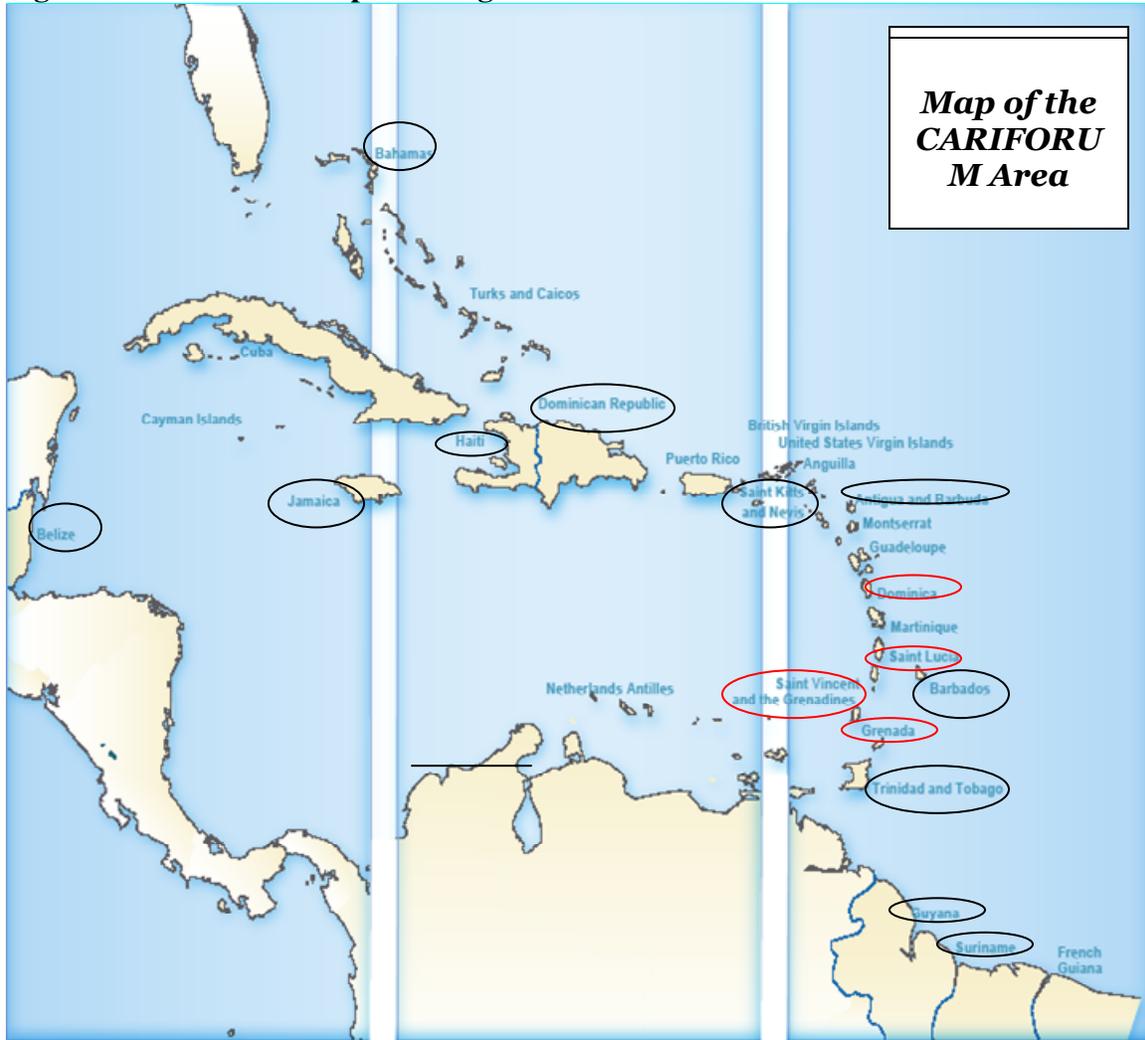


# Mid-Term Review of the Negotiation of an Economic Partnership Agreement (EPA) between CARIFORUM and the EU

## Implications for Agriculture and Farmers of the Windward Islands

Prepared by Claudius Preville

Figure 1 – Caribbean Map Showing CARIFORUM and WINFA members



Source: [http://data.unaids.org/Publications/IRC-pub06/JC1089-PANCAP\\_en.pdf](http://data.unaids.org/Publications/IRC-pub06/JC1089-PANCAP_en.pdf)

Notes: Ellipses show CARIFORUM members of which red ellipses show WINFA countries

## List of Acronyms

**IFAP - International Federation of Agricultural Producers**  
**CARICOM – Caribbean Community and Common Market**  
**CARIFORUM – Caribbean Forum of States**  
**COTED – Council on Trade and Economic Development**  
**CPA – Cotonou Partnership Agreement**  
**CRIP – Caribbean Regional Indicative Programme**  
**CRNM – Caribbean Regional Negotiating Machinery**  
**CSME – CARICOM Single Market and Economy**  
**DDA – Doha Development Agenda**  
**EC – European Commission**  
**ECD – Eastern Caribbean Dollar**  
**EDF – European Development Fund**  
**EPA – Economic Partnership Agreement**  
**EU – European Union**  
**FAO – Food and Agricultural Organization**  
**FTA – Free Trade Area**  
**GATT – General Agreement on Tariffs and Trade**  
**GDP – Gross Domestic Product**  
**GSP – Generalized System of Preferences**  
**OECS – Organization of Eastern Caribbean States**  
**RPTF – Regional Preparatory Task Force**  
**SPS – Sanitary and Phytosanitary Measures**  
**SSL – Single Starting Line**  
**TBT – Technical Barriers to Trade**  
**TWG – Technical Working Group**  
**USD – United States Dollar**  
**WINFA – Windward Islands Farmers Association**  
**WTO – World Trade Organization**

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# Mid-Term Review of the Negotiation of an Economic Partnership Agreement (EPA) between CARIFORUM and the EC

## Implications for Agriculture and Farmers of the Windward Islands

Prepared by Claudius Preville<sup>1</sup>

November 9, 2006

### INTRODUCTION

The countries of CARIFORUM<sup>2</sup> and the European Union have been engaged in the process of negotiation of an Economic Partnership Agreement (EPA) aimed at replacing the existing Cotonou Agreement when the current WTO Waiver for the latter expires in December 2007. Negotiations were launched on April 16, 2004 in Kingston, Jamaica at which a Joint Plan and Schedule was adopted by both sides. This Joint Plan and Schedule envisaged four phases in the EPA negotiation process. The first phase (April – September 2004) was aimed at establishing an understanding of the fundamental *concerns* and *interests* of EPA negotiations for both CARIFORUM and the EC. Additionally, the first phase of negotiations was also meant to establish agreement on an indicative schedule of negotiating meetings in subsequent phases, subject to change in accordance with progress in the actual negotiating sessions.

In Phase II or the Regional Integration Phase (September 2004 – September 2005) the two Parties sought convergence on the *priorities for regional integration* and exchanged information in the areas of services, investment, trade related issues and regional market access. Phase II also identified *eleven priority needs* of the regional integration processes within CARIFORUM which were identified by the Regional Preparatory Task Force (RPTF).

Phase III or the Consolidation Phase (September 2005 – December 2006) is meant to define the structure and scope of an EPA and determine an approach to trade liberalization that seeks to promote *sustainable development* within the CARIFORUM region. Detailed negotiations will be conducted during that phase and are organized into four Negotiating Groups: Market Access for Agricultural and Non-Agricultural Goods; Services and Investment; Trade Related Issues; and Legal and Institutional Issues. In order to ensure that negotiations are as comprehensive as possible these Negotiating Groups may establish sub-groups for instance on SPS and TBT measures and there will be no *a priori* exclusion of issues from the EPA negotiation process. Additionally, the specific *scope* and *treatment* of issues on which commitments will be negotiated by the parties is to be established during that Phase.

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<sup>1</sup> This report has been prepared for the Windward Islands Farmers Association (WINFA) with funding from the International Fund for Agricultural Development (IFAD). The author is grateful to WINFA, IFAD and FAO staff for comments on an earlier draft. Further comments may be sent to [cpreville@gmail.com](mailto:cpreville@gmail.com).

<sup>2</sup> CARIFORUM includes the following independent countries in the Caribbean: Antigua and Barbuda; Bahamas; Barbados; Belize; Dominica; Dominican Republic; Grenada; Guyana; Haiti; Jamaica; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; and Trinidad and Tobago.

Finally, Phase IV or the Finalization Phase (January 2007 – December 2007) is meant to concentrate on *completion* of the EPA negotiations by the end of 2007. CARIFORUM and the EC should seek to consolidate the results of the negotiations by addressing items of disagreement stemming from previous rounds of the talks. In terms of Market Access for Agriculture and Non-Agricultural Goods specific attention should be paid to the treatment of each tariff line, as well as enumerating the precise commitments of both Parties in all spheres of the proposed Agreement. In order to complete the negotiations within schedule, both parties will aim to sign an agreement in the second half of 2007 and take the measures necessary for the application of the agreement as of January 1, 2008. In heading towards the conclusion of the negotiations, CARIFORUM and the EC should agree on the institutional framework and structures for implementing the EPA along with designing a review process.

This report undertakes a Mid-Term Review of the negotiations for an EPA between CARIFORUM and the EU with specific emphasis on the likely implications of the EPA for Farmers of the Windward Islands, i.e., Saint Lucia, St. Vincent and the Grenadines, Grenada and Dominica. In addition the report provides an assessment of the breakdown in the World Trade Organization (WTO) Doha Development Agenda (DDA) negotiations since July 2006 and its likely further implications for the Windward Islands' agriculture in the context of EPA negotiations. Specifically, it explores whether the EC may attempt to raise its level of ambition in Agriculture Market Access in anticipation of a protracted delay or permanent failure of the DDA.

