 percent, dismantled a highly protective import licensing system, established free trade in goods with its CARICOM partners, and expanded its commitments under the multilateral trading system. Trade liberalization has been a key policy objective in government efforts to enhance economic efficiency and reduce costs through increased competition, and to establish a trade and investment climate that is transparent, stable and as liberal as possible while preserving the interests of the Surinamese business sector.
- 1.12 **Today, Suriname's trade policy is formulated within the context of its membership both of the WTO and CARICOM**, as well as existing and planned trade arrangements with countries in Europe and the Americas. Suriname has been a GATT contracting party since 1978 and became a founding member of the WTO in 1995. The country completed its first WTO Trade Policy Review in 2004. It currently faces two challenges as a result of its

³ WTO, *Suriname: Trade Policy Review*, 2004. See also UNCTAD World Investment Report, various issues.

multilateral commitments: the first relates to the full implementation of the agreements reached in the Uruguay Round of multilateral trade negotiations, which concluded in 1994. A decade later, Suriname is still in the process of completing this difficult process, which involves a considerable number of legislative and institutional changes. The second challenge relates to Suriname's participation in the current Doha Development Round, which was launched in 2001 and includes a large number of technically difficult negotiating areas. Suriname's active participation in these negotiations is hindered by the fact that it does not have a WTO mission in Geneva.⁴

- 1.13 In addition to its participation in the WTO, Suriname is a member of CARICOM. Thirteen CARICOM countries, including Suriname, are currently in the process of establishing a **Caribbean Single Market and Economy (CSME)**, which includes the free movement of goods, services, capital and skilled persons across the sub-region, the right of establishment, the implementation of a common external tariff (CET) and trade policy, and growing harmonization of laws and regulations in the areas of fiscal and monetary policy, investment and sector policies (agriculture, industry, services and transport). Suriname appears to have drawn some benefits from its preferential access to the CARICOM market. Since joining the group in 1995, its merchandise exports to that market have grown by an average 17 percent a year, an impressive figure that contrasts sharply with Suriname's sluggish export performance in most other markets. This strong increase is due to growing sales of fuels to Barbados and Trinidad and Tobago, and of agricultural products to Jamaica. Suriname's share in the regional import market has increased rapidly in recent years, albeit from a very small base (See Annex V, Table 11).
- 1.14 Suriname has fully implemented the CARICOM CET. There are, however, some problems of non-compatibility with respect to the adoption of the CET and Suriname's WTO tariff bindings. These issues were identified in the WTO Trade Policy Review of 2004 and constitute pending matters that the country will need to address.
- 1.15 The CET itself may need reform since it is inconsistent with CARICOM's goal of creating an open, transparent business environment that fosters competition in domestic markets. First, the CET is not really common because it offers broad scope for tariff suspensions and reductions, as well as for national derogations from the common tariff. This not only complicates the region's joint negotiating efforts with third countries, but also, given the implementation of rules of origin to avoid trade deflection, creates additional transaction costs and reduces transparency of market access for exporters targeting the CARICOM market. Second, the level of tariff dispersion in the CET remains high, resulting in additional efficiency costs and further complicating the group's market access negotiations with other countries and regions. Third, while considerably lower than a decade ago, CARICOM tariffs are still relatively high, particularly in the food and manufacturing sectors where many products remain protected from external competition. This raises concerns about trade diversion and is not conducive to the development of internationally competitive local industries. Table 1 illustrates these three problems. Tariff reform would require careful planning and effective negotiation on the part of the Surinamese authorities. Further

⁴ The Caribbean Regional Negotiating Machinery (CRNM), charged with coordinating CARICOM's external trade negotiations, recently opened an office in Geneva, providing much-needed technical support to member states, particularly those that do not have their own mission there. As argued further on, however, the CRNM cannot fully replace national authorities; on the contrary, it relies on them to help define the region's negotiating position.

reductions in the CET would also have to be accompanied by appropriate fiscal reforms to reduce dependence on trade taxes.

Table 1. CARICOM CET and Suriname's Applied Tariff, 2003

HS Section	Description	CET (%)	Suriname (%)
01	Live Animals/Products	24.9	20.8
02	Vegetable Products	18.2	20.9
03	Animal/Vegetable Fats	26.7	23.9
04	Processed Foods/Tobacco	19.7	21.8
05	Mineral Products	4.8	6.9
06	Chemical/Industrial Products	5.4	9.3
07	Plastics/Rubber	7.4	12.0
08	Animal Hides/Skin	8.2	14.4
09	Wood/Wood Articles	9.6	13.1
10	Paper/Cellulose Material	7.3	10.3
11	Textiles	10.4	15.6
12	Footwear/ Miscellaneous Articles	16.6	19.8
13	Stone/Glassware	8.8	11.5
14	Precious/Semi-Precious Metals	20.1	26.0
15	Base Metals	5.6	8.5
16	Machinery/Electrical Equipment	6.5	8.7
17	Motor Vehicles/Vessels	9.6	11.8
18	Precision Instruments	11.5	11.0
19	Arms/Munitions	38.1	18.5
20	Misc. Manufactured Articles	16.2	19.1
21	Art/Antiques	20.5	25.0
Average Tariff (%)		10.1	13.4
Standard Deviation		14.7	11.9

Note: In 2002, the average tariff and standard deviation for the Central American Common Market (CACM) and Chile were (5.9%, 7.9) and (7%, 0.0), respectively.

Source: IDB Integration and Regional Programs Department -- CET using FTAA-HDB Report; FTAA Hemispheric Database v. 2.0.

