



ITTO



Review of the Market Framework for Trade Development in Guyana

Report prepared a part of ITTO Project:

***Strengthening market information systems to enhance trade and market intelligence in
the forest sector of Guyana: TMT-PD 006/11***

July 2013

CONTENT

1 EXECUTIVE SUMMARY	3
1.1 <i>Introduction</i>	3
1.2 <i>State of the forestry sector</i>	4
1.2.1 <i>Background</i>	4
1.2.2 <i>Policy and legislation</i>	5
1.2.3 <i>International commitments</i>	8
2 Objective	9
3 Methodology	9
4 Overview of the Forestry Sector in Guyana	9
4.1 <i>The Domestic Timber Market</i>	9
4.2 <i>Exports and trade of timber and timber products from Guyana</i>	11
5 Trade Barriers and Incentives to Trade	12
5.1 <i>Existing gaps in the forestry sector</i>	15
5.2 <i>Obstacles/impediments to efforts made to expand trade</i>	15
6 Recommendations	21
7 Conclusions	22

1 EXECUTIVE SUMMARY

1.1 Introduction

A review is conducted of the market framework for trade development with the purpose of evaluating options for the continued development for the timber industry in Guyana. This Paper examines the key factors impacting trade development in the forestry sector with a focus on the market framework specifically addressing policies on a national, regional and international level. The research seeks to identify the historical foot print that has laid the foundation for continued development towards regional and global trade. The current status of trade development in Guyana and the factors that drive trade, while identifying the achievements made within the last decade.

In the essence of continued growth and development of trade locally, regionally and internationally it is critical that areas of interest in a constantly changing environment be identified and addressed to ensure continued steady growth.

Focussing on the forestry sector, the journey from its inception to the development currently, is also an area of importance to identify the market framework of trade development within this sector. It must be noted that the forest sector in Guyana is of tremendous importance, not only as a contributor to the timber and forest products sub sector but also in the fight against climate change. The Forest Sector employs over 20,000 persons and its contribution to the GDP over the past years had been relatively stable between 2.5% and 4.5% mark.

It is evident that regardless of the current global economic downturn, countries with tropical wood products are said to have a secure future, where analysts suggest that, forestry and timber industries will continue to have a positive future in the coming years.

1.2 State of the forestry sector

1.2.1 Background

Guyana's forests cover is approximately 85% of the country and is estimated at 18.39 million hectares (Guyana Forestry Commission, March 16, 2011.). The Guyana Forestry Commission (GFC) is the governing agency authorised to manage and control the State Forest Estate. Forestry now falls under the Ministry of Natural Resources and Environment, governed by a Board of Directors. Management is conducted through a Head Office comprising of five (5) Divisions and 27 Out Stations. The Government of Guyana has embarked on a national programme that aims to protect and maintain its forests in an effort to reduce global carbon emissions and at the same time foster growth and development for Guyana's timber trade.

The current market framework within which the Forestry Sector currently operates is still in an embryonic state and is highly influenced by the global conditions that prevail. Competing on an international level has proven to some extent challenging for the sector as the products and developments are limited and access to markets has become increasingly difficult over time.

Guyana mainly produces primary processed timber products with some level of value added processing and manufacturing taking place. Main markets for Guyana's timber products have generally remained the same for specific products. Major export destinations for logs remains the Asia Pacific region, timber is majorly exported to Latin American, the Caribbean and some parts of Europe. Piles / Roundwood are still in demand in North America while Plywood is destined for the Caribbean region. Furniture and manufactured timber products are exported mainly to the Caribbean.

The main objective of any industry is to gain access to markets for products and to maintain these for further development of the specific sector. However, Guyana like many other developing countries faces several problems that may limit the level of access achieved to markets especially considering globalisation and liberalisation of trade. Some of the main market access problems is including but not limited to:

- Limited technology availability in Guyana
- Economies of scale
- Finance and investment
- Marketing support
- International requirements and regulations

Trade never existed in an institutional vacuum, beneficial to development, and to sustainable forest management (SFM), if governance conditions are in place where important developments in legal, contractual and financial systems make a difference. With the growth of trade globally many countries have significantly benefited. However, developing countries have been further marginalised in an increasingly competitive global landscape. They are often held back by lack of productive capacity, difficulties in diversifying their economy, poor infrastructure and export conditions.