As such, the remainder of this report has been organized into six chapters. Chapter I provides a global overview of CARIFORUM trade then situates the performance of CARIFORUM agricultural trade within this. It then discusses the pattern of trade between CARIFORUM and the EC with special reference to Agriculture. It further identifies the products exported and imported within the context of the existing trade regime then discusses the implications of liberalization. The second chapter provides an analysis of the current state of negotiations for an EPA between CARIFORUM and the EU, covering the period from the launch of talks in April 2004 to July 2006. It provides an overall assessment of the negotiations to date and identification of the specific areas where there has been progress as well as the areas where challenges remain. Chapter III then provides an assessment of the implications of an EPA between CARIFORUM and the EU for Agriculture and Caribbean Farmers, assuming the current negotiating stance is to persist into the final phase and subsequent implementation of the EPA. Chapter IV provides specific advice on how an EPA between CARIFORUM and the EC would best serve the interests of the Caribbean farming community and the Region's agricultural development. It identifies the specific demands that CARIFORUM must make of the EC and the concessions to be secured if the EPA is to fulfill the preceding objective. Chapter V goes further to explore the alternatives to an EPA between CARIFORUM and the EU that can advance the interests of Caribbean agricultural development. Finally, Chapter VI provides an analysis of the implications of the breakdown of talks in the WTO DDA for Caribbean states with a specific reference to agriculture.

## Chapter I - Overview of the CARIFORUM Region and Trade

### *Brief Description of the CARIFORUM Region*

CARIFORUM comprises: Antigua and Barbuda; Bahamas; Barbados; Belize; Dominica; Dominican Republic; Grenada; Guyana; Haiti; Jamaica; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; and Trinidad and Tobago.

**Table 1 – Socio-economic data on CARIFORUM members**

	Area (sq. km)	Pop. (‘000)	GDP (millions of current USD )	Real GDP change %	Trade/GDP ratio	Merchandise Exports (millions of USD)	% Agric. exports	Merchandise Imports (millions of USD)	% Agric. Imports
	sq km	2004	2004	1995 –04	2000-02	2004	2004	2004	2004
Antigua and Barbuda	442	80	873	4	134.4	47	3.1	451	20.3
Bahamas, The	13 939	320	5 260*	3 <sup>a</sup>	102.1 <sup>c</sup>	477	30.2	1905	19.8
Barbados	431	272	2 627*	2 <sup>b</sup>	111 <sup>c</sup>	278	34.3	1413	18.7
Belize	22 966	283	1 094	6	110 <sup>d</sup>	220	85	514	12.3
Dominica	750	71	269	0	113.6	40	37	144	23.8
Dominican Republic	48 730	8 861	18 673	5	95.9 <sup>d</sup>	5750	13.3	7845	13.6
Grenada	345	106	436	3	121.1	30	53.9	273	20.2
Guyana	214 970	772	786	2	189.6 <sup>d</sup>	593	47.1	680	14.4
Haiti (LDC)	27 750	8 592	3 535	1	52.5 <sup>c</sup>	392	4.7	1306	...
Jamaica	10 991	2 665	8 030	0	109.4 <sup>d</sup>	1390	22.6	3772	16.7
St. Kitts and Nevis	269	47	397	3	117.2	47	18.4	203	18.4
St. Lucia	616	162	729	1	113.5	93	46.6	459	24.2
St. Vincent and the Grenadines	389	108	403	3	111.5	37	73.4	228	24.4
Suriname	163 820	443	1 109	3	130.8 <sup>d</sup>	833	19.2	740	17.7
Trinidad and Tobago	5 128	1 323	12 544	6	98 <sup>c</sup>	6374	5.7	4858	9.1

\* indicates GDP data for 2003, <sup>a</sup>Real GDP change for 1995 – 2002, <sup>b</sup>Real GDP change for 1995 – 2003, <sup>c</sup>Trade/GDP Ratio for 2001– 2003, <sup>d</sup>Trade/GDP ratio for 2002 – 2004. Source: WTO (2006).

As Table 1 shows, there exist considerable differences in the size and economic structures of CARIFORUM countries. Guyana has the largest land area followed by Suriname. However the Dominican Republic is most populous followed closely by Haiti. Agriculture accounts for the greater part of merchandise exports for the smaller Eastern Caribbean countries that are members of WINFA. Agriculture is also the major driver of exports for Belize and is an important sector for Guyana.

It is also seen that the Region is quite open with trade/GDP ratios typically in excess of 100 percent. Haiti, the Dominican Republic and Trinidad and Tobago are the only three countries with a trade/GDP ratio of less than 100 percent and that ratio is only *significantly less* than 100 percent for Haiti.

### ***Differences in economic structure and size***

With respect to Agriculture, differences are found in terms of approach to Agriculture – larger economies like the Dominican Republic, Suriname and Belize make use of some mechanization, leading to improvements in economies of scale, while in the smaller countries of the Eastern Caribbean farms are typically family owned small holdings on which production costs tend to be high.

Larger economies like the Dominican Republic are major exporters of a range of agricultural products to the EU, while for the smaller Eastern Caribbean countries export concentration is high with a few products accounting for more than 90 percent of all exports. A recent FAO study showed that at least seven of the CARIFORUM countries depended on a single agricultural commodity for more than 20% of their export earnings. All four WINFA countries were included in this listing and Grenada was the only country without a high dependence on bananas, relying instead on nutmeg, mace and cardamoms. Belize, Guyana and the Dominican Republic relied on orange juice, sugar and cigars and cheroots, respectively.

### ***Levels of economic integration within CARIFORUM***

Additionally, there exist different levels of economic integration within the CARIFORUM space. CARIFORUM is really a free trade agreement (FTA) between CARICOM and the Dominican Republic. The FTA so far covers trade in goods only, while a built-in agenda exists for negotiations to include Services, Intellectual Property and Investment, among others. CARICOM is a fully integrated customs union and has been notified and accepted in the WTO under GATT Article XXIV. CARICOM is moving to a deeper level of integration called the Single Market and Economy (CSME) in which, to the existing free movement of goods will be added services, labor, capital and the rights of establishment.

Within CARICOM exists two sub-groupings: the more developed countries (MDCs) and the less developed countries (LDCs). Six of the independent LDCs together are forming and economic union called the Organization of Eastern Caribbean States (OECS).<sup>3</sup>

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<sup>3</sup> The OECS comprises nine member states of which six are independent with full membership of CARICOM and negotiate as part of the CARIFORUM grouping, namely Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The remaining three members, Anguilla, British Virgin Islands and Montserrat are non-independent states and are Overseas Countries and Territories (OCTs) of the United Kingdom. As such, they are not party to the CARIFORUM-EU

### ***Relative importance of trade and vulnerability***

The importance of trade varies across the members of CARIFORUM. The larger economies like the Dominican Republic, Jamaica and Trinidad and Tobago can rely on their domestic markets to realize some minimum levels of economies of scale. However, for the smaller economies trade is absolutely essential to their very existence and hence they exhibit a higher degree of openness and vulnerability to external shocks.

### ***Trading Regimes between CARIFORUM and the EU***

With respect to major changes to the trading regime between CARIFORUM and the EU, from 1975 trade had been governed by the Lomé Conventions, which were succeeded by the Cotonou Agreement in 2000. The Cotonou Agreement governs all trade at present between CARIFORUM and the EU. However, an important change to the trading regime has been not that due to the bi-regional agreement *per se*, but to internal reforms to the Common Agricultural Policy of the EU, which has resulted in major reforms to key protocol products for CARIFORUM, notably sugar and banana. Let us examine some of the impact on bananas given their importance to WINFA members.

### ***Impact of Changes to the EU Banana Regime on the Windward Islands***

The impact of changes to the EU banana regime has been most devastating for the member countries of WINFA with regards to income, employment, and balance of payments. There have been three major reforms to the EU banana regime in recent history: in 1993 the EU replaced its separate regimes of individual member states by a single regime; in 2001 the EU made major further reforms to that regime largely in response to WTO Panel and Appellate Body rulings against it; and in January 2006 the EU implemented further reforms that had been broadly agreed to since 2001.

Windward Islands' banana production has declined from 279,812 tonnes in 1992 to a mere 99,089 tonnes in 2002, or by approximately 65 percent over that period and the rate of decline in Windward Islands' banana production was most severe in the 1992-1994 and 1996-2001 periods, corresponding to the periods of implementation of the SEM and the protracted WTO dispute and its settlement, respectively.<sup>4</sup>

Additionally, in terms of employment, the number of active growers in the Windward Islands declined from 24,650 to 5,475 over the period 1992-2002, or by approximately 78 percent.<sup>5</sup> Further, revenue obtained from exports of Windward Islands' bananas declined from ECD 376.2 million in 1992 to ECD 117.7 million in 2002, or by approximately 69 percent. Implementation of the SEM resulted in significant revenue losses of 42 percent during the 1992-1994 period, however even more significant revenue losses of up to 60 percent were incurred during the 1995-2001 period of the WTO dispute, its settlement and the EU's implementation of alternative banana import policies.<sup>6</sup>

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negotiations. Montserrat is in a unique position as it is already a full member of CARICOM and is seeking to become part of the CSME.

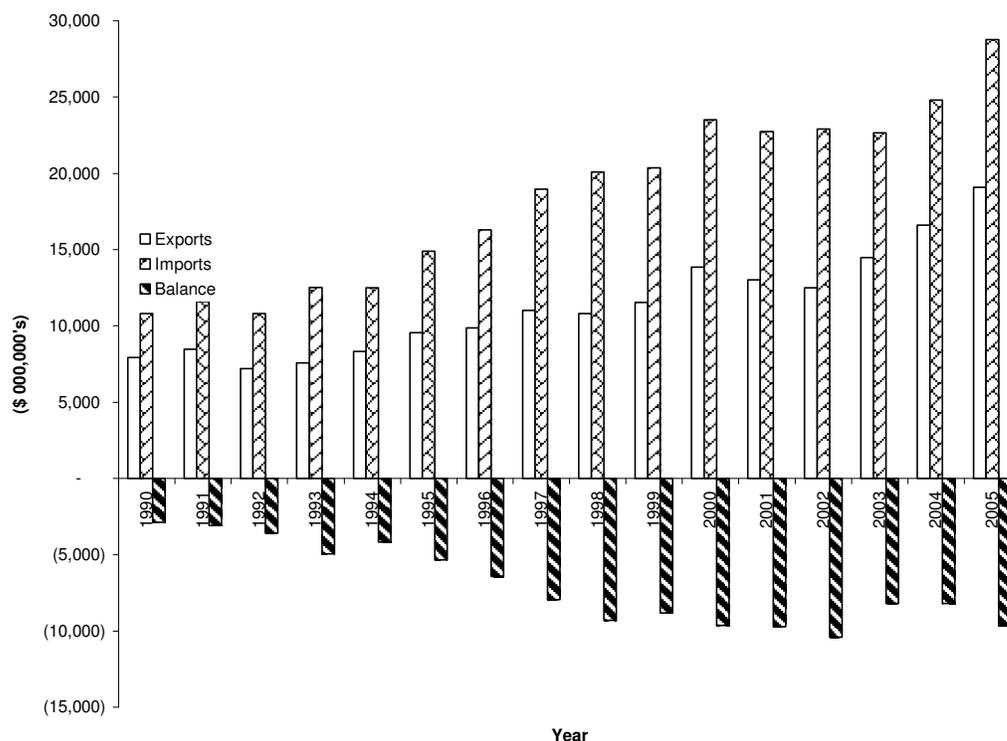
<sup>4</sup> See Preville C. (2004) "Impact of Changes in the European Union's Policy for Banana Imports on the Eastern Caribbean Region (1992-2002)", paper prepared for the Commonwealth Secretariat, London.