- 1.16 Apart from completing the CARICOM regime for goods, current efforts in the sub-region focus on the implementation of single market provisions relating to services, right of establishment and movement of capital and labor. Suriname faces important implementation issues in these areas: language problems and a different legal system further complicate what is already a huge challenge for most member states. The single economy (the “E” in the CSME) remains a more elusive goal. Few of its provisions have so far been implemented, but member states are likely to begin tackling them once the single market is fully in place. With respect to the CSME, Suriname thus faces a very active trade policy agenda in the coming years.
- 1.17 In addition to its CARICOM preferences, Suriname also benefits from non-reciprocal **trade preferences** granted by the EU under the ACP-EU Cotonou Agreement, and is a beneficiary of the Generalized System of Preferences (GSP) of various countries - although only a fraction of its exports are eligible under this scheme. Through CARICOM, Suriname has moreover signed trade agreements with a number of Latin American countries (see Annex I), with resulting improvements in access to these markets once the agreements are ratified and enter into force.

1.18 In all these markets, however, preferences are being eroded by global tariff reductions agreed in the WTO and by bilateral trade initiatives between Suriname’s trade partners and third countries. This trend towards preference erosion is likely to intensify in the coming years because of further trade liberalization under the WTO and the entry into force of new trade agreements in the Western Hemisphere, which would gradually reduce Suriname’s market access advantages relative to those of other LAC countries in the US/Canadian and Caribbean markets.⁵ Growing worldwide liberalization presents a particular challenge for specific sub-sectors (mainly rice and bananas). These processes, along with the negotiation of a reciprocal trading arrangement with the EU that is expected to enter into force in 2008⁶, will also put increased pressure on Surinamese firms producing for the domestic market. Further trade liberalization will also affect fiscal revenues. Customs duties currently account for almost one fifth of such revenues, and new revenue sources may have to be found to compensate for this shortfall.

1.19 Suriname’s reliance on trade preferences is lower than that of other CARICOM countries, reflecting the heavy weight of minerals in the country’s exports, most of which enjoy MFN (i.e., non-preferential) duty-free access to foreign markets. It is nonetheless estimated that about one quarter of Suriname’s exports (in value terms) currently benefit from some form of preferential treatment (see Table 2). Most of these are in the CARICOM and European markets.

Table 2. Suriname Trade Preferences by Export Market

Market Access/ Destination	MFN Duty-free	Enter with Preference	Subject to Duty
European Union	3.5%	86.9%	9.6%
United States	99.6%	0.3%	0.0%
Norway	100.0%	0.0%	0.0%
CARICOM	55.4%	44.6%	0.0%
Canada	99.7%	0.0%	0.2%
Rest of World	65.0%	0.0%	35.0%
TOTAL	66.6%	24.6%	8.7%

Notes: Shares are for 2001, the latest year available for cross-market preference calculations.
Source: See Annex V, Table 13.

1.20 At the same time, there are significant opportunities to be derived from these new trade initiatives, not only in terms of improved access to both traditional and new markets, but also in terms of a more secure and transparent trading environment based on contractually established rules rather than unilaterally applied preferences. Free trade agreements in fact offer countries like Suriname the opportunity to consolidate their existing preferences by changing them into permanent market access rights. Nonetheless, in an ever more liberalized world economy where a growing number of countries enjoy mutually agreed market access “privileges” that were previously reserved for only a few trade partners, competition will increase, and only those with the most favorable conditions will capture the benefits of new markets and business opportunities. In such a context, questions of export performance, diversification and competitiveness become even more relevant for Suriname, as does the country’s capacity to effectively negotiate and implement the new agreements in order to maximize their potential benefits.

⁵ Negotiations for a Free Trade Area of the Americas (FTAA), launched in 1998, are currently on hold, but in the absence of progress in these talks, several FTAA countries have initiated (and in some cases concluded) bilateral free trade talks with each other, including the United States with Chile, with Central America and the DR (CAFTA), and with Colombia, Ecuador and Peru; and Canada with Central America. CARICOM is currently exploring the possibility of new trade agreements with Canada and MERCOSUR, and, if the FTAA talks continue to stall, may decide to pursue bilateral free trade talks with the United States.

⁶ Negotiations for an Economic Partnership Agreement (EPA) between the EU and CARIFORUM (CARICOM plus the DR) began in April 2004. The parties are aiming for a draft agreement by December 2006 and a final agreement by December 2007. The EPA will be a comprehensive agreement covering trade in goods and services, as well as related areas such as intellectual property rights, technical barriers to trade and SPS measures.

1.21 The simultaneous engagement in several highly complex international negotiations, along with participation in the CSME and implementation of existing trade agreements, places a severe burden on Suriname's limited human and financial resources. The difficulties of such engagement lie not only in the need to negotiate on several fronts simultaneously, but also in the fact that these negotiations are technically more complex, and potentially far more influential in their outcome than any previous trade talks in which Suriname has participated. The creation in 1997 of the Caribbean Regional Negotiating Machinery (RNM), whose mandate is to coordinate CARICOM's external trade negotiations on behalf of all member states, has eased some of the pressure on national authorities to be present at all meetings and technically competent in all areas covered by the negotiations. The RNM, however, cannot function effectively without support from member states, and relies on national authorities to help define the region's negotiating position. Likewise, Suriname cannot expect to have its national interests properly represented at the negotiating table unless it is actively engaged in the process. Neither can it reap the full benefits of the resulting agreements without their proper and timely implementation. The effective management of trade policy requires not only a strong trade ministry, but also efficient inter-agency coordination and consultation with the private sector and other relevant stakeholders. Suriname faces significant challenges in this regard.

E. Institutional Framework: Characteristics and Weaknesses

1.22 The Ministry of Trade and Industry (MTI) is the lead agency for trade policy formulation, management and coordination in Suriname. Apart from the MTI, several other ministries and public entities have responsibilities in trade. The Ministry of Foreign Affairs has traditionally taken the lead in matters related to the WTO and oversees the political and diplomatic elements of Suriname's various trade agreements. It is the only ministry that has permanent representation abroad. Other entities with responsibilities in trade include the Ministry of Agriculture, Animal Husbandry and Fisheries (agriculture negotiations and sanitary and phytosanitary issues), the Ministry of Finance (through its Directorate of Taxation and Customs Department), the Central Bank (monetary policy, economic planning), the Ministry of Justice and Police (which houses the Bureau of Intellectual Property) and the National Bureau of Statistics.

