



CRNM Note on CARIFORUM Economic Partnership Agreement

COMSEC-sponsored High Level Technical Meeting

EPAs: The Way Forward for the ACP

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CARIFORUM Motivation for an EPA

- a. Bind current levels of EU preferences and immunise such preferences from WTO litigation.
- b. Improve CARIFORUM States' access to the EU market
- c. The combination of preference erosion and secular decline in agricultural prices compels the region to diversify its export base and capture greater value from its exportables.
- d. In spite of being longstanding and firmly embedded in the region's political DNA, implementation of Caribbean regional integration has been sub-optimal.
- e. While the Lomé/Cotonou trade preferences delivered market access for Caribbean economic operators, the ability of these firms to contest the EU market required the assessment of regulatory issues and productive capacity.
- f. An EPA constitutes a forceful signal – to both investors and development partners - of the earnestness of a Caribbean's programme of economic reform.

CARIFORUM's Overarching Approach

- a. The provisions of the CARIFORUM EPA were carefully calibrated in order to respect a number of approaches. These include (a) special and differential treatment, and in particular, asymmetry; (b) respect for CARIFORUM regional integration; (c) a modulated tariff liberalisation schedule that would facilitate the reform of national tax regimes while safeguarding trade-generated fiscal revenue and domestic production; and (d) a holistic approach that combined the articulation of rules with the definition of CARIFORUM priorities to benefit from EU development assistance.
- b. In liberalising, albeit at a modest pace to the EU, CARIFORUM faces a number of challenges in terms of adjustment (tax reform, addressing sunset industries, retooling, retraining) and building productive and institutional capacity. However, properly implemented, and accompanied by the requisite support measures, the EPA should assist CARIFORUM States to bridge the gap between their economic potential and actual performance.

Summary of the Major Elements of the Agreement

1. 86.7% of the value of CARIFORUM imports and 92% of bilateral trade be liberalised;
2. General moratorium and specific moratorium of revenue-sensitive items;

3. 7 year Moratorium and subsequent three year phase out of ODCs;
4. The Sugar Protocol (SP) quotas will remain on a transitional basis until September 2009 when Duty-Free Quota-Free will be introduced.
5. An Agricultural chapter that establishes rules consistent with the objectives of pursuing sustainable development, poverty eradication, enhanced competitiveness and food security while affording the elimination of EU export subsidies on all agricultural products that CARIFORUM liberalises;
6. CARIFORUM 10-year exemption from the contemplated use of any EU multilateral safeguard measure;
7. EU liberalises 94% of sectoral coverage while CARIFORUM MDCs and LDCs liberalize 75 and 65%, respectively and the Dominican Republic 84%. The Bahamas and Haiti have six months within which to submit their respective schedules;
8. CARIFORUM professionals in 29 sectors for Caribbean Contractual Service Suppliers (CSS) gain the right to enter the EU to supply services once a contract has been secured. The EU has liberalized 11 sectors for temporary entry by CARIFORUM Independent Professionals (IPs) or self-employed persons;
9. CARIFORUM access to the EU entertainment market is complemented by a Protocol on Cultural Cooperation that provides for greater collaboration on all cultural fronts and with special provisions on audiovisual activities.
10. The rules on investment confer predictability and transparency on market access in agriculture and forestry, manufacturing, mining and service sectors in both EU and CARIFORUM. However, public services and utilities and other sensitive sectors have not been liberalised to EU investors. CARIFORUM has also maintained special reservations for small and medium enterprises in some sectors;
11. The proscribes the Parties from lowering environmental and social standards in order to attract investment, and forbids investors from engaging in corruption to secure special concessions from public officials;
12. Both CARIFORUM and the EU automatically confer on each other any better treatment granted by one Party to a major trading partner. Such entities are defined as countries or regional blocs garnering 1%, or 1.5% and above, of world merchandise exports. This MFN provision covers both goods and services;
13. Finally, regional preference (whatever concession is granted by one CARIFORUM State to the EU should automatically be conferred on all other CARIFORUM States) will be implemented in one, two and five years respectively in CARIFORUM MDCs, LDCs and Haiti.

At entry into force of the Agreement, CARIFORUM commits to liberalize 52.8% comprising the following elements:

- 42% of CARIFORUM imports currently duty-free;
- 9% to be liberalised by the Dominican Republic (CAFTA-parity); and
- 1.8% to be liberalised on tariff lines that are currently low (nuisance tariffs).