Looking ahead, and beyond the twentieth-century experience, globalization, in one form or another, is here to stay. Guyana like many other developing countries sees its trade policy developed within a regional and global trade context. Over the years, the number of commitments derived from participation in the World Trade Organisation (WTO), as well as CARICOM, and other regional trade fora has increased. As a result of the small size of the internal market and historical pattern of development, Guyana is exceptionally dependent on international trade as an engine of economic growth.

1.2.2 *Policy and Legislation*

¹The Government of Guyana is updating and rationalising policies and laws relating to the conservation, management, protection and sustainable development of the nation's forest resources. This initiative began with the drafting of the National Development Strategy in 1996. The strategy provides guidance for the development of the forest sector by identifying national development objectives and constraints. Sections of the strategy of particular importance to the forestry sector include those on forest management, Amerindian policies and education.

The Guyana Forestry Commission has responded to the requirements of the National Development Strategy with a programme for the formulation and implementation of policies, strategies and action plans for the forest sector. The major components of this programme are:

- National Forest Policy
- Forest legislation
- National Forest Plan

1

http://www.forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/Guyana_National_Forest_Plan.pdf

The Forestry Sector is also governed by a National Forest Plan (NFP) and National Forest Policy Statement (NFPS). The **National Forest Policy** was prepared over a period of two years through a process of broad consultation with sector interest groups. Cabinet formally approved the Policy in October 1997. The Policy recognises changes in Guyana's economic, social and political environment over the nearly 50 years since the previous forest policy was published. There has been increased attention given to environmental aspects and to the importance of forest management in national development. International initiatives including the decisions taken at the Earth Summit in Rio de Janeiro in 1992 have been recognised. The new policy marks a significant shift in emphasis from the development of the timber potential of the forests to management of the forests multiple goods and services for the national benefit.

The National Forest Policy Statement was issued in 2011. The overall objective of the Policy is the conservation, protection, management and utilization of the nation's forest resources, while ensuring that the productive capacity of the forests for both goods and services is maintained or enhanced.

It has specific objectives to:

- (a) Promote the sustainable and efficient forest activities which utilize the broad range of forest resources and contribute to national development while allowing fair returns to local and foreign entrepreneurs and investors;
- (b) Achieve improved sustainable forest resource yields while ensuring the conservation of ecosystems, biodiversity and the environment;
- (c) Ensure watershed protection and rehabilitation: prevent and arrest the erosion of soils and the degradation of forests, grazing lands, soil and water; promote natural regeneration, afforestation and reforestation; and protect the forest against fire, pests and other hazards; and
- (d) Identify and quantify environmental services to generate forest incentives for national development

To support the implementation of the forest policy, the Guyana Forestry Commission has reviewed existing forestry legislation and prepared a new Forest Act (2009) which strengthens the foundation of the forestry sector and the governing there of.. The purpose of the new Act is to reform the law relating to the management of forest resources, to provide for sustainable management and to consolidate provisions of predecessor legislation. The new legislation provides for:

- (a) The conservation of the forests of Guyana, including measures to conserve biodiversity, special species and habitats, soil and water resources, and to protect forests against pollution, fires, pests and diseases;
- (b) The participation of interested parties, including Amerindians, local communities, non-governmental organizations and persons engaged in the commercial utilization of forests, in the development and implementation of forest policies;

- (c) The sustainable use of Guyana's forest resources, in accordance with Guyana's development needs and level of socio-economic development, pursuant to national policies;
- (d) The integrated and comprehensive regulation of the multiple and complementary functions and uses of the forests of Guyana, including traditional uses;
- (e) The promotion and regulation of primary conversion, secondary and tertiary processing activities, including the use of environmentally sound technologies and the facilitation of market access for value-added forest products; and
- (f) The discharge of Guyana's responsibility to ensure that activities within its jurisdiction or control do not cause damage to the environment of other States or areas beyond the limits of national jurisdiction.