1.23 To fulfill its coordinating mandate, the MTI consults on a regular basis with different actors with a direct stake in trade and economic issues. For this, the ministry uses existing consultation networks to bring together representatives from different ministries, as well as relevant private sector organizations such as the Suriname Business Forum, the Chamber of Commerce and Industry (KKF), the Suriname Trade and Industry Association (VSB) and other representatives of civil society. As a member of CARICOM, moreover, Suriname is committed to a regionally harmonized trade policy. The MTI therefore coordinates closely on trade policy matters with regional agencies such as the RNM and the CARICOM Secretariat.

1.24 In executing their respective mandates, the MTI and the other agencies face significant constraints. These constraints, in turn, inhibit the proper functioning of existing consultation mechanisms both within and among public sector agencies, between these and the private sector, and vis-à-vis regional agencies.

- a. The MTI's capacity to lead and coordinate the country's trade policymaking process, and to provide effective and timely contributions to the formulation of regional negotiating positions, is constrained by several factors, including the lack of a well-defined trade strategy that clearly spells out the country's priorities; the absence of specific work plans and definition of priority areas of work for the trade unit in the ministry; a sub-optimal organization of the ministry's scarce resources as a result of the above; weaknesses in technical capacity resulting from both the limited number of, and insufficient technical knowledge among existing staff in specific areas of trade policy; inadequate response from line ministries, the private sector and other stakeholders through the existing consultation mechanisms, which are weak; huge gaps and deficiencies in basic office equipment such as computers, printers, photocopiers, fax machines and supplies; and the absence of an efficient information and communications system to obtain, analyze and disseminate trade information, monitor the ministry's work program, and efficiently connect the various agencies involved in trade policymaking both with each other and with external partners (such as the RNM or the WTO Secretariat).
- b. Technical capacity in areas related to trade is weak not only in the MTI, but across all public agencies. The trade section of the Ministry of Agriculture, which supports the MTI in matters related to agricultural trade, lacks the institutional organization, technical capacity and information and communications infrastructure needed to confront the multiple challenges that Suriname faces in this area. The ministry lacks sufficient technical capacity in the areas of inspection, pest detection and fumigation, and there is inadequate coordination or oversight of the country's SPS infrastructure. The Bureau of Intellectual Property was only recently established and does not have the human and technical resources to fulfill its mandate, which is to establish intellectual property rights and the legal means for their protection. Such rights are crucial not only for the promotion of innovation at home, but also for attracting foreign investment and maintaining harmonious trade relations with third parties. Weaknesses are equally evident in the private sector. With some notable exceptions, the private sector is not equipped to play a very active role in the trade policymaking process, and often lacks the technical capacity to effectively influence the formulation of national negotiating positions.
- c. In the area of implementation, Suriname has been overwhelmed by the multiple commitments emerging from recently concluded trade agreements. Responsibility for the implementation of WTO and CSME obligations is diffused across different ministries and there is no effective coordination among them. The authorities do not have a coherent implementation plan and the legal and technical resources to follow through with it. Of equal concern is the absence of a functioning mechanism to monitor trade partners' adherence to existing agreements, with potentially serious implications for Suriname's export opportunities in these markets.

1.25 Without solving these problems, Suriname cannot begin to address the combined challenges of weak export performance and preference erosion in the non-mineral sector, growing competition in domestic and international markets and, as a result, the urgent need to formulate, negotiate and implement effective trade policies and agreements that both promote and safeguard Suriname's national interests.

F. Constraints to Export Development and Competitiveness

- 1.26 Institutional weaknesses have affected Suriname's trade performance in a variety of ways. On the export side, for example, they have prevented the country from fully exploiting its **market access opportunities in regional and global markets**, for several reasons. First, Suriname does not appear to have taken full advantage of the trade preferences it currently enjoys in the US market. Second, Suriname has had difficulties meeting technical standards and SPS requirements in some of its main export markets, which has hindered access to those markets for some of its agricultural and manufactured products. Third, access to commercial information in foreign markets, crucial for developing new export strategies, is patchy.⁷ Finally, Suriname has not participated very actively in CARICOM's external trade initiatives, particularly not in terms of defining and defending offensive strategies and positions (i.e. those seeking improved access to the partner market, as opposed to defensive positions aimed at maintaining domestic import protection). It has also been slow in implementing some of CARICOM's bilateral agreements with Latin American countries, which could generate some new opportunities for Surinamese exports.⁸ Suriname maintains regular consultations with Brazil to explore the possibility of increased trade and investment flows, but it is unclear whether this has led to any significant improvements in access to what is potentially a very important export market for Suriname. The official data on trade between the two countries certainly does not indicate a very favorable outcome to these bilateral consultations.⁹
- 1.27 Market access is important because it affects demand for Suriname's tradable products. Demand conditions, in turn, are an important consideration for countries that want to expand and diversify their export base. For Suriname, the best strategy in this regard is to increase the supply of (non-mineral) products that face growing demand in world markets, and to secure better market access for these products through trade liberalization initiatives with existing and new trade partners. Yet recent **export promotion and diversification efforts** do not seem to have focused much on the demand side. Such efforts have been undertaken in a somewhat ad hoc manner, with little analysis of market potential, limited prioritization and scant follow-up.

⁷ Foreign missions usually play an important role in obtaining and disseminating such information, but require a specialized and well-trained commercial section to do so effectively. Suriname has embassies, permanent missions and/or consulates in Belgium, Brazil, China, French Guiana, Guyana, India, the Netherlands, Netherlands Antilles, Trinidad and Tobago, Venezuela and the United States.

⁸ Suriname has signed, but not yet ratified, agreements with the DR, Cuba and Costa Rica. It is not party to the agreements with Colombia and Venezuela, which were entered into prior to Suriname's accession to CARICOM.