<sup>5</sup> Preville, Op. Cit.

<sup>6</sup> Preville Op. Cit.

Figure 1 shows the evolution of CARIFORUM’s merchandise trade with the rest of the world over the period 1990-2005. It is seen that the Region’s trade balance with the rest of the world has significantly deteriorated over that period – the trade balance worsened from a deficit position of \$2.9 billion in 1990 to \$9.7 billion in 2005.

**Figure 1 – Evolution of CARIFORUM’s Trade Balance with the World**



Source: Author’s construction based on data from WTO (2006).

Growth in the trade deficit is explained largely by growth in imports as export performance had been sluggish for the greater part of the 1990s before a modest but apparently sustained recovery since 2003.

	1990-93	1993-96	1996-99	1999-02	2002-05
Exports	(1.4)	10.0	5.7	2.7	17.6
Imports	5.3	10.1	8.3	4.1	8.5

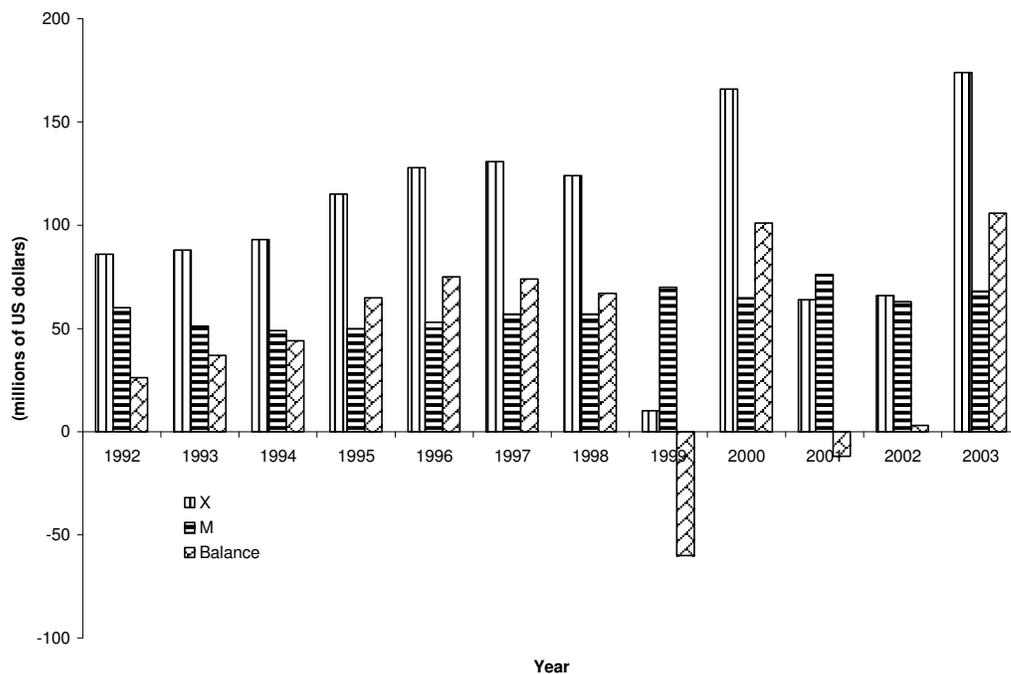
Source: Author’s calculations based on data from WTO (2006).

Specifically, Table 2 shows the average annual period growth rates for CARIFORUM’s exports and imports with the world over the period 1990-2005. The reader will note that while the growth of imports was always positive throughout that period, export growth was actually negative for the period 1990-93. Moreover, the average annual rate of growth of imports is typically significantly larger than the average annual rate of growth of exports, causing periodic accelerations in the deterioration of the overall trade balance.

The only period for which export performance significantly outstripped import growth was 2002-05 when the former grew by 17.6% in response to an average growth of only 8.5% in the latter.

With respect to the performance of Agriculture over that same period, it is difficult to provide a complete regional picture given the significant gaps in the WTO dataset that are available. The data series is complete for all of CARIFORUM only for 2000. Therefore the analysis of agricultural performance will be done for a representative few CARIFORUM members over that period.

**Figure 2 – Belize’s Agriculture Trade Performance (1992-2003)**



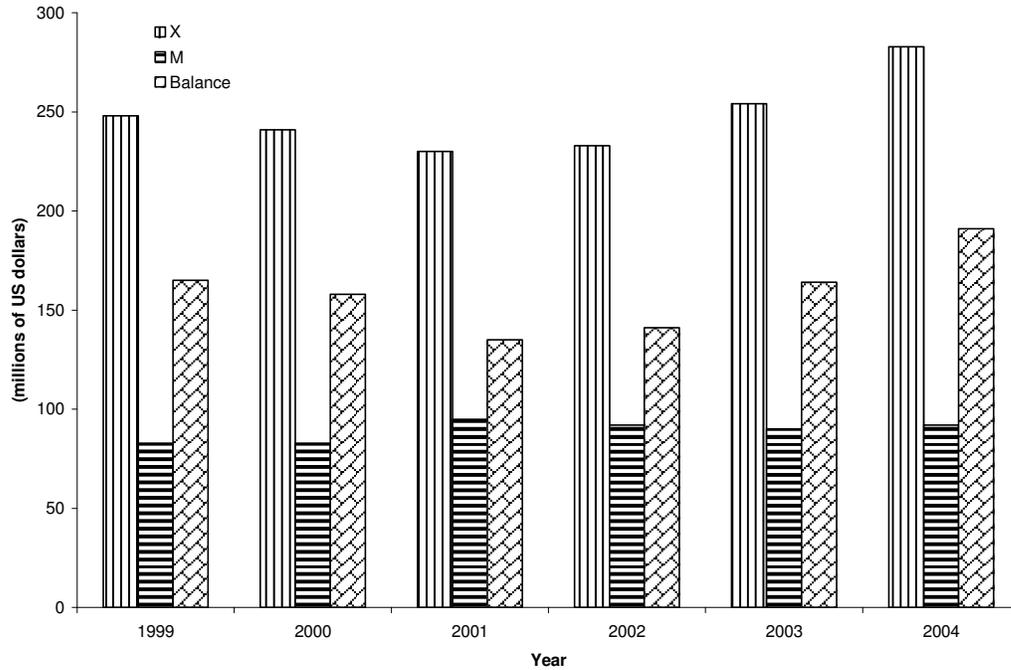
Source: Author’s construction based on data from WTO (2006).

Overall, the performance of agriculture for the CARIFORUM member states for which some data were available over the period 1990-2005 has been disappointing. Belize and Guyana are the only two CARIFORUM members whose agricultural trade balances have recorded primarily surpluses with the rest of the world, while for another eight CARIFORUM members for whom data were available; their agriculture trade balances have persistently recorded deficits. Figure 2 shows the agriculture trade balance for Belize. It is seen that throughout that period Belize persistently recorded significant agriculture trade surpluses except for 1999 when it recorded a significant agriculture trade deficit (USD 60 million) and 2001 when it recorded a minor deficit (USD 12 million). However, Belize’s agriculture trade balance appears to have anchored at a solid surplus position once again, since 2003.

Figure 3 shows Guyana’s agriculture trade performance for the shorter period 1999-2004 for which data were available. It is seen that Guyana has recorded a persistent agriculture

trade surplus with the rest of the world over that period and the tendency is for an increase in Guyana’s exports over time.

**Figure 3 – Guyana’s Agriculture Trade Performance (1999-2004)**

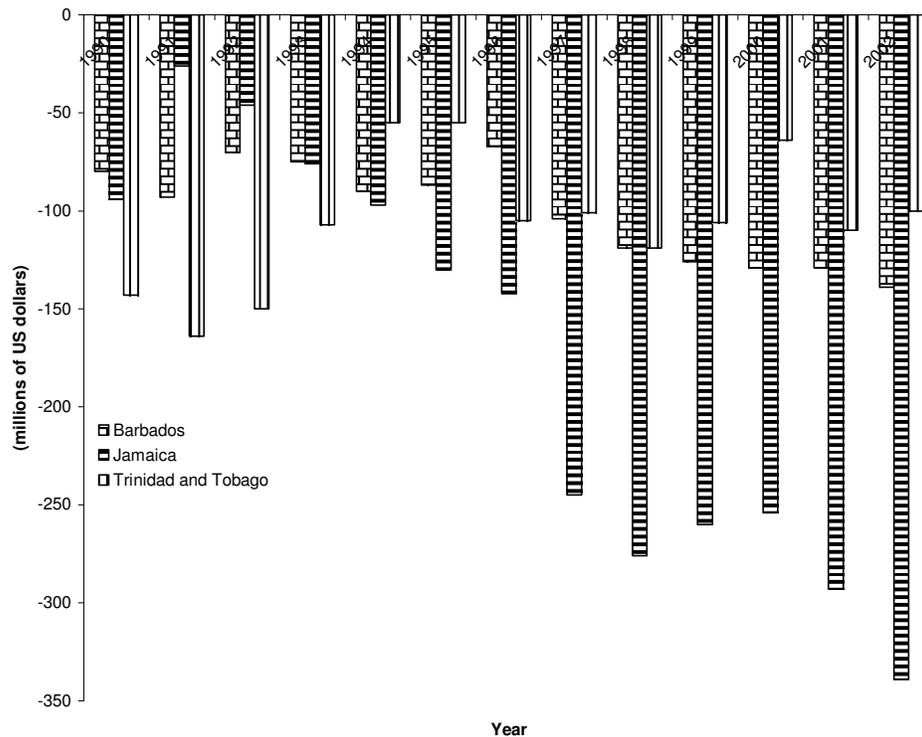


*Source: Author’s construction based on data from WTO (2006).*

If 2003 could be used as a reference year of indication of the agriculture export potential of CARIFORUM countries, then the major net exporters would generate a surplus of USD 270 million.