Both the forest policy and the draft legislation impose obligations on the GFC and other sector agencies. The **National Forest Plan** provides the framework and identifies programmes and activities that must be accomplished to ensure implementation of the policy and compliance with the law. The National Forest Plan also identifies responsibilities for implementation and describes mechanisms for monitoring and providing feedback to the policy and planning process.

The National Forest Plan is divided into ten programmes which follow the key areas of action identified in the forest policy. Policy issues are discussed in the following sections and objectives, programmes and activities are described. For each activity, indicators are defined that will be used to assess progress with implementation. The lead responsibility and key stakeholders that will contribute to and participate in implementation are identified.

Four approaches to implementation will be used:

- Internal action by the GFC, mainly implementation of legal responsibilities;
- Institutional and inter-agency collaboration;
- Collaborative partnerships with specific groups such as GFC with government agencies, FPA, NGOs etc.;
- Broad participation by interest groups where multi-stakeholder involvement is required.

Additionally, there has been other policies set in motion to encourage and support efforts towards industry development. One such policy is the log export policy in place since 2009, which was reviewed in 2012 and adjusted accordingly to further support the efforts towards value added production and supports future developments in trade.

1.2.3 *International commitments*

Historically, important international treaties to which Guyana is a party, and which affect or potentially affect her forestry sector, are:

- Convention for the Protection of the World Cultural and Natural Heritage (1972)
- Convention on International Trade in Endangered Species of Wild Fauna and Flora, {CITES}(1973)
- Amazon Cooperation Treaty (1978)
- U.N. Framework Convention on Climate Change (1992)
- U.N. Convention on Biological Diversity (1992)
- The Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation, and Development of all types of Forests (1992)
- Agenda 21 adopted by the U.N. Conference on Environment and Development (1992)
- International Tropical Timber Agreement (1994)

Guyana over the past decade has entered into several trade policies, agreements and negotiations, including the CARICOM Free Trade Agreement, WTO, GATT, EU – FLEGT. With the changing world environment and international pressure to ensure sustainable development Guyana has entered into these agreements and negotiations in an effort to foster trade development for its forest industry.

2 Objective

The focus of this Paper is to compile and analyse information on the market frame work for trade development in Guyana. The purpose of the study is to identify existing gaps in the market framework for trade development in Guyana, more specifically in the Forestry Sector from a policy perspective. Particular focus is placed on the relevant issues affecting market access for forest products and impediments to trade development for Guyana.

3 Methodology

The methodology used in this research is a combination of desk reviews and collection of historical data sourced from the GFC and other relevant government agencies. Information sourced focused on the historical market framework and progressive development over the decades. A comparative analysis with international trade development, to assess the growth and progress made in relation to local, regional and international trade for Guyana.

The research is limited to the market frame work from the policy perspective cognisant of the impact of globalisation and trade, the effects on domestic, regional and international trade development and its impact on Guyana as a developing nation.

4 Overview of the Forestry Sector in Guyana

4.1 The Domestic Timber Market

The forestry sector of Guyana has many areas that are currently under exploited specifically the downstream processing, value added and manufacturing sector. In comparison to many other countries, such as Brazil or China, even Trinidad it is noted that Guyana still has room for development of its value added processing sector since the sector still remains predominantly engaged in primary production. As a developing country, Guyana historically shows the expected profile of forest products, with a significant proportion products subjected to very elementary processing, such as round- and splitwood.

The domestic timber market sees utilisation of its timber mostly for constructions and furniture. Again the type and variety of products available are also limited. Within the past decade there has been a significant increase in the demand and use of timber especially in the construction industry. Due to a boom in the housing industry and the housing drive under the Ministry of Housing and Water, construction has been on the rise.

However, despite effort to reduce the export of logs and to ensure domestic supplies, it is still prevalent to find many saw mills operating below maximum capacity. This remains the case in part due to the fact that many sawmills continue to rely on the traditional commercial know species such as Greenheart and Purpleheart, etc. and are to fully embrace the utilisation of the Lesser Used Species (LUS) as alternative sources of raw materials.