⁹ This, of course, could reflect weaknesses in the quality of data, rather than a lack of "real flows". Nonetheless, it does indicate that there is considerable untapped potential in this relationship. Because CARICOM membership places some limits on Suriname's ability to pursue bilateral initiatives with third countries, Suriname should have a clear interest in pushing for closer bloc-to-bloc relations between CARICOM and MERCOSUR.

Box 2. Trade with Latin America: A Case of Isolation

Suriname's trade with Latin America has been marginal and has declined substantially over the last two decades. Latin America is a large market with a purchasing power of US\$2 trillion, yet the region has bought just 1 percent of Surinamese exports between 1997 and 2004; down from an 8 percent share in the early 1990s. Brazil has traditionally received most Surinamese goods destined to Latin America, which have consisted almost entirely of alumina and have fallen dramatically since 1995, both in value and volume terms, from an average of US\$30 million to almost nil today. Although this discrepancy could be the result of unreliable data, there are other potential causes for this poor export performance. First, the language barrier between countries could be an important bottleneck to doing business in the region. Second, Suriname's poor transport links to the south could have a significant cost impact on the competitiveness of its goods in these markets. Third, it is possible that Suriname's products and exports (mainly natural resource commodities and agricultural products) face declining demand in southern neighbors such as Brazil. Finally, there could be a lack of interest or promotional efforts by Surinamese public and private business interests in targeting Latin American trade partners.

- 1.28 On the supply side, Suriname faces a number of problems that have constrained its export performance. **Lack of competition in the domestic market** is one problem. Although the government has made efforts in recent years to liberalize the domestic market, competition is still hampered by a number of factors, including the presence of several monopolies (in telecommunications, for example) and high state participation in the economy, which has severely constricted private sector development. In several trade-related sectors (e.g. rice, bananas, forestry, banking), state-owned companies have not performed well. High import protection in some sectors (particularly agriculture) has further reduced competition in the market.
- 1.29 A **weak investment regime** is another problem. According to recent assessments conducted by the World Bank's Foreign Investment Advisory Services (FIAS) with financial support from the IDB, Suriname's investment regime does not appear to be in line with international best practice and has contributed to the country's poor investment record in recent years, particularly outside the mineral sector. A new investment law adopted in 2002 relies on costly fiscal incentives as the main instrument for attracting FDI, while business licensing and approval procedures remain complex and burdensome, and involve a considerable degree of discretion. The law does not guarantee investors international standards of protection and the absence of dispute settlement procedures is not in line with the government's aim of promoting a predictable and sound legal environment for domestic and foreign investors [FIAS, 2003 and 2004]. In early 2005, the IDB provided funding for the preparation of an amendment to the investment law and related legislation to eliminate unfair or inequitable treatment and reduce current levels of bureaucratic uncertainty; as well an action plan to improve the institutional environment for private investment [Dookeran, 2005]. Implementation of the law and the action plan would provide important steps towards an improved business environment in Suriname.
- 1.30 Deficient **transport infrastructure and services** (air, sea and land) constitute another major impediment to the development of competitive exports, particularly in agriculture. It is noteworthy that Suriname is a net food importer despite its considerable export potential, given that it is endowed with abundant land, water, tropical forest and marine resources for

the development of agriculture-related activity, including aquaculture. Apart from costly and inadequate transport facilities, agriculture also suffers from limited drainage and irrigation infrastructure and support services such as land titling, credit, marketing and research. The government's strategy for the sector, as defined in its Agricultural Policy 2000-2005, calls for the removal of subsidies to state-owned firms, privatization, incentives for exports and domestic food production and improvements to physical infrastructure, but implementation of these policies has been slow [WTO, 2004].

- 1.31 Institutional inefficiencies and weaknesses in the regulatory environment have affected trade in other ways. Inefficiencies in **Customs** have raised transaction costs and reduced transparency in the cross-border movement of goods [IDB/CARTAC, 2005]. Some elements of the **tax regime** do not appear to support a transparent and liberal trading environment. The problems with the CET, and with Suriname's tariff bindings under the WTO, were noted above. In addition, Suriname allows duty and other tax exemptions on a variety of imports, further obscuring market access conditions while also generating potential revenue losses. Suriname moreover applies export taxes to a number of products. It does not have well-developed legislation on **contingency measures**, such as antidumping, countervailing and safeguard measures. While this may not have caused difficulties in the past, lack of protection for domestic producers in the face of sudden import surges could become a problem in the future as the country implements further trade liberalization initiatives. Weaknesses in **licensing and certification procedures** related to imports of plant and animal products pose a potential risk for consumer welfare in Suriname. Finally, late or pending **notifications** to the WTO in important areas such as standards, SPS measures, customs valuation and domestic support to agriculture have reduced the transparency of Suriname's trade regime [WTO, 2004].

II. POLICY OBJECTIVES

- 2.1 Suriname's most immediate objective in the area of trade should be to **maximize the benefits and mitigate the adjustment costs of trade liberalization**, both on the export and import side. This requires careful management of the transition to a more open trading environment, which the government has already initiated through its support for the CSME, engagement in free trade negotiations with Europe, and participation in the WTO Development Round. The effective design and implementation of trade policy, including the modernization of Suriname's trade-related institutions and regulatory framework, is crucial in this respect.
- 2.2 Institutional and regulatory reform will bring Suriname closer towards achieving its main development goal in the area of trade, namely **higher export earnings**. Ideally, higher export earnings should be accompanied by less volatility in earnings from one year to another, and by an expansion of employment opportunities in the export sector. Both of these goals point to the need for **greater diversification of the export supply**, away from overly strong dependence on the bauxite sector. This will require substantial improvements to the local investment environment and infrastructure, as well as targeted interventions in sectors that show promising export potential.