Let us now examine the agriculture trade performance of the major CARIFORUM members that have primarily recorded a trade deficit over the same period. Barbados, Dominican Republic, Jamaica and Trinidad and Tobago are the major contributors to CARIFORUM’s overall agriculture trade deficit. Figure 4 shows the global agriculture trade balance for Barbados, Jamaica and Trinidad and Tobago for the period 1990-2002 and reveals a few salient points. First, none of these countries have recorded an agriculture trade surplus for the period under review. Second, Jamaica is the major contributor to the Region’s agriculture trade deficit, growing from USD 94 million in 1990 to USD 339 million in 2002 or approximately 21.7 percent per annum on the average.

**Figure 4 – Global Agriculture Trade Balance for Barbados, Jamaica and Trinidad and Tobago (1990-2002)**



Source: Author's calculations and construction based on data from WTO (2006).

Third, between 1990 and 1996, Barbados' agriculture trade deficit was relatively controlled within the range USD 67 to 90 million. However, since 1997 there has been a steady growth in the deficit from USD 104 to USD 139 million in 2002, peaking at USD 170 million in 2004.<sup>7</sup> This seems to be explained primarily by the fact that Barbados' agricultural imports have been growing continuously at approximately 5.4 per cent per annum, while its exports have grown cyclically at approximately 1.9 percent per annum over the period 1990 to 2004. Moreover, Barbados' best ever export performance was in 1996 and the trend has been a secular decline ever since.

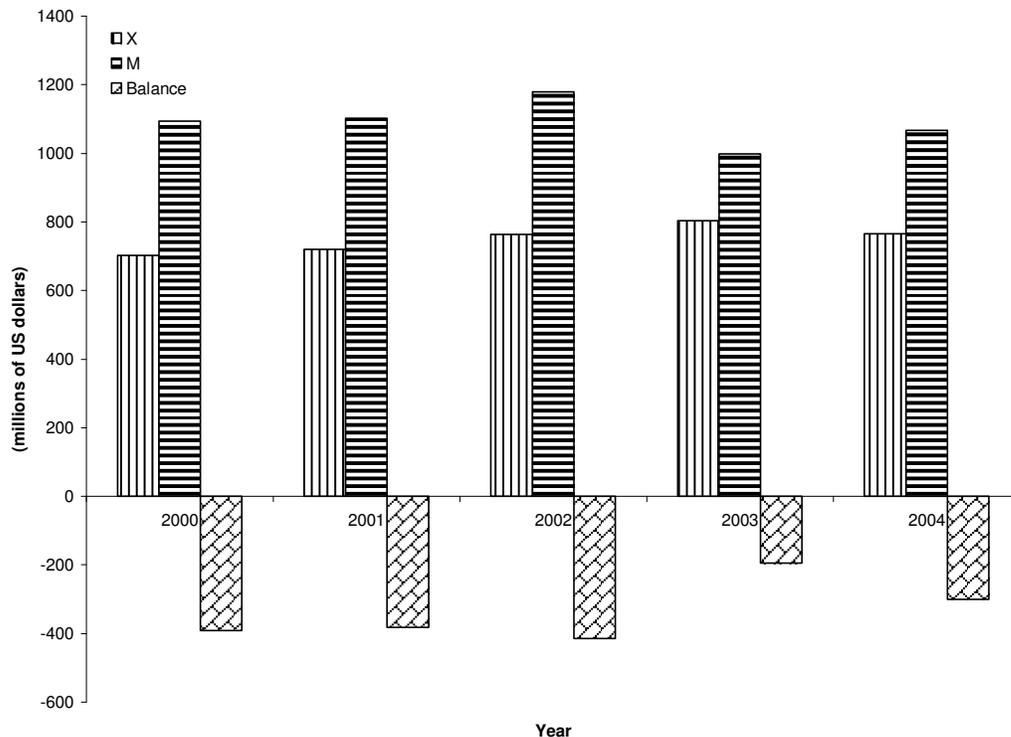
Fourth, although Trinidad and Tobago has consistently recorded an agriculture trade deficit over that period, the deficit seems nevertheless to be controlled within the range USD 55 to 164 million. This seems to be explained primarily by growth in Trinidad and Tobago's agricultural exports at an annual average rate of 12.1 percent, compared to the growth of its agricultural imports at approximately 2.8 per cent per annum, on the average.<sup>8</sup>

<sup>7</sup> While the values for 2003-2004 are not shown in Figure 4, they were available for Barbados from the WTO dataset. The average growth of the Barbados agriculture deficit was 63.5 percent over the period 1997 to 2004, corresponding to an annual growth rate in the deficit of 9.1 percent.

<sup>8</sup> It should be noted that while the growth in Trinidad and Tobago's agricultural exports has been generally continuous, growth in its imports has been considerably more cyclical over the same period. Should this pattern persist, the country would likely record a trade surplus in agriculture, in the near future.

With respect to the Dominican Republic there were two major gaps in the trade data available from the WTO: export data were missing for 1990-91 and 1998-99, respectively, making it impossible to construct a single trade balance data series. However, imports have grown steadily over the period from USD 413 million in 1990 to USD 1066 million in 2004, or by approximately 11.3 percent per annum on the average. By contrast, exports have grown from USD 369 million in 1992 to USD 766 million in 2004, corresponding to a growth rate of approximately 9.0 percent per annum on the average.

**Figure 5 – Dominican Republic Agriculture Trade Performance (2000-2004)**

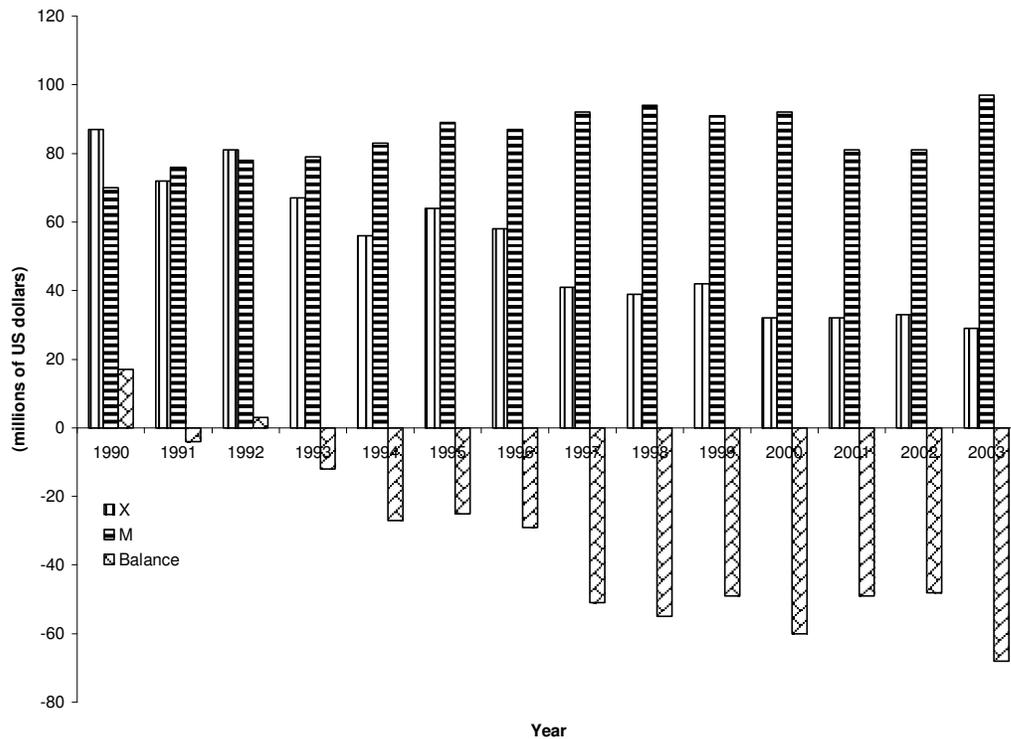


*Source: Author's construction based on data from WTO (2006).*

Let us now discuss the global performance of agriculture in the Windward Islands, the countries of primary interest in this study. As was the case for other CARIFORUM members, there were several gaps in the available data for most of the Windward Islands, making it difficult to construct a data series. St. Lucia is the only one of these countries for which a continuous data series was available from 1990-2003 and its agriculture trade performance is presented in Figure 6.

It is seen that for the early 1990s, St. Lucia's agriculture trade was basically balanced having recorded a significant surplus in 1990. However, from 1993 there has been a secular decline in the agricultural trade performance resulting in a deterioration of the trade deficit from USD 12 million in 1993 to USD 68 million in 2003.

**Figure 6 – St. Lucia Agriculture Trade Performance (1990-2003)**



*Source: Author's construction based on data from WTO (2006).*

Notably, the growth in the agricultural trade deficit is explained largely by deterioration in agricultural exports and opposed to growth in agricultural imports. The average annual growth rate of agricultural imports over the period 1993-2003 was 2.3 percent and the growth path was non-linear. In contrast, agricultural exports contracted by approximately 5.7 percent per annum on the average over the same period and followed an essentially linear trend.

In the case of St. Vincent and the Grenadines there has been a trend similar to St. Lucia in terms of the cause of deterioration of the agriculture trade balance over the period 1997-2003 for which data were available. Both imports and exports of agricultural products contracted over that period, however exports were declining at approximately 4.1 percent per annum compared to decline in imports of approximately 0.7 percent per annum. Therefore the deterioration in the agricultural trade balance is explained primarily by deterioration in agricultural exports over that period.