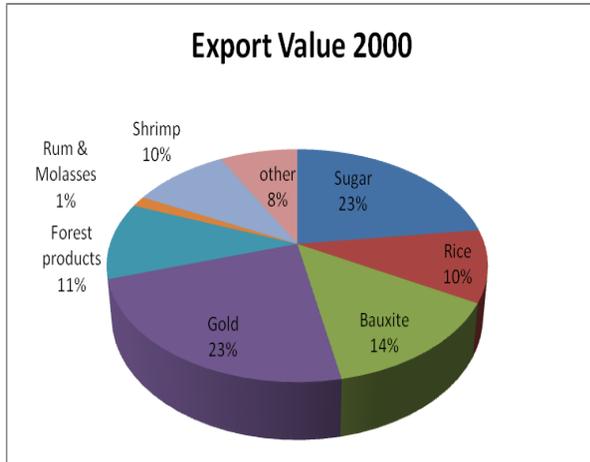
The log export policy instituted in 2009 was as a direct result of the private sector indications that the domestic markets were being crippled and underutilised due to the lack of or limited availability of key species to supply the domestic market demand. Also the log export ban for Crabwood and Locust (2001) was instituted to encourage downstream processing, but more importantly to ensure that the two key species used in the furniture manufacturing sector would be made available on the domestic market.

Other products that are of significance in Guyana domestic market is the production of plywood which predominantly utilises the Baromalli species and is produced by one Company, Barama Company Ltd. a Malaysian company in operations since 1991. Most of its produce is however, destined for the export markets particularly to the Caribbean.

There are a number of other products that are produced and sold on the domestic markets but the volumes remain in the minority as compared to the major timber products mentioned above.

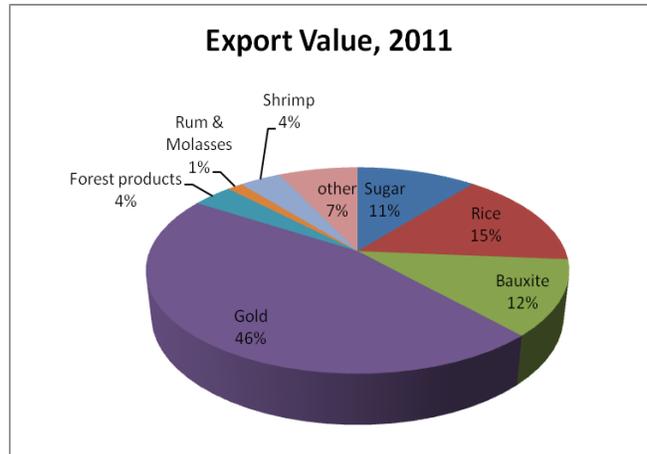
4.2 Exports and trade of timber and timber products from Guyana

A review of the export statistics over the past decade has indicated that there has been significant growth in exports where in 2000 exports accounted for US\$502.7 million and exports increased to US\$1128.9 million in 2011. In 2000 forestry contribution to exports was 11% compared to other major exports made within the same period. Over the decade export earnings have continued to increase. However, 2011 figures show that forestry's contribution is at 4% in comparison to the other major exports.



Source: Bureau of Statistics, based on total US\$ value of \$502.7 million f.o.b.

Note: "Forest Products" is estimated as Wood-based 8.2%; Manicole palm 2.1%; Wildlife 0.4%.



Source: Bureau of Statistics, based on US\$ value total \$1128.9 million f.o.b.

5 Trade Barriers and Incentives to Trade

According to *Hunter (2001)* trade economists often complain that “trade distortions” is a more appropriate and general phrase, as measures that artificially promote trade e.g. export incentives are just as common as those that restrict it. However, the focus remains on barriers, even when there is an obvious link between the two dimensions, as in reciprocity, a bilateral situation in which one nation seeks to nullify another’s export incentives by raising tariffs or quotas on its imports of the other nation’s products promoted by the incentive.

Quotas are the most severe form of trade restriction, and the extreme limit is a boycott, in effect a zero quota, which can be applied globally by international convention, as for ivory, or specifically against certain States by other groups of States, generally for political reasons. Quotas are not a concern in the present case but the risk of their introduction at some point in the future by nations with policies against unsustainably produced tropical timber cannot be discounted. An example of a boycott is noted below.