III. POLICY RECOMMENDATIONS

A. Define and Adopt a Trade Strategy for Suriname

- 3.1 As noted above, Suriname does not have an overall trade strategy that guides the government's policymaking agenda. Without such a strategy, policymaking is often piecemeal and insufficiently coordinated among government departments with responsibilities in trade and across the different negotiating fora and economic sectors. The government has not defined what its priorities should be in the different areas of trade negotiation, nor what should be the sequencing of actions to implement existing commitments, for example in the WTO. This situation exacerbates the significant human, technical and financial resource problems that the government faces as it attempts to tackle a very demanding trade policy agenda. The lack of a clearly defined strategy also limits the extent to which Suriname can influence the trade policy agenda of CARICOM.
- 3.2 One of the first priorities for the new government is therefore to **prepare and adopt a strategy that provides guidance to Suriname in both the development and execution of its trade policy**. The strategy should define overarching trade policy options for advancing Suriname's development objectives in the context of increasing globalization. It should also lay out a series of steps that, if followed, would ensure that relevant government institutions have the human, technological and organizational resources necessary to move from strategy to specific policy actions and to adapt these actions to new developments and changing circumstances in international trade.
- 3.3 The strategy should identify ways of managing the opportunities and threats of globalization and, in doing so, should take into consideration the evolving nature of the international trading system, the role of trade in Suriname's development, the strategies and tactics of Suriname's trade partners, and the importance of a coordinated approach in national policy-making. The strategy should map Suriname's existing rights and obligations in multilateral, regional and bilateral agreements; set forth policy options and suggest the most appropriate sequencing of actions for achieving them; discuss how Suriname could best approach the issues of preferential and reciprocal market access in external trade negotiations; suggest effective mechanisms for defending Suriname's interests in international trade relations; provide recommendations for empirical preparation, internal and external coordination of policymaking and implementation, including inter-ministerial coordination at the cabinet and working levels, consultation with the private sector, civil society, regional organizations and like-minded countries; and identify ways of enhancing the government's resources in the areas of staff, information technology, reference materials, data management and dissemination. A recently approved technical cooperation project financed by the IDB/Canada Trade Fund will support Suriname in the preparation of this strategy.¹⁰ The aim is to have a strategy adopted within the next year, and to begin implementation immediately thereafter.

B. Strengthen Trade-related Institutions

- 3.4 Effective implementation of the trade strategy requires effective institutions. The strategy itself will provide some general guidelines for institutional reform, but further work will be needed to develop a detailed reform agenda for the various ministries involved in trade

¹⁰ The project ATN/CC-9093-SU was approved in February 2005.

policymaking. It is therefore recommended that, based on the definition of an overall trade sector strategy for Suriname, the government commission a **full assessment of the country's trade policymaking infrastructure, including recommendations for institutional reforms**. The assessment should focus on the MTI and trade-related functions of other ministries and agencies, and should include inter-agency and public/private sector coordination matters. It should also include a technical evaluation of the particular information and communications technology (ICT) needs of the MTI, the trade section of the Ministry of Agriculture and the Bureau of Intellectual Property.

- 3.5 The most urgent task following this assessment is to strengthen the Ministry of Trade and Industry so that it can effectively perform its mandate of formulating, managing and coordinating the country's trade policy. Weaknesses have also been identified in the Ministry of Agriculture (particularly as regards its management of SPS issues) and in the country's Intellectual Property Office. The Bank's Trade Sector Support Program for Suriname will support the government in implementing the most urgent reforms in these three agencies. Crosscutting actions to improve capacity would include (i) organizational reform; (ii) upgrading of information and communications systems, and (iii) capacity-building through training and access to technical expertise.

Ministry of Trade and Industry

- 3.6 Based on the institutional assessment, the first task will be to **develop and implement an action plan for organizational reform of the ministry**, including reorganization and redistribution of human, technical, administrative, ICT and financial resources; new work procedures; preparation of medium-term work plans and implementation of mechanisms for their annual review; formulation of job descriptions and strengthening of managerial and administrative capacity. Organizational reform should also include the establishment of a **Dispute Settlement Section** within the MTI.
- 3.7 The second task will be to **implement an effective information and communications system at the MTI**. This will include (i) the design and implementation of an integrated, secure and computerized information and communications system supported by adequate electricity capacity; (ii) creation of a modern trade information and documentation center in the MTI that will support the ministry's data collection, analysis and dissemination capacity; including a possible link-up of the MTI to the Automated System for Customs Data (ASYCUDA) in Customs and the Statistical Bureau; and (iii) the design, implementation, regular updating and maintenance of a website for the ministry.
- 3.8 The third task will be to **strengthen the technical capacity of the MTI** to develop and implement trade policy. This will be achieved through: (i) a **technical training program** for the ministry's staff. Training can take several forms: traditional training courses; learning-by-doing, through direct participation of ministry staff in international trade negotiations; and short-term internships at trade-related institutions, particularly for junior trade officials. Where appropriate, the training should be open to staff of other trade-related agencies; (ii) access to **technical support from international trade experts**, through the short-term contracting of their services. These experts would support the government with urgent priority tasks such as preparation of background analysis, technical notes and position papers

for current trade negotiations, sector-specific impact analysis of alternative trade policies, and implementation issues.

Bureau of Standards

- 3.9 In order to improve market access for Surinamese exports, there is a need to strengthen the capacity of local producers to meet international standards requirements. The government has therefore decided to establish a national Bureau of Standards, and is currently in the process of approving the legal framework for its establishment. Nevertheless, having the legal framework is only the first step. The best way to develop the Bureau is to start small, in the form of a **national standards “desk” within the MTI** comprising a limited number of persons dedicated to standards issues, including a private sector liaison person who would work closely with government officials to build awareness, capacity and institutional structures for the management of technical standards. The Bank, through its IDB/Canada Trade Fund, will support this endeavor by financing a standards consultant to assist with the establishment and operation of the standards desk and to aid the government in undertaking initial outreach and awareness activities. Funds for the **establishment of the full Bureau of Standards** have been earmarked in the Bank’s Trade Sector Support Program for Suriname.