Where Dominica was concerned data were not available for 1992 and for 1998. Imports of agricultural products were stagnant for the period 1999-2004. However, exports were declining at approximately 7 percent per annum on the average, over that same period. This largely explains the deterioration in Dominica's agricultural trade balance.

Grenada followed a path generally similar to that of St. Lucia. Data were not available for the period 1992-94. Agricultural imports grew at approximately 3.8 percent per annum on the average over the period 1995-2003, while agricultural exports grew at approximately 2.9 percent per annum over that same period. Consequently, while Grenada's agricultural

trade deficit has worsened over time it has done so at a much slower rate than the other Windward Islands.

### Overview of CARIFORUM-EU Trade in 2003

Table 3 shows the trade balance between CARIFORUM and the EU for the year 2003, including a breakdown of this trade balance by CARIFORUM member state. It is seen that the Region recorded a trade surplus of approximately €204 million with the EU for that year.

**Table 3 – CARIFORUM – EU Trade Balance (2003)**

	Imports (€ 000s)	Exports (€ 000s)	Balance (€ 000s)
Antigua and Barbuda	80,251	484,856	404,606
Bahamas	80,251	524,563	444,312
Barbados	162,098	44,360	-117,737
Belize	53,441	88,732	35,291
Dominica	20,674	18,233	-2,440
Dominican Republic	663,708	329,645	-334,063
Grenada	26,639	13,393	-13,246
Guyana	116,937	181,612	64,675
Haiti	86,724	13,709	-73,015
Jamaica	520,089	486,056	-34,033
St. Kitts and Nevis	55,676	9,727	-45,949
St. Lucia	42,828	23,483	-19,345
St. Vincent and the Grenadines	215,673	150,582	-65,091
Suriname	153,020	178,098	25,078
Trinidad and Tobago	437,962	372,492	-65,471
CARIFORUM	2,715,968	2,919,539	203,571

*Source: CD-ROM, Statistical Office of the European Communities, November 2004.*

The reader will note that despite the trade surplus position of CARIFORUM as a whole with the EU in 2003 most of the individual countries were actually experiencing a trade deficit that year. Antigua and Barbuda and The Bahamas were the only CARIFORUM members with trade surpluses in excess of €100 million, while Guyana, Belize and Suriname enjoyed surpluses of approximately €65 million, €35 million and €25 million, respectively. More importantly, the Windward Islands – St. Lucia, St. Vincent and the Grenadines, Grenada and Dominica, all recorded trade deficits with the EU that year.

### **Analysis of Windward Islands-EU Trade in 2003**

Given that this report seeks to assess the implications of the EPA for the Windward Islands, with specific reference to Agriculture, it is useful at this stage to analyze the pattern of trade between the EU and these countries in 2003 and isolate the importance of Agricultural trade in both directions.

#### *Windward Islands Exports to the EU*

There are several distinct features in the pattern of exports from the Windward Islands to the EU. First, export *concentration is high* for all the Windward Islands – all exports take place in less than 150 tariff lines at the HS eight digit level, with only St. Lucia and Dominica exporting goods covered by more than 100 tariff lines in 2003, while Grenada

and St. Vincent and the Grenadines exported goods covered by less than 100 tariff lines. Moreover, in values terms the top twenty five (25) tariff lines account for approximately 99 percent of all exports.

**Table 4 – Dominica’s Major Agriculture Exports to the EU (2003)**

Tariff Heading	Description	Value (EUR)
08030019	BANANAS, FRESH (EXCL. PLANTAINS)	6,700,320
21039090	SAUCES AND PREPARATIONS THEREFOR, MIXED CONDIMENTS AND MIXED SEASONINGS (EXCL. SOYA SAUCE, TOMATO KETCHUP AND OTHER TOMATO SAUCES, LIQUID MANGO CHUTNEY AND AROMATIC BITTERS OF SUBHEADING 2103.90.30)	723,870
09011100	COFFEE (EXCL. ROASTED AND DECAFFEINATED)	392,510
18040000	COCOA BUTTER, FAT AND OIL	196,070
18010000	COCOA BEANS, WHOLE OR BROKEN, RAW OR ROASTED	177,360
08030011	PLANTAINS, FRESH	173,430
07099090	FRESH OR CHILLED VEGETABLES (EXCL. POTATOES, TOMATOES, VEGETABLES OF THE ALLIUM SPP., CABBAGES OF THE GENUS BRASSICA, LETTUCES OF THE SPECIES LACTUCA SATIVA AND CICHORIUM, CARROTS, TURNIPS, SALAD BEETROOT, SALSIFY, CELERIAC, RADISHES AND SIMILAR EDIBLE RO	137,540
22021000	WATERS, INCL. MINERAL AND AERATED, WITH ADDED SUGAR, SWEETENER OR FLAVOUR, FOR DIRECT CONSUMPTION AS A BEVERAGE	107,260
22029010	NON-ALCOHOLIC BEVERAGES, NOT CONTAINING MILK, MILK PRODUCTS AND FATS DERIVED THEREFROM (EXCL. WATER, FRUIT OR VEGETABLE JUICES)	87,440
22087010	LIQUEURS AND CORDIALS, IN CONTAINERS HOLDING <= 2 L	58,060
07149011	FRESH AND WHOLE OR WITHOUT SKIN AND FROZEN ARROWROOT, SALEP AND SIMILAR ROOTS AND TUBERS (EXCL. MANIOC, JERUSALEM ARTICHOKE AND SWEET PATATOES) WITH HIGH STARCH CONTENT, WHETHER OR NOT SLICED, FOR HUMAN CONSUMPTION, IN PACKINGS <= 28 KG	52,040
08072000	FRESH PAWPAWS 'PAPAYAS'	50,790
08054000	FRESH OR DRIED GRAPEFRUIT	45,630
20079993	JAMS, FRUIT JELLIES, MARMALADES, FRUIT PUREE AND PASTES OF GUAVAS, MANGOES, MANGOSTEENS, PAWPAWS 'PAPAYAS', JACKFRUITS, PASSION FRUIT, TAMARINDS, CASHEW APPLES, LYCHEES, SAPODILLO PLUMS, CARAMBOLA, PITAHAYA, COCONUTS, CASHEW NUTS, BRAZIL NUTS, ARECA 'BETEL	32,400

Source: Author based on data from EUROSTAT (2006).

Dominica exported the most diverse range of agricultural products to the EU in 2003, with its exports spanning 14 out of the top 25 tariff lines. Yet, the reader will note that one product – *fresh bananas*, accounted for €6,700,320 or approximately 75 percent of the value of these agricultural products (see Table 4). The second most important product, sauces and their preparations, accounted for €723,870 or approximately 8 percent of the value of these agricultural products. Despite the imbalance between the shares of agricultural products exported by Dominica to the EU the slight diversity suggests some potential for improved export performance. Constraints are likely to be encountered in production on a scale that would make these industries viable, as well as difficulties encountered in shipping and marketing these products in the EU.

**Table 5 – Grenada’s Major Agriculture Exports to the EU (2003)**

Tariff Heading	Description	Value (EUR)
09081000	NUTMEG	8,113,440
03026999	FRESH OR CHILLED EDIBLE SALTWATER FISH, N.E.S.	1,117,280
09082000	MACE	1,001,370
18010000	COCOA BEANS, WHOLE OR BROKEN, RAW OR ROASTED	723,300
08030019	BANANAS, FRESH (EXCL. PLANTAINS)	288,670
07099090	FRESH OR CHILLED VEGETABLES (EXCL. POTATOES, TOMATOES, VEGETABLES OF THE ALLIUM SPP., CABBAGES OF THE GENUS BRASSICA, LETTUCES OF THE SPECIES LACTUCA SATIVA AND CICHORIUM, CARROTS, TURNIPS, SALAD BEETROOT, SALSIFY, CELERIAC, RADISHES AND SIMILAR EDIBLE RO	222,430
15159059	CRUDE FIXED VEGETABLE FATS AND OILS, IN IMMEDIATE PACKINGS OF A CONTENT OF > 1 KG, OR CRUDE, LIQUID (EXCL. THOSE FOR TECHNICAL OR INDUSTRIAL USES; SOYA-BEEN, PEANUT, OLIVE, PALM, SUNFLOWER, SAFFLOWER, COTTON-SEED, COCONUT, PALM KERNEL, BABASSU, RUBSEN, MU	119,980
03041038	FISH FILLETS OF SALTWATER FISH, FRESH OR CHILLED (EXCL. COD, FISH OF THE SPECIES BOREOGADUS SAIDA, COALFISH AND REDFISH)	50,050
08045000	FRESH OR DRIED GUAVAS, MANGOES AND MANGOSTEENS	14,330
21039090	SAUCES AND PREPARATIONS THEREFOR, MIXED CONDIMENTS AND MIXED SEASONINGS (EXCL. SOYA SAUCE, TOMATO KETCHUP AND OTHER TOMATO SAUCES, LIQUID MANGO CHUTNEY AND AROMATIC BITTERS OF SUBHEADING 2103.90.30)	1,990
08109095	FRESH FRUIT, EDIBLE (EXCL. NUTS, BANANAS, DATES, FIGS, PINEAPPLES, AVOCADOES, GUAVAS, MANGOES, MANGOSTEENS, PAPAWS 'PAPAYAS', TAMARINDS, CASHEW APPLES, JACKFRUIT, LYCHEES, SAPODILLO PLUMS, PASSION FRUIT, CARAMBOLA, PITAHAYA, CITRUS FRUIT, GRAPES, MELONS,	1,600

Source: Author based on data from EUROSTAT (2006).

Grenada’s agricultural exports to the EU were not as diverse as Dominica’s, spanning eleven tariff lines. However, the dependence on individual agricultural commodities was less than for Dominica. Grenada’s top agricultural export, *nutmeg*, accounted for €8,113,440 or approximately 70 percent of the value of these agricultural products (see Table 5). Additionally, the second and third major agricultural products – fresh or chilled fish<sup>9</sup> and mace, accounted for 10 and 9 percent of the value of these agricultural products, respectively. Grenada also exports bananas, however in contrast to Dominica that commodity accounts for a mere 2 percent of the value of these agricultural products.