Import tariffs are typically directly proportional to the degree of processing whereas export taxes, although fundamentally a means of raising government revenue, are often inversely proportional to the degree of processing. Exporters (and importers) can be squeezed in the region between these two distortions. The motivation for this government behaviour is paradoxically the same in both instances i.e. they seek to gain the value added from processing goods for their own country, thus raising revenue through the more profitable route of corporate income taxation. However, high export taxes can encourage smuggling and forest mismanagement through reduction of the profitability of the trade.

The import tariff regime is important to forest industries owing to capital imports of equipment primarily that used in harvesting and processing. The current burden is very heavy. External tariffs were reduced by CARICOM in 1999 from 25% to 20%. These duties are upon an *ad valorem* basis, but double taxation occurs because the consumption is levied on the full c.i.f. value, *including the tariff*. Not surprisingly, Customs duties are a major source of Government revenue.

All shipments, imports and exports, are inspected; a task which causes delays as staffing is inadequate for the task. Valuations, on a US\$ basis, also take time, and can be rather *ad hoc*, if they depart from the invoice and bill of lading data. However, a new Revenue Authority has replaced the Customs and Excise Department, and a new documentation computer system, ASYCUDA, has been brought into operation. Standards, labels, and marks are infrequent, although the Guyana Forestry Commission does stamp timber shipments for export.

Non-tariff restrictions includes species protection controls by parties to the CITES Convention, health, safety and technical standards. Although these may sometimes be artificially employed to discourage trade, in practice the exporter has little choice but to comply with their requirements.

The most serious restriction likely to affect Guyana is that which might be brought to bear on non-certified tropical forest products. Such a restriction has already occurred, when greenheart was targeted by U.S. environmental groups and its sale for use on public works was banned by New York City in March 1999. The effect on Guyanese exporters was serious.

In today's globalised trading environment the major strengths for trade development for Guyana can be found in trade agreements made by Guyana and other trading partners. The most important trade incentive for Guyana is her membership of CARICOM.

Although the European market is not the most lucrative market, Guyana, like Caribbean region and the Asia/Pacific regions, the European market has always been a steady and stable destination for Guyana's forest products exports. The region represents an important niche market for Guyana forest products exports with Sawnwood in 2011, consuming 10,992m³ at a market value of US\$6M which accounted for 37% of all Sawn wood exported. The main destination for undressed lumber in the European region was the Netherlands; consuming 8,215m³ with an export value of US\$4.1M.

Guyana's compliance with EU FLEGT will enable Guyana's exporters to retain markets in the EU and stimulate the possibilities of other markets for other products. The Forest Products Marketing Products (FPDMC) is planning to launch an array of other wood products that can potentially increase the diversity of products exported from Guyana to local and overseas markets.

Guyana and the European Union have commenced formal dialogue, with the objective of concluding negotiations on a VPA by September 2015, according to an agreed roadmap. Guyana and the EU will work towards an agreement which clearly define objectives of adding value to forest governance, forest industry development and sustainability of the forestry sector.

However, despite these negotiations there are other requirements faced by Tropical wood products exporting countries like Guyana such as the US Lacey Act, recommendations of ITTO, FAO and UK requirement for tropical timber use in Public projects. These new requirements will increase the command-and-control measures in producer countries. Therefore an appropriate balance must be achieved in relation to improving enforcement and avoiding the imposition of extra costs on legitimate operators who have to compete with domestic forces and external factors.

One of the main focal areas of Guyana Forestry Commission's (GFC) work has been on forest law enforcement and legality. This has been due not only to the legal requirements as set out in the Forest Act, but also to a recognition of the importance of legality in ensuring that the benefits from forest resources utilization flow to the right beneficiaries, preventing unfair competition between illegal and legal produce, maintaining a low rate of deforestation and forest degradation, ensuring sustainable development of forest dependent communities, and mitigating against climate change in a REDD+ framework.

With that said, it must be recognized that there is a peculiar complexity associated with ensuring a credible and implementable VPA is achieved.

Guyana has taken the first steps on a long journey towards improving forest governance that exemplifies the principles of sustainable forest management, forest legality, and sustainable development of forest resources, and concurrently balances the social, economic and environmental dimensions.