Ministry of Agriculture

- 3.10 The basic recommendations for this Ministry are essentially the same as for the MTI: (i) develop and implement an action plan for **organizational reform** of the ministry’s trade-related functions; (ii) implement an effective **information and communications system** for the trade section of the ministry, including a ministry website and a possible link-up of the ministry to the Automated System for Customs Data (ASYCUDA) in Customs and the Statistical Bureau; and (iii) strengthen the ministry’s **technical capacity** to support trade policymaking and implementation in the area of agricultural trade, through training and access to international consulting services. The latter would include access to legal and technical advice to support ongoing reviews of laws and regulations concerning the agricultural sector, and to design or revise corresponding regulatory frameworks.
- 3.11 The Ministry of Agriculture plays a crucial role in regulating and overseeing the country’s **sanitary and phytosanitary infrastructure**. There is an urgent need to build capacity in this area in order to improve SPS conditions and thus enable local producers of agricultural products to both maintain export levels to existing markets and gain access to new markets. Hence, it is necessary to (i) review the structure and functions of the sections of the ministry that deal with SPS issues; provide recommendations on institutional arrangements and priorities, upgrading of laboratory and testing equipment, and inter-agency coordination; and implement the recommendations; (ii) strengthen Suriname’s **SPS Enquiry Point** in line with the country’s multilateral trade commitments; and (iii) in the area of **food safety**, design and implement a mechanism to improve coordination among the Agriculture and Health Ministries and other agencies that participate in Suriname’s Codex Commission; and implement a pesticide management system, a trace back system for crop farms and packing facilities, and post-harvest training for technicians and producers.

Bureau of Intellectual Property

- 3.12 Suriname's newly created Bureau of Intellectual Property is participating with other national IP agencies in a cooperation agreement with the World Intellectual Property Organization (WIPO) aimed at the creation of a global information system and network of IP agencies. Institutional weaknesses are nevertheless preventing Suriname's bureau from participating effectively in the WIPO program. Recommendations aimed at addressing this problem include: (i) the design and implementation of a comprehensive **plan for upgrading the institutional structure, functioning and legal characteristics** of the bureau, as well as its computer and information system; (ii) preparation and approval of **legislation to fully implement the bureau**; (iii) **training** of the bureau's technical staff in basic IP matters; and (iv) **access to international expertise** to review and draft IP laws and regulations concerning trade marks, patents, industrial design, copyrights and related (neighboring) rights; traditional knowledge and folklore; and to provide technical advice to the Labor and Environment Ministry and the Ministry of Agriculture for the preparation of laws concerning biodiversity.
- 3.13 As noted above, the IDB's Trade Sector Support Program for Suriname will support institutional strengthening of the MTI, the country's standards-related infrastructure, the Ministry of Agriculture and Intellectual Property Bureau. Suriname could explore further Bank support to implement customs reform following the IDB/CARTAC recommendations. The institutional assessment referred to in §3.4 may uncover weaknesses in other trade-related agencies that would also need to be addressed.

C. Improve Public/Private Sector Coordination

- 3.14 Public/private sector policy dialogue is increasingly viewed as a fundamental element of modern-day governance. In the area of trade, such dialogue is particularly important since it is firms, not governments that trade.¹¹ External trade negotiations are a case in point. Without informed contributions from the private sector, the government often lacks the detailed sector, production and trade data that is necessary for analyzing and choosing among different negotiating options in the various subject areas of external negotiations. Second, without an effective voice, the private sector cannot properly influence the negotiations and cannot, therefore, articulate and promote its own interests in a process whose outcome will have far-reaching consequences for the Surinamese economy in general and for business performance in particular. Market access, investment rules and other trade negotiation issues (including the complex areas of rules of origin, standards and intellectual property rights) play a crucial role in determining the ability of Surinamese firms to compete both in local and international markets. Hence the importance of their active involvement in defining national positions on the scope and timing of trade liberalization.
- 3.15 Public/private sector coordination is currently constrained by (i) organizational weaknesses and limited technical capacity and knowledge about trade issues within the private sector, and (ii) the absence of effective consultation mechanisms between the government and the private sector. The European Commission (EC) is currently developing a large private sector

¹¹ In Suriname, of course, this is not altogether the case given the public sector's strong involvement in the productive sector, but government plans to privatize a number of export-related activities (for example, in rice, bananas and forestry) will gradually change that situation, making it all the more important to strengthen the involvement of the private sector in the trade policymaking process.

support program in Suriname that should begin execution in the coming months. The aim is to establish a **Business Center** that will be managed by the Suriname Business Forum, a consultation mechanism aimed at facilitating public/private sector discussion and coordination on business development issues. The Center will have funds to undertake a number of private sector support activities related to trade.

- 3.16 The IDB Trade Sector Support Program for Suriname will complement this initiative through the organization of regular **public/private sector consultations on technical issues relevant for trade negotiations**. The program will also finance a series of **public education and outreach programs** to raise public awareness of impending changes in the area of trade, focusing not only on potential challenges but also on the new business opportunities that open trade can bring to the private sector. Finally, Suriname can benefit from a MIF-financed regional program executed by the RNM and aimed at strengthening private sector participation in the region's external negotiations.¹²