In the case of St. Vincent and the Grenadines 10 of its top 25 exports to the EU were agricultural products. However export concentration was extremely high with fresh *bananas* accounting for €13,470,380 or approximately 96 percent of the value of these agricultural products (see Table 6). The second most important agricultural export, arrowroot, accounted for a mere 2 percent of the value of these agricultural products.

<sup>9</sup> Although fish is classified under industrial products in WTO negotiations, in the context of peasant farming fish is part of the agriculture sector. Moreover, in many Caribbean countries Fishing is an alternative activity and seasonal occupation for farmers. Therefore for the purpose of this study fish will be identified with the agriculture sector.

**Table 6 – St. Vincent & the Grenadines’ Major Agriculture Exports to the EU (2003)**

Tariff Heading	Description	Value (EUR)
08030019	BANANAS, FRESH (EXCL. PLANTAINS)	13,470,380
07149011	FRESH AND WHOLE OR WITHOUT SKIN AND FROZEN ARROWROOT, SALEP AND SIMILAR ROOTS AND TUBERS (EXCL. MANIOC, JERUSALEM ARTICHOKE AND SWEET PATATOES) WITH HIGH STARCH CONTENT, WHETHER OR NOT SLICED, FOR HUMAN CONSUMPTION, IN PACKINGS <= 28 KG	236,040
10063067	WHOLLY MILLED LONG GRAIN RICE, LENGTH/WIDTH RATIO >= 3, PARBOILED, WHETHER OR NOT POLISHED OR GLAZED	120,750
09081000	NUTMEG	95,610
07149090	ROOTS AND TUBERS WITH HIGH STARCH OR INULIN CONTENT (EXCL. 0714.10-10 TO 0714.90-10)	55,700
09082000	MACE	26,370
21039090	SAUCES AND PREPARATIONS THEREFOR, MIXED CONDIMENTS AND MIXED SEASONINGS (EXCL. SOYA SAUCE, TOMATO KETCHUP AND OTHER TOMATO SAUCES, LIQUID MANGO CHUTNEY AND AROMATIC BITTERS OF SUBHEADING 2103.90.30)	18,100
22021000	WATERS, INCL. MINERAL AND AERATED, WITH ADDED SUGAR, SWEETENER OR FLAVOUR, FOR DIRECT CONSUMPTION AS A BEVERAGE	15,030
11062090	FLOUR, MEAL AND POWDER OF SAGO AND OF ROOT OR TUBERS OF MANIOC, ARROWROOT, SALEP, JERUSALEM ARTICHOKE, SWEET POTATOES AND SIMILAR ROOTS AND TUBERS WITH A HIGH CONTENT OF STARCH OR INULIN OF HEADING 0714 (EXCL. DENATURED)	11,780
08030011	PLANTAINS, FRESH	10,400

Source: Author based on data from EUROSTAT (2006).

Finally, Table 7 shows that St. Lucia has had the least diversified agricultural exports to the EU among the Windward Islands in 2003. Fresh *bananas* accounted for €20,980,270 or approximately 95 percent of the value of these agricultural products. The second most important agricultural export, fresh or chilled vegetables, accounted for only €780,050 or a mere 4 percent of the value of these agricultural products. Rum, St. Lucia’s third major agricultural export to the EU was worth only €173,710 or approximately 1 percent of the value of these agricultural products.

**Table 7 – St. Lucia’s Major Agriculture Exports to the EU (2003)**

Tariff Heading	Description	Value (EUR)
08030019	BANANAS, FRESH (EXCL. PLANTAINS)	20,980,270
07099090	FRESH OR CHILLED VEGETABLES (EXCL. POTATOES, TOMATOES, VEGETABLES OF THE ALLIUM SPP., CABBAGES OF THE GENUS BRASSICA, LETTUCES OF THE SPECIES LACTUCA SATIVA AND CICHORIUM, CARROTS, TURNIPS, SALAD BEETROOT, SALSIFY, CELERIAC, RADISHES AND SIMILAR EDIBLE RO	780,050
22084099	RUM AND TAFIA, OF A VALUE <= 2 ECU/L OF PURE ALCOHOL, IN CONTAINERS HOLDING > 2 L (EXCL. RUM WITH A CONTENT OF VOLATILE SUBSTANCES [OTHER THAN ETHYL AND METHYL ALCOHOL] OF >= 225 G/HL OF PURE ALCOHOL 'WITH A 10% TOLERANCE')	173,710
08109030	TAMARINDS, CASHEW APPLES, JACKFRUIT, LYCHEES AND SAPODILLO PLUMS, FRESH	77,550
21039090	SAUCES AND PREPARATIONS THEREFOR, MIXED CONDIMENTS AND MIXED SEASONINGS (EXCL. SOYA SAUCE, TOMATO KETCHUP AND OTHER TOMATO SAUCES, LIQUID MANGO CHUTNEY AND AROMATIC BITTERS OF SUBHEADING 2103.90.30)	66,930
07096099	FRESH OR CHILLED FRUITS OF GENUS CAPSICUM OR PIMENTA (EXCL. FOR INDUSTRIAL MANUFACTURE OF CAPSICIN OR CAPSICUM OLEORESIN DYES, FOR INDUSTRIAL MANUFACTURE OF ESSENTIAL OILS OR RESINOIDS, AND SWEET PEPPERS)	30,010

22042142	QUALITY WINES PRODUCED IN BORDEAUX, IN CONTAINERS HOLDING <= 2 L AND OF AN ACTUAL ALCOHOLIC STRENGTH BY VOLUME OF <= 13% VOL (OTHER THAN SPARKLING WINE, SEMI-SPARKLING WINE AND GENERAL WHITE WINE)	27,690
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Source: Author based on data from EUROSTAT (2006).

#### *Windward Islands' Imports from the EU*

By contrast, these countries import a diverse range of products from the EU spanning more than six hundred (600) tariff lines for most countries<sup>10</sup> and in excess of one thousand tariff lines for St. Vincent and the Grenadines at the six (6) digit level. More importantly, the composition of imports is primarily manufactures, with agricultural products accounting for a relatively slim share in all cases.

Dominica's top 25 imports from EU member states were valued at €14,804,350 of which *agricultural* imports spanning 6 tariff lines were worth €2,620,240 or approximately 18 percent of total import value, while the remaining 82 percent of these imports by value were of manufactured products. The major agricultural items were: milk and cream; frozen chicken parts; cheese; preserved sardines; and cane or beet sugar. Regarding imports of *manufactures*, major items were: semi-finished products of iron or steel; cell phones and accessories for cell phones; cards incorporating electronic integrated circuits; mineral or chemical fertilizers; medicaments; encyclopedias; machines for washing and automobiles; among others.

Grenada's top 25 imports from EU member states were valued at €12,652,300 of which *agricultural* imports spanning 6 tariff lines were worth €2,717,670 or approximately 21 percent of total import value, while the remaining 79 percent of these imports by value were of manufactured products. Major agricultural products imported into Grenada were: milk and cream products – concentrated and solid, sweetened and unsweetened; cane or beet sugar; frozen chicken parts; and sausages and similar products of meat. Where imports of *manufactures* were concerned the major products were: cell phones and accessories and parts; sailboats and yachts; structures and parts of structures of iron and steel; welded tubes and pipes of iron and steel; dictionaries and encyclopedias; motor vehicles for transport; self-propelled front end shovel loaders; and washing machines; among others.

St. Lucia's top 25 imports from EU member states were valued at € 19,460,860 of which *agricultural* imports spanning 6 tariff lines were worth € 4,488,080 or approximately 23 percent of total import value, while the remaining 77 percent of these imports by value were of manufactured products. Major agricultural products imported into St. Lucia were: frozen chicken parts; cheese; malt; cane or beet sugar; wine of fresh grapes; and spirits obtained by distilling grape wine. Where imports of *manufactures* were concerned the major products were: cell phones and accessories and parts; sailboats and yachts; machinery for cleaning or drying bottles and other containers; dictionaries and encyclopedias; bottles; motor vehicles for transport and their parts; agricultural or

<sup>10</sup> Specifically, in 2003 Dominica imported products from the EU spanning 572 tariff lines, Grenada's imports spanned 785 tariff lines, St. Lucia's imports spanned 899 tariff lines and St. Vincent and the Grenadines' imports spanned 1193 tariff lines.

horticultural mechanical appliances; apparatus for carrying current line systems or digital line systems; self-propelled bulldozers and angledozers; electric conductors; self-propelled front end shovel loaders; sacks and bags including cones of polymers of ethylene and automatic circuit breakers; among others.

St. Vincent and the Grenadines' top 25 imports from EU member states were valued at €16,235,520<sup>11</sup> of which *agricultural* imports spanning 7 tariff lines were worth €4,499,110 or approximately 28 percent of total import value, while the remaining 72 percent of these imports by value were of manufactured products. The major agricultural items were: milk and cream; frozen chicken parts; cheese; malt; cane or beet sugar; food preparations not elsewhere specified; and spirits obtained by distilling grape wine. Regarding imports of *manufactures*, excluding the contentious Chapter 89 tariffs lines, major items were: cell phones and accessories for cell phones; automobiles and parts; machinery for liquefying air or other gases; refrigerators; sailboats and yachts; automatic circuit breakers; mineral or chemical fertilizers; encyclopedias; apparatus for carrying current line systems or digital line systems; medium oils and preparations of bituminous minerals or petroleum and natural sands of all kinds, whether or not colored; among others.

In summary, the Windward Islands *export* primarily a limited range of *agricultural* products to the EU and *import* primarily a diverse range of *manufactures*. The advent of the *cell phone revolution* in the Region since the turn of the century has resulted in significant imports of this product and related parts into all these countries. Additionally, these countries also rely heavily on the EU for imports of some basic agricultural products like dairy, including chicken, and sugar. There are also some imports of wine and spirits obtained from wine.