5.1 Existing gaps in the forestry sector

5.2 *Obstacles/impediments to efforts made to expand trade*

A review of the current marketing framework for forestry sector in Guyana has identified several areas of growth and development where trade is fostered and a strategic plan takes Guyana forward into the next stage of development. However, in order to maintain the level of achievement and progress made throughout the past decades, Guyana must strengthen and maintain several key areas necessary for effective trade development for the forestry sector:

(i) Supply constraints:

- Problems related to institutional capacity, including quality control.

The GFC is the government agencies involved in the management and control of the forest sector. The GFC has in the past decade increased its capacity with respect to human resources, finance, technology, equipment. The GFC has established annual work programmes to address the needs of the sector and engages stakeholder involvement for policy decisions. One major Division within the GFC integral to the development of the industry in relation to trade and product development is the Industry Development unit within the Forest Monitoring Division. This unit was established specifically to address some critical areas within the industry to foster growth and trade, building capacity where the industry sees a need.

- Inadequate investment, domestic and foreign. To date there is limited FDI within the forest sector with only 6 large companies in operations and over 416 small concessions in operations (as of June 2012). Guyana's investment culture remains risk averse and has seen limited changes over the past decade. Due to the nature of the forestry sector where operator are issued leases to operate with ownership of the land or forested area being vested in the Government of Guyana, banking institutions are reluctant to provide loans to operators limiting the financial capital available for investment and expansion of operations. The lack of investment is also one of the main reasons the industry has remained primarily at a primary level of production, requiring limited investments for operations and a faster return on the investment.

(ii) Trade promotion and trade support services.

Trade promotion comprises an integrated set of technical and financial services to enhance the global competitiveness of *enterprises* and thus facilitate their entry and increasing participation in international trade.

To date the issue of trade promotion and trade support services has been identified and addressed through the establishment (in 2005) of the Forest Products Development and Marketing Council of

Guyana Inc. (FPDMC). This is as a result of the need identified by the private sector to provide market support to the sector for product development and for support for access to international markets and support of trade development.

With this being the only agency assisting the industry to promote its products, the development is limited since the capacity for promotion and support is small. The sector is heavily dependent on traditional markets that are now becoming smaller and smaller due in part to new international specifications and regulations for access. Market demand for products is also changing in the advent of new and improved innovations and technology.

An additional aspect that may continue to hinder the trade of timber and timber products from Guyana is the level and type of products produced by Guyana. The products themselves limit the kinds of markets that can be assessed or that many demand specific products. Due to the production preferences by the private sector and industry only specific markets would consume these products. Therefore there is limited assistance that can be provided in terms of trade promotion and support service in an effort to expand trade into other markets. The timber industry in Guyana may need to restructure its thinking to diversify to include other products in order to benefit from new, existing and niche markets.

(iii) In external markets

- *gap in trade information*; Access to trade information is an area of development improved within the last decade. However, there is still room for improvements to be made. There is no lack of trade information but there is the lack of *access* to trade information since the culture in Guyana has been more a face to face business relationship and is now progressing to move with technology in an effort to access external markets for timber products. In order to move away from just domestic trade operators now seek to widen their market access by accessing various other means of communication in an effort to expand their competitiveness.

In Guyana, few companies utilise the internet or other media of promotion and advertising for their products. It has been traditionally been a situation where buyers seek out the suppliers. With the assistance of the FPDMC and other donor agencies this trend is changing in recent years where producers and exporters have been attending international trade fairs, seeking not only new markets for their existing products but acquiring information of new technology within the global timber industry, trends and innovations.

- *market access problems*; *market access remains one of the most important trading issues between the developing and developed countries.*

An FAO report on MARKET ACCESS IN RELATION TO FOREST BASED TRADE focusing on Globalization and Market Access Impacts on Forest Product Trade highlighted the following:

The driving forces of globalization include liberalization of trade, implementation of international agreements, including legal regime on trade. The influences of these developments are very complex, and both positive and negative impacts can be observed on the level of forest products trade and forest governance.