D. Enhance the Regulatory Framework for Trade

- 3.17 In its 2004 Trade Policy Review for Suriname, the WTO highlighted a number of issues related to the country's current trade policies and practices that need attention. These include measures affecting imports (customs regulations and procedures, tariffs and other charges, rules of origin, contingency measures, standards and technical regulations, and SPS measures); measures affecting exports (e.g. export taxes) and measures affecting production and trade more generally (business registration and licensing, competition policy, incentives, intellectual property rights etc.). Some of the problems identified in these areas were noted above; the strategy and institutional assessment referred to in §3.2 and §3.4, respectively, may identify additional problems and, more importantly, should provide recommendations on how and in what order to address these issues.
- 3.18 Two processes should help bring important improvements to Suriname's regulatory framework for trade in the coming years. The first is the **implementation of the CSME**. Among other things, this process will affect the rules of competition in the regional market, and should facilitate the development of more effective competition policies and institutions in Suriname. Further rationalization of the CET and rules of origin is also likely as Caribbean governments move towards a deeper level of economic integration. The second process is the full **implementation of Suriname's Uruguay Round commitments**, which should lead to significant improvements in the transparency of its trade regime, and the continued engagement in multilateral trade negotiations under the Doha Round, which includes the important issue of trade facilitation. Further liberalization efforts both at the regional and multilateral level – particularly in “new” areas such as telecommunications, financial services and government procurement - should help Suriname to both advance and anchor its domestic reform program. The IDB Trade Sector Support Program for Suriname will contain a number of activities aimed at facilitating Suriname's implementation of its CSME and WTO obligations.

¹² The project ATN/MT-8694-RG was approved in April 2004 and has a three-year execution period.

E. Improve the Quality and Coverage of Trade Statistics

- 3.19 According to the IMF, the quality and timeliness of economic statistics has improved in Suriname in the past two years.¹³ Severe shortcomings nevertheless persist in the collection, presentation and provision of trade data. For example, the lack of detailed data on exports by goods and destination requires trading partner country inferences of exports and renders timely and accurate analysis difficult. Data on services and capital inflows suffer from poor compilation systems, misclassification and delays in the provision of data. One result of this is that Suriname is often wholly or partially excluded from regional trade statistics compiled by CARICOM, which serve as a basis for formulating the group's negotiating positions vis-à-vis external trade partners.
- 3.20 Hence, there is an urgent need to **improve the collection, analysis and dissemination of trade data, both for goods and services**. Suriname's continued collaboration with the IMF in the context of its participation in the General Data Dissemination System (GDDS) should provide some support in this area, as will the Bank's Trade Sector Support Program for Suriname. A recently approved regional technical cooperation project financed by the IDB/Canada Trade Fund will moreover support the CARICOM Secretariat in strengthening its Trade Information System (TRADSYS), including assistance to national statistics agencies in the submission of trade data to the Secretariat.¹⁴
- 3.21 Apart from effective institutions and a strong regulatory environment for trade, Suriname's successful participation in the global economy requires open markets and above all, a local business environment that is conducive to private sector development, export growth and diversification. Suriname can achieve this through measures aimed at expanding market access opportunities for its exports, boosting supply conditions in its domestic market, and diversifying export activities away from excessive reliance on the minerals sector.

F. Expand Access to Existing and New Markets

- 3.22 The MTI should, first, undertake an assessment of the country's use of its current preferences in all markets that offer such preferences. Once it has a full overview of the current situation, it should explore ways of maximizing Suriname's market access opportunities under these preferences. This could take the form of measures to complete the legal and administrative formalities needed to use the preferences (for example, under the US Caribbean Basin Initiative), or information campaigns to inform current and potential exporters of existing preferences. Second, the Ministry, in collaboration with the relevant private sector associations, should explore ways to improve access for exporters to information about foreign markets and the opportunities that exist in those markets. Third, it should work with the Ministry of Agriculture and other relevant agencies to upgrade the country's standards and SPS infrastructure in order to improve exporters' compliance with international technical standards and SPS requirements.
- 3.23 Finally, Suriname should seek improved market access for its exports through further trade liberalization with its existing trade partners, as well as with new ones. As shown in Table 3 above, most of Suriname's exports already enter its main markets duty-free, but some of this

¹³ Suriname began participating in the General Data Dissemination System (GDDS) in June 2004 [IMF, 2005a].

¹⁴ The project ATN/CC-9293-RG was approved in July 2005.

access is unilaterally applied and not contractually established. Suriname, moreover, faces a number of non-tariff barriers in its export markets, particularly for agricultural products. There is also considerable scope for liberalizing services trade in some of the current negotiations in which Suriname is involved. And, as mentioned earlier, Suriname should actively explore ways to expand relations with Brazil and other non-traditional trade partners.

- 3.24 The Bank's Trade Sector Support Program will help the MTI and other trade-related ministries pursue the country's trade interests in a more effective and systematic way, among other things by strengthening Suriname's participation in the Caribbean regional negotiating efforts. Suriname will also benefit from the Bank's support to the RNM via two regional programs that were recently approved for this agency.¹⁵ This support is complementary to the technical assistance funded under two regional EC programs to help Caribbean countries negotiate an Economic Partnership Agreement with the EU.

G. Boost Supply Conditions in the Domestic Market

- 3.25 Effective trade institutions, policies and practices are a necessary, but not sufficient condition for improving the local business environment and attracting the investment that is needed to ensure sustained export growth. Achieving the latter requires complementary activities in areas that, strictly speaking, are outside the realm of trade policy. Three aspects of the domestic market crucially determine export performance: competition, investment regime and transport infrastructure. One of the most important policy recommendations is to **introduce a higher level of competition into the domestic market**. To this effect, the government may want to review the presence of monopolies and the high level of state participation in the economy. Another recommendation is to **bring Suriname's investment regime in line with international best practices**. Speedy implementation of the revised investment law and recommendations emerging from the FIAS and Dookeran reports would go a long way towards achieving this goal. Finally, there is an urgent need to **upgrade the country's transport infrastructure**, particularly in light of the opportunities that exist for developing the country's agricultural export potential. The Bank should explore ways of supporting Suriname in these areas, in collaboration with other development partners.