The average share of CARICOM MDCs and LDCs imports excluded from tariff liberalization are 15 and 30%, respectively.

Table of CARIFORUM Tariff Liberalization Commitments

Country	0 yr	5 yr	10 yr	15 yr	20 yr	25 yr	Excl
ANB	7%	7%	25%	35%	2%	2%	22%
BAH	32%	2%	13%	34%	3%	2%	13%
BAR	48%	0%	2%	24%	1%	1%	23%
BEL	13%	6%	10%	27%	1%	3%	39%
DOM	17%	3%	18%	27%	2%	1%	27%
DRP	53%	8%	5%	21%	3%	5%	5%
GRE	9%	14%	20%	25%	2%	3%	28%
GUY	53%	1%	7%	18%	2%	1%	18%
HAI	60%	0%	1%	7%	2%	4%	27%
JAM	56%	0%	1%	26%	2%	1%	13%
SKN	18%	16%	16%	17%	2%	2%	29%
SLU	38%	0%	4%	22%	5%	2%	29%
SVG	8%	7%	14%	30%	2%	2%	37%
SUR	9%	9%	20%	27%	2%	3%	28%
TRI	73%	0%	1%	18%	0%	1%	6%
CAR	53%	3%	5%	22%	2%	2%	13%

Summary of Systemic Interests

- a. DDA negotiations - tracking WTO exchanges on RTAs and in particular definition of product coverage; monitoring the DDA discussions on Customs and Trade Facilitation with EPA results now creating a precedence for the systemic link between developing countries' commitments and developed countries support for trade capacity building measures; and the elimination of EU Export Subsidies. Creating a precedent for DDA negotiations also informed CARIFORUM's strong motivation for insisting on inserting a Special Safeguard Mechanism (SSM) in an EPA.
- b. Safeguarding the impact of tariff revenue: Given the degree of dependence on tariff revenue in a number of CARIFORUM States, safeguarding revenue from border trade became an important objective during the negotiations. Hence the moderate tariff liberalization schedule that envisages the removal of tariffs on 8.3% of CARIFORUM imports over the first ten years of the Agreement. Similarly, the moderate phase out period for (ODCs) also contribute to CARIFORUM protecting its revenue base while the Agreement calls for EC support to assist in the implementation of tax reform.
- c. Sensitivity of agriculture: Accordingly, 75% of value of imports is excluded from any tariff reduction or elimination. This highly treatment of agriculture marginally compensates the absence of an SSM in the Agreement. Another manifestation of the protection of agriculture is the removal of EU export subsidies on those tariff lines liberalised by CARIFORUM.
- d. Strengthening regional integration while safeguarding the integrity and design of the CARIFORUM integration project. No commitments were assumed in either market access in Government Procurement or free circulation precisely because regional policies in those disciplines are yet to be designed.
- e. Differentiation among CARIFORUM States. This is expressed not only in the liberalization scheduled (goods and services) but also in the full importation of Article 164 of the

Revised Treaty of Chaguaramas that seeks to spur industrial development among CARICOM LDCs.

- f. Consideration of new trade commitments. CARIFORUM has assumed commitments in a number of disciplines where previously the region has previously been either defensive or ultra-cautious. Commitments in the social and environment dimension of Sustainable Development have therefore been tempered by measures aimed at ensuring that any transgression is matched by non-trade sanctions.

Challenge of Implementation an EPA

Each subject-specific chapter in CARIFORUM EPA identifies Caribbean development needs and are enumerated under the rubric of development cooperation. The RPTF is already working on translating these legal commitments into operational effect. Under this framework, we are already conducting subject-specific feasibility studies to execute four tasks, *viz.* (a) identify needs (regional and national); (b) design programmes to address identified needs; (c) comb through existing programmes to ensure that there is no duplication of efforts and where possible aim to coordinate funding and policy coherence; and (d) the quantification of the costs of intervention. Thus far, a number of feasibility studies have been completed, namely in the areas of Competition Policy; Government Procurement; SPS; TBT and Trade Facilitation.

Another slate of priorities should be funded under the EU AfT programme. Modalities for this funding window need to be promulgated and we need to ensure that CARIFORUM receives an equitable share.