The risk in trade liberalization is that in elimination of market access barriers and impediments it may expose a local economy, society and forestry sector, to externalities beyond their control. Trade, industry, harvesting and forest management may be vulnerable to increased economic pressures with negative structural impacts, especially in case where the inherent cost competitiveness is low. The government and private sectors are both vulnerable to suffering from policy failures, and cases of rapid decline of governance may be as a result in the forest sector.

The global tariff barriers to trade declined significantly as a result from successive GATT negotiation rounds. The Kennedy Round, completed in 1967, reduced average tariffs by 35%. The Tokyo Round, completed in 1979, reduced average tariffs by 6%. The Uruguay Round of GATT, completed in 1994, reduced most import tariffs on industrial products by one-third in the period of 1994 to 1999.²

Although these trade barriers have been reduced Guyana, like many Caribbean economies lack trade-product complementarities to foster intraregional trade and have not substantially changed the composition of its exports. The main efforts made to strengthen integration as a positive response to globalization was the establishment of CARICOME Single Market and Economy (CSME) in an effort to enhance the bargaining position of Caribbean countries within CARICOM.

- National Policy Instruments and Market Access of Forest Products

Exporter Related Barriers to Trade (Export Tariffs, Taxes and Quotas)

Export restrictions are common in most developing countries, as in Guyana, and in some developed countries. Export restrictions are still of considerable significance. In Guyana's context this includes export bans (selective bans based on species); Guyana's National log export policy instituted in 2009, following a consultative process that saw a graduated annual increase in the rates of export commission on targeted species of logs. Other exporter related barriers are direct charges such as export

² <http://foris.fao.org/static/data/trade/pdf/rytkonen.pdf>

commission; indirect quantitative restrictions due to controls on harvest levels; and administrative controls such as permits and licenses. Export restrictions are used to encourage and promote greater domestic processing by protecting local industry from import competition, enabling the local industry to obtain logs at cheaper prices, encouraging industry into further processing by banning the export in log form.

- Other Policy Instruments and Forest Product Trade

International Trade Instruments and Forest Product Trade

In principle, and in enforcement of the international trade legislation, the forest-based products are treated in the same manner as any other internationally traded commodities. Of course, due to the nature of the products, certain aspects and regulations have more specific relevance. Such features include phyto-sanitary measures, concerning unwanted aspects of the bio-diversity of the place of origin.

Even after enforcement of the full arsenal of the international trade regime, a large number of technical and non-technical issues may remain unsettled. There are several groups of issues involved, including:

- (i) Environmental and conservation issues,
- (ii) Product quality issues,
- (iii) standards, and

Even if all technical hurdles would be overcome, important non-technical ones remain. These latter issues are often related non-trade policies of governments, or on preferences of the local consumers and local governments.

For Guyana has in force a timber grading rule and manual of procedure which address the quality of timber and specifications required for export. These requirements and specifications vary from product to product, enforced through the GFC's Monitoring Department.

However, unlike plantation forests, Guyana's natural forest and its timber cannot be predicted in terms of its growth and quality of timber upon harvesting this is later determined at the processing level and can provide many challenges in meeting market demands for the domestic, regional and international markets.

With regards to standardisation of products this is an area of focus that the GFC had been addressing and building capacity in for the past decade. It has been recognised that the demands for standardisation of products has been on the rise and in an effort to address this the GFC has set up an industry development Unit within the Monitoring Division of the GFC, working in tandem with the FPDMC to assist the sector to move towards this. However, this process is slow as it will require a revamping of machinery,

equipment, technology and skills within the sector, a level of investment that is at this time outside the reach of the average operator or producer.

- Non-tariff Barriers and Forest Based Trade

In addition to tariff related measures, various non-tariff barriers (NTBs) and their importance seems to be on the rise. The NTBs can be defined as government laws, regulations, policies and practices that either protect domestically produced products from the full weight of foreign competition, or artificially stimulate the exports of particular domestic products. The NTBs include both formal institutional measures designed to restrict or distort trade patterns, and other restrictions that act as impediments to trade.