With some major reforms to the EU banana market that have resulted in reduced profitability, and declining terms of trade for most agricultural products, the challenge facing these countries in an EPA with the EU is to identify products that have *potential comparative advantage* and *export value* and secure both *technical and financial assistance* from the EU in ensuring *market presence*. A fully reciprocal trade agreement would otherwise result in further deterioration of the trade deficits in these countries with the EU, as consumers import more of existing products as well as new products with little additional exports to the EU. This is particularly important from the standpoint that EU exports to the Region are typically manufactures that are demand price elastic. Further, with respect to agriculture, the challenge will be to ensure that non-tariff barriers are eliminated and appropriate mechanisms are put into place in EU member states to facilitate the smooth conduct of trade. We shall revisit this discussion in Chapter IV.

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<sup>11</sup> The reader should note that according to the EUROSTAT data St. Vincent and the Grenadines' imports of the top 25 tariff lines were worth €92,456,320. However, that figure comprises several large valued items, ocean going vessels, classified under chapter 89 of the HS, which the local authorities contend are simply incorrect. These Chapter 89 tariff lines are worth €76,220,800 and thus they significantly distort St. Vincent and the Grenadines' import picture. When they are left out, total imports from the EU are only €16,235,520.

## **Chapter II – Status of Negotiations of the CARIFORUM-EU EPA as at July 2006**

As discussed in the introduction, the negotiations for a CARIFORUM-EU EPA commenced in April 2004 and the talks have been scheduled to take place in four phases: an initial phase; a regional integration phase; a phase for substantive negotiations; and a finalization phase. The present chapter provides an analysis of the negotiations up to and including July 31, 2006. It begins with a brief overview of the negotiating process from the CARIFORUM side – securing a mandate, technical input and ministerial sign-off, as well as the levels of conduct of the actual negotiations with the EC. It then provides an overall assessment of the CARIFORUM-EU EPA negotiations, followed by a detailed assessment of the achievements and outcomes following each phase.

It is useful to note from the outset that as at July 31, 2006 the first two phases of negotiations were complete and Phase III was at an advanced stage of completion. Thus, in terms of scheduling the CARIFORUM-EU EPA negotiations have progressed largely according to plan. However, in this report the objective indicator of assessment is not scheduling *per se*, but achievements, i.e. to what extent does the progress in negotiations so far reflect the objectives and interests of CARIFORUM states in the completion of an EPA? Moreover, what are the implications for *agriculture*, especially WINFA members?

### ***Brief Overview of the Negotiations Process – CARIFORUM side***

On the CARIFORUM side the negotiations process is organized as follows. The Caribbean Regional Negotiating Machinery (CRNM) is responsible for the overall coordination and execution of the negotiations and receives its mandate from the Council of Ministers of Trade of CARIFORUM countries.

Negotiating positions of CARIFORUM are formulated through a process of consultation as follows. Stakeholders, experts and other affected groups communicate their concerns and positions on various issues in the EPA negotiations to the CRNM. The CRNM also arranges various consultation processes in member states at which input can be made into the process. Information received from all these sources is then used to compile various draft positions on how to approach the negotiations in the different subject areas. The CRNM then circulates the proposed positions to officials at technical level in CARIFORUM member states and convenes meetings of either Technical Working Group (TWG) or Expert Group, at which positions are discussed in detail and regional positions are adopted. Regional positions on the various subjects are then presented and discussed at Special Meetings of the Council of Trade Ministers, at which stage a negotiating mandate is secured. The negotiating mandate is then executed by a College of Negotiators comprising the Director General of the CRNM at the level of Principal Negotiator and several lead and alternate negotiators for each of the negotiating groups. Negotiators are drawn from individual CARIFORUM member states, as well as from the CRNM. Further, CRNM technical staff provides direct technical assistance to negotiators whenever negotiating sessions are convened with the EC.

In addition to technical negotiations, CARIFORUM and the EU also meet at ministerial level from time to time. These ministerial encounters are normally led by a Ministerial Spokesperson on the CARIFORUM side, supported by ministers of trade from CARIFORUM countries. The College of Negotiators, Officials of CARIFORUM countries and CRNM technical staff also provide support to ministers at these encounters.

### **Overall Assessment of the CARIFORUM-EU EPA negotiations July 2006**

CARIFORUM-EU EPA negotiations have progressed according to the Joint Plan and Schedule. However, in terms of the treatment of issues of particular interest to the Region there exists a considerable divide between the EU and CARIFORUM. These differences exist at two levels. First, there exist issues on which CARIFORUM and the EU broadly agree: e.g. both sides agree on the need for a *development dimension* in the EPA if it is to be anything more favorable to CARIFORUM than a classic FTA. However, when it comes to giving effect to the development dimension the approaches of the two sides are almost diametrically opposed. Another example is the EU's stance on a customs union as the basis for completion of the EPA. While the EU no longer expects a *de jure* customs union of CARIFORUM its insistence on concepts like a single starting line (SSL) for tariff elimination effects *de facto* treatment of a customs union.

Second, there exist issues on which CARIFORUM and the EU simply do not agree: e.g. while some CARIFORUM states would like to see an Agreement on Fisheries as part of the EPA the EU is simply not interested in a comprehensive regional agreement on Fisheries. In addition there exist major difficulties between the CARIFORUM and EU sides in the following specific aspects of the negotiations: (i) Approach to tariff liberalization and elimination; (ii) Articulation of the Regional Integration dimension of the EPA; (iii) Inter-relationship of an EPA investment chapter with existing bilateral investment treaties between individual CARIFORUM and EU Member States; (iv) Scope and ambit of commitments in the areas of sustainable development and good governance in the EPA; and (v) the costs of implementation of the EPA and economic adjustment for the CARIFORUM Member States.

Bearing in mind that the real test as to whether the EPA would fulfill the demands of CARIFORUM depends on the success in treatment of substantive issues in the negotiations, the overall assessment at this time is that the EPA likely to emerge between CARIFORUM and the EC would not fulfill the Region's demands. In order to appreciate such an assessment let us examine the outcomes of each phase of negotiations in greater detail.

#### **Assessment of Phase I - Establishing the Priorities of EPA Negotiations**

During the first phase of negotiations the objectives of the Region were threefold: establishment of Priorities and Scope of EPA negotiations; agreement on the Composition and Constitution of the Regional Preparatory Task Force (RPTF), and setting of its immediate tasks; and development of an Indicative schedule of EPA negotiations.

### **Priorities and scope of a CARIFORUM-EU EPA**

With regards to the establishment of the Priorities and Scope of EPA negotiations CARIFORUM articulated the following concerns. First, CARIFORUM outlined its vision for the Region in the EPA as a tool for the development of the CARIFORUM Member states and that in order to reflect the difference in the level of development between the member states of CARIFORUM and the EU, special and differential treatment for all Caribbean economies should form a core component of an EPA.<sup>12</sup>

Secondly, CARIFORUM argued that an EPA should also support the strengthening of the CARIFORUM process of regional integration<sup>13</sup> while being compatible with national development strategies. As such, EPA negotiation should address the process of adjustment within Caribbean economies, taking into account the twin processes of the erosion of Caribbean preferential access to the EU market and the gradual improvement in EU access to Caribbean markets.<sup>14</sup>

Finally, CARIFORUM argued that in terms of a Caribbean vision, the scope of an EPA should be broad, covering trade in goods as well as services and investment. In that regard CARIFORUM identified four primary objectives for the EPA: attainment of development that is socially and environmentally sustainable; facilitation of structural transformation which would reduce the region's acute economic vulnerability and bring about a level of international competitiveness leading to sustainable development; adjustment in a manner, at a pace and in a sequence which upholds their democratic systems and avoids economic dislocation; and support for the diversification of Caribbean economies including the stimulation of investment.<sup>15</sup> In this endeavor, CARIFORUM saw the provision of development finance and support as critical complements to the successful implementation of a CARIFORUM-EU EPA.

The perspective of the European Union (EU) as articulated by the EC was that the EPA would be the trade pillar of the Cotonou Agreement and an instrument for development. As such, negotiations of the EPA should be broadly seen as a two-stage process of market *building* followed by market *opening*.<sup>16</sup>

Market building within the context of an EPA, would be facilitated by Caribbean regional integration. As such, drawing upon Europe's own regional integration experience the EC argued that Caribbean regional integration could be strengthened and supported within the context of an EPA. Regional integration presented opportunities for a *diversification* of both the export base and productive structures in general. Further, integration could

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<sup>12</sup> Joint CARIFORUM-EU Report of the First Meeting of CARIFORUM-EC Principal Negotiators, Brussels, 15 July 2004, p. 2.

<sup>13</sup> CARIFORUM regional integration comprises three distinct processes: CARIFORUM itself is an FTA between CARICOM and the Dominican Republic; CARICOM is a customs union of fifteen (15) countries in transition to a single market and economy (CSME); and within CARICOM there exists the OECS – a sub-regional grouping of six (6) independent countries in the process of creating an economic union.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

make markets more attractive for traders and investors, both domestic capital and foreign investment, who would benefit from a stable, transparent and predictable regional framework.<sup>17</sup>

The EC also saw harmonized *border measures*, including a common external tariff, as an important aspect of building a common market, and this should also include trade in services, investment, trade facilitation and competition rules. As such, the negotiations should also lead to the definition of the coverage and treatment of these subjects within an EPA.

WTO compatibility was also seen as an important objective of an EPA from the EU's perspective and this should be accomplished over time. Consequently, EU access to the Caribbean market should also gradually be enhanced so that over time the target level of *substantially all the trade* that is normally acceptable within the WTO would be liberalized. Flexibility was expressed on the part of the EU with respect to the length of the transitional period required for CARIFORUM to attain the WTO norm in terms of *substantially all the trade*. In addition, the EC did not see the opening of Caribbean markets to the EU as an immediate priority in the negotiations.

Yet another objective of an EPA as seen by the EC was to both maintain and broaden Caribbean access to the EU market, bearing in mind that while in terms of market access for goods, duty-free and quota-free access was the maximum that could be achieved, that option did not constitute an initial element of an EU offer. The importance of some key commodities to CARIFORUM – banana, sugar and rice – was highlighted by the EC noting that the EPA was the only realistic vehicle available for addressing the far-reaching changes in respective EC regimes in terms of CARIFORUM-EU trade relations.