H. Support Export Diversification

- 3.26 While the above activities should lay the basis for a business environment that is more conducive to export development and diversification, the government could contemplate additional activities that target diversification more directly. The Bank's Trade Sector Support Program for Suriname could provide technical assistance to help identify ways of facilitating export diversification, including the identification of product-specific export potential (e.g. studies on the competitiveness of fresh vegetables, fish and shrimp); marketing studies for specific sectors and markets, including non-traditional markets such as Brazil, China and India; analysis of constraints hindering the development of new export products, and recommendations for their removal; and the design of support policies to promote the production of new products. Activities in the area of export diversification should mainly target sectors other than mining given Suriname's high export concentration

¹⁵ The projects are ATN/MT-8694-RG (see §3.15) and ATN/SF-8460-RG, which was approved in February 2004.

in this sector, but further diversification within the mining sector is also possible. Annex II provides some product-specific recommendations to this effect.

IV. POLICY MATRIX

Issue	Policy Recommendations		Result
	Short-term	Medium-term	
1. Define and Adopt a National Trade Strategy for Suriname			
Trade policymaking is often piecemeal and not sufficiently coordinated among relevant agencies. Priorities are not clearly defined.	Define and adopt a national trade strategy. If necessary, modify policy recommendations below to align them with the strategy.	Implement the strategy. Adapt policy actions to new developments and changing circumstances in international trade.	Trade policymaking is guided by a clearly defined strategy that will help maximize opportunities for the private sector in local and foreign markets.
2. Strengthen Trade-related Institutions			
MTI and other trade-related institutions suffer from organizational weaknesses, inadequate ICT infrastructure and gaps in technical capacity. This has prevented MTI from effectively fulfilling its mandate to coordinate, design and implement trade policy, and from receiving adequate support from line ministries. Suriname lacks standards infrastructure and has no dispute settlement capacity. Problems in Customs have raised costs and reduced transparency in cross-border trade. Inter-agency coordination is not optimal.	Assess trade policymaking infrastructure and propose reforms; undertake most urgent reforms, including 2.a-d below.	Complete institutional reform.	Trade policymaking is supported by an effective institutional infrastructure.
	2.a) Ministry of Trade and Industry – Trade Unit		
	Reorganize Trade Unit; establish dispute settlement section; train staff; contract trade experts; upgrade information system.	Develop and implement annual work programs and staff training programs.	Improved capacity to coordinate the design and implementation of trade policy.
	2.b) Bureau of Standards		
	Establish standards desk in the MTI Trade Unit and train staff; develop organizational plan for the new Bureau of Standards.	Establish Bureau of Standards.	Standards infrastructure will help exporters meet international standards requirements.
	2.c) Ministry of Agriculture-Trade Section		
	Implement organizational reform and modern information system; train staff; contract agricultural trade experts; strengthen SPS Enquiry Point; strengthen CODEX Commission.	Implement pesticide management and trace back systems, organize post-harvest training; upgrade SPS infrastructure.	Improved capacity to support MTI in matters related to agricultural trade and SPS issues.
	2.d) Bureau of Intellectual Property		
Design plan for institutional strengthening of the bureau; prepare/ adopt legislation to fully implement the bureau	Contract international expertise to review and update IP laws and regulations	Improved IP infrastructure will encourage innovation and help attract FDI.	
3. Improve Public/Private Sector Coordination			
Private sector has little involvement in trade policymaking process	Establish a Business Center and regular public/private sector consultations on issues relevant to	Train private sector in dispute settlement, IP, standards, competition	Private sector is better informed about trade and better organized to

	external trade negotiations.	policy and other relevant implementation issues.	support the policymaking process.
4. Enhance the Regulatory Framework for Trade			
The regulatory framework for trade is not yet fully in line with government's aim of establishing a transparent and liberal trading environment	Implement the country's single market obligations under the CSME; implement the Uruguay Round Agreements. Eliminate inconsistency between regional and multilateral commitments as regards tariff bindings. Submit pending WTO notifications.	Implement EPA. Pursue further trade liberalization efforts to advance and anchor the domestic reform program. Consider trade tax reform, including reform of CET.	Regulatory framework supports an open, stable and transparent trading environment.
5. Improve the Quality and Coverage of Trade Statistics			
Shortcomings in the collection and dissemination of trade data render timely and accurate policy analysis difficult	Design and implement an effective system for the collection, analysis and dissemination of merchandise trade data, including submission to CARICOM. Continue participation in the GDDS.	In collaboration with other CARICOM countries, develop an effective national and regional system for the collection and analysis of services trade data.	Improved access to trade data enables the government to conduct more accurate policy analysis and the private sector to develop more solid business plans.
6. Expand Access to Existing and New Markets			
Suboptimal use of existing preferences, difficulties meeting technical standards or SPS requirements, information gaps and limited engagement in new trade initiatives have prevented Suriname from fully exploiting export opportunities.	Review use of existing preferences, recommend ways of exploiting the preferences more fully, and implement the recommendations; create effective channels for access to commercial information in foreign markets; strengthen commercial contacts and dialogue with Brazil.	Upgrade the country's standards and SPS infrastructure and train current and potential exporters on compliance issues. Along with CARICOM partners, pursue further trade liberalization initiatives with existing and new trade partners.	Greater export opportunities in existing and new markets.
7. Boost Supply Conditions in the Domestic Market			
Suriname's export performance is constrained by lack of competition, a weak investment regime and deficient transport services and infrastructure.	Implement revised investment law and action plan recommendations pertaining to Suriname's investment regime. Complete privatization program in agricultural sector. Undertake feasibility studies for infrastructure development.	Liberalize telecom sector. Pursue further actions to introduce a higher level of competition into the domestic market; upgrade transport infrastructure.	Better conditions are established for the development of exports
8. Support Export Diversification			
Suriname's limited export base has contributed to slow growth and high volatility in export earnings	Undertake studies to identify product-specific export potential; identify constraints that hinder the development of new export products and recommend an action plan for their removal.	Implement targeted export diversification programs where appropriate and cost-effective.	Improved capacity to develop and implement export diversification programs, which should facilitate the launching of new export products.

V. REFERENCES

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