One of the key barriers in recent development is the US LACEY ACT. This is of significant importance to trade for Guyana in that it requires tangible evidence to be provided proofing legal origin and the necessary documentation to verify this. This is a critical NTB since Guyana is heavily dependent on shipping route that include transshipment points in the USA. Without compliance to the US LACEY Act most if not all of Guyana's timber produce would be refused and sent back to Guyana at a significant cost to the exported.

In light of this the Guyana forestry commission has been actively involved in building capacity for its national level log tracking system which is used as the foundation for chain of custody or legal verification of timber products origination legally form Guyana.

- Environmental Issues and Market Access of Forest Products

The environmental issues are often very central to market access of forest products. Some governments are entering into bilateral agreement and formulate pairing arrangements to tackle the environmental concerns. Guyana has already entered into a number of agreements in an effort to foster greater trade relations for the timber industry. the international Forest Law Enforcement, Governance and Trade (FLEGT) process is taking the promotion of these principles to regional level. Over the course of 2010 and 2011, discussions, stakeholder engagement and other forms of consultation were executed in Guyana on the matter of Guyana joining a Voluntary Partnership Agreement (VPA) under the EU FLEGT Action Plan.

The EU is a major global market for timber and timber products, with about 500 million potential consumers. The EU adopted its FLEGT Action Plan in 2003, in recognition of the increasing public concern with the social, economic and environmental consequences of illegal logging and related trade worldwide. A key element of the Action Plan is a proposal to establish bilateral VPA's between the

European Union and timber-producing countries. These will ensure that only legally-sourced timber products are imported into the EU from these partner countries.

A VPA will be legally binding on both parties once negotiations are completed and the agreement is concluded. When fully operational, the system provides confidence to the EU buyers that Guyana's timber products were legally sourced. The VPA will be applied to all timber exports on a list of forest products defined during negotiations with the European Union. The system can optionally be developed to cover forest products to all other exporting markets.

Guyana and the EU are seeking to form a partnership under the existing EU FLEGT Action Plan, that place direct emphasis on recognizing the importance of forest legality in: ensuring that the benefits from forest resources utilization flow to the right beneficiaries, preventing unfair competition between illegal and legal produce, maintaining a low rate of deforestation and forest degradation, ensuring sustainable development of forest dependent communities, and mitigating against climate change in a REDD+ framework.

6 Recommendations

- Policy makers need to examine the long term trade strategy and focus on niche markets and emerging markets that can give Guyana a competitive advantage.
- Guyana's compliance with international requirements for trade and negotiations need to be further strengthened and a strategic plan needs to be fostered for future trade development. Strengthening of export supply capabilities (e.g., strengthening the policy environment for trade liberalisation; improving competitiveness of enterprises; increasing investment (including foreign direct investment) in productive sectors; removing bottlenecks to increased production of tradable goods and services, including through development of relevant infrastructure; helping least-developed countries exploit new trading opportunities);
- Strengthening trade support services (e.g., trade efficiency involving trade facilitation, access to trade finance; support at the enterprise level including access to business information, use of information technology, adaptation/development of new products, advice on standards, packaging, quality control, marketing and distributional channels; commercial representation; functioning of trade promotion organisations; improved international purchasing and supply management; promotion of trade in services);
- Strengthening trade facilitation capabilities (e.g. modernization and reform of customs and other government agencies participating in trade transactions, simplifying export and import procedures);
- Training and human resource development which is a major component in each of the above four areas; and
- Assistance in the creation of a supportive trade-related regulatory and policy framework that will encourage trade and investment.

7 Conclusions

For the results of the research it can be established that there are any untapped avenue for development and diversification of Guyana's timber trade.

Entering into bilateral agreements to foster trade development for the forestry sector is an important aspect in encouraging growth within the sector. However, International trade instruments have varying degrees of discriminatory effect towards developing country trade. The increased focus on environmental concerns and issues make it necessary for Guyana to develop a strategic marketing plan on the way forward.

However, it is necessary for Guyana to diversify its product base and to address internal bottlenecks in order to ensure that the industry or sector is at a level it can compete on the global market. Sector involvement with respect to international trade commitments is also critical in successfully accessing key markets.

Guyana's timber industry maintains a great potential for growth with the right level of reform and support from both the public and private sector.