It is seen that while both CARIFORUM and the EU broadly share a common vision for the EPA the emphasis of the two sides on various aspects of the vision differs in several ways. First, CARIFORUM's emphasis is on the attainment of the development of its economies in a manner that is sustainable and preserves national objectives and goals, while the EU's emphasis is on regional integration as a basis for creating a common market that will result in economic development. Thus, while both CARIFORUM and the EU value the regional integration process, the EU appears to see integration as propelling national development while CARIFORUM appears to see national development as propelling integration.

Secondly, preservation of CARIFORUM's national development objectives heightens the importance of special and differential treatment for its member states not only as a collective with respect to the EU, but individually with respect to each other. Therefore, an EPA must also engender the requisite level of flexibility to allow countries to calibrate implementation schedules taking account of capacity constraints.

Thirdly, while the EU places great emphasis on the rules-based WTO compatibility as an important aspect of the EPA, which the Caribbean also recognizes, CARIFORUM

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<sup>17</sup> Ibid.

contends that reciprocal market access must be accompanied by special and differential treatment that takes account of the constraints of small size and vulnerability. Furthermore, an EPA must result in improved market access for all Caribbean exports (both traditional and non-traditional) and that an EPA must encompass reorienting development assistance to address new needs as well as older ones.

Finally, it is seen that the views of the EC and CARIFORUM on the subject of *development assistance* including finance differ. CARIFORUM saw development assistance, including finance as integral to the EPA process if it is to give meaningful expression to national and regional development. However, the EU preferred to limit its engagement to identification of all possible sources of development assistance, and argued that it was not part of EPA negotiations *per se*, but was an important ingredient in the framework of an EPA.

### ***Regional preparatory task force (RPTF)***

CARIFORUM had submitted draft text to the EU for the terms of reference and composition of the RPTF. While not objecting outright to that text the EU side tabled a slightly modified version of the draft terms of reference transmitted by the CARIFORUM, and raised a concern over the composition of the RPTF. Essentially, the EU submitted that membership of the RPTF needed to strike a balance between effectiveness and inclusiveness, both of which were important.

CARIFORUM provided some explanation about the fundamental role of the Secretariat as co-chair of the RPTF and level of participation envisaged by the representatives of civil society. CARIFORUM stressed that Caribbean members of the RPTF would have the right to participate and submit comments or provide other inputs into the process, but would not be obliged to attend meetings on each and every occasion. The EU agreed with this as a way of keeping the RPTF effective, but argued that the respective roles of the co-chairs and co-secretariats should be more precisely defined if the RPTF mandate was to be fulfilled.

CARIFORUM and the EU subsequently agreed that the draft terms of reference would be slightly modified to reflect the comments of both sides. The RPTF was asked to develop both procedures for its internal functioning and a draft program of work during its first meeting. The First Meeting of the RPTF was held in Barbados on November 11, 2004 and discussed its approach to the formulation of its work programme. In that regard, it was agreed that emphasis would be placed on a short-term work programme geared to produce some results in time for the Second Meeting of the Principal Negotiators. The meeting agreed to focus on Regional Cooperation and Integration, in the first instance, and to produce an inventory of studies as well as external assistance actions in that area. CARIFORUM was designated as the coordinating point for the studies inventory while the Commission would focus on the external assistance.

In consideration of the Role and Objective of the Joint RPTF the following viewpoints emerged. In the view of the European Commission the role and objective of the RPTF could be reduced to *six areas* of consideration: First, the RPTF would not be involved in programming as its role was distinct from the programming exercises for the 9<sup>th</sup> EDF.

Second, the Joint Plan and Schedule sets out specific tasks, guided by four phases of negotiations, which would be the basis for the RPTF to move forward on its work. Third, the RPTF would support the negotiating process, by providing information and back-up to the Principal Negotiators. It would, from time to time, receive requests for assistance from Principal Negotiators. Fourth, the RPTF was seen as a facilitator of the negotiating process and would focus on the development dimension of the EPA to ensure it was not overlooked. Fifth, the RPTF did not have funds of its own and would have to use its initiative to undertake tasks assigned, including tapping into existing resources, delegating tasks to its members or through garnering external sources of finance. Sixth, the RPTF would only operationalize the decisions of the Principal Negotiators to the extent those decisions fell within its competence.

In the view of CARIFORUM there were *three* major considerations in the work of the RPTF. First, the RPTF was seen as a support mechanism for the Principal Negotiators intended to ensure the link between trade and development and to undertake tasks assigned by the Principal Negotiators. Second, CARIFORUM envisioned that the RPTF would be guided by the decisions of the Principal Negotiators, giving effect to their decisions. In this regard, the RPTF would commission technical work, so as to advise Principal Negotiators. Third, on the issue of funding for the work of the RPTF CARIFORUM held the view that resources may be required to enable tasks assigned to the RPTF to be effectively executed.

Essentially, it is seen that CARIFORUM and the EC perceptions of the role and objective of the RPTF were not significantly different. However, on the important issue of funding for the work of the RPTF while the CARIFORUM view was quite clear the EC's view was less so, leaving room for uncertainty as to whether the projects identified could realistically be funded in time.

#### ***Indicative Schedule of EPA Negotiations***

CARIFORUM submitted a draft indicative schedule for the EPA negotiations, which the EU welcomed while emphasizing that the dates were indicative. The EU stated its difficulties with the 23 September 2004 date for the Second Principal Negotiators' meeting and signaled that a definitive date for that meeting would be established in consultation with CARIFORUM.

While acknowledging the merits of convening the First Technical Session at the end of October 2004, the EU questioned the focus on "market access issues" when the priority of EPA was market building. CARIFORUM confirmed that this meeting would be convened under Phase II of negotiations where the focus lies on identifying support for regional integration. Both sides agreed that the central issue was therefore not EU access to Caribbean markets but rather *regional market access* issues, i.e. CARIFORUM regional integration within the context of the CARICOM-DR FTA, Bahamian and Haitian derogations within CARICOM, and scheduling of the Common External Tariff, among others. The Region expressed a strong preference for addressing these fundamental issues first in light of the challenge they would pose during the regional integration phase of the negotiations.

The EU argued that the Second Meeting of Technical Experts along with the Third Meeting of Principal Negotiators should be shifted to the second half of January 2005, but did not object to any of the other indicative dates enumerated in the schedule up to September 16, 2005. In accepting the revised indicative schedule, both sides undertook to re-examine their respective agendas leading to the finalization of these dates.

Finally, the EU suggested that for preparing the next phase of EPA negotiations, both sides should swiftly identify networks of experts per subject area. CARIFORUM noted that a proposal nominating the names of Caribbean experts would be sent for the consideration of CARIFORUM Ministers of Trade in early September 2004.

## **Assessment of Phase II – Regional Integration**

### ***Overall Assessment***

Phase II of the EPA negotiations came to a close at the Second CARIFORUM-EU EPA Ministerial Meeting in Rodney Bay, St. Lucia, on September 30, 2005. The ministerial meeting was preceded by the Fourth Principal Negotiators Meeting also at Rodney Bay, St. Lucia on September 28, 2005 and formed the basis for the meeting of ministers.

While Phase II of the negotiations did not result in the deepening of the regional integration process within CARIFORUM, both sides agreed that progress had been made on the two major priorities of Phase II: understanding the respective regional economic areas; and the priorities for support of Caribbean regional integration. In addition, both sides agreed that the progress made provided a solid platform for the advance of negotiations into Phase III.

### ***Assessment as at Third Meeting of Principal Negotiators***

Both CARIFORUM and the EU emphasized the potential beneficial role of an EPA as a development tool complementary to the Region's integration process that was already well underway. CARIFORUM advanced that special and differential treatment was an integral part of its regional integration process and that *variable geometry* was needed to allow all its members to move in accordance with their capacity. Trade liberalization was seen as a necessary but not sufficient condition for economic development, therefore CARIFORUM considered that the link to development assistance was crucial and that this support should be delivered in a timely fashion.

The EU agreed with the second part of CARIFORUM's argument - that, whilst liberalization could propel economic development, the right dose was important. In that regard the EU emphasized the importance of designing clear and simple rules in the pursuit of development. However, contrary to CARIFORUM's view the EU argued that such clear and simple rules are accompanied by administrative and economic advantages that could be undermined by *variable geometry*.

Both sides recognized the progress of the technical work completed since the Second Meeting of Principal Negotiators and judged that it had effectively created a solid basis for subsequent negotiations. Moreover, the commitment of both sides to successful completion of the negotiations was captured by the fact that the pace of negotiations was

consistent with the Joint Plan and Schedule. The EU side placed emphasis on the importance of maintaining this course and meeting future timetables, also given the expiry of the WTO Waiver for the Cotonou Agreement on December 31, 2007.

With respect to *market access*, the EU was concerned that the advantages stemming from a single integrated regional market encompassing all countries could be undermined by complex differentiation. In this context, the EU made two observations. First, not all CARIFORUM countries were heading towards the same level of regional integration as those fully engaged in the Caribbean Community (CARICOM) Single Market and Economy (CSME) process. Secondly, that a *single trade regime* for the region, including provisions for *free circulation*, would promote regional integration and trade. While the EU expressed understanding for the hesitations of small economies, it considered that the risks were limited and in any event could be sufficiently managed by safeguard rules. It is for such a reason that the EU would be seeking a single, simple set of trade rules to be applied by CARIFORUM within the EPA.

CARIFORUM identified a number of factors that conditioned its regional integration processes, including: the built-in agenda of the FTA between CARICOM and the Dominican Republic; the political situation in Haiti; and the fact that the Bahamas is a member of the Caribbean Community but not the Common Market. On the specific issue of *free circulation*, CARIFORUM indicated that CARICOM member states were already committed to this objective and that work was in progress to achieve it. CARIFORUM further indicated that the lists (A, C, and D) annexed to the CARICOM common external tariff (CET) were not derogations, but an integral and reasoned part of the agreement that were kept under internal review. While CARIFORUM also acknowledged the merits of simple trade rules, it pointed out that differentiation among CSME members constituted an integral element of the Region's integration policy.

There was agreement between CARIFORUM and the EU on the importance of addressing Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) issues in the negotiations. However, this implied a need on CARIFORUM's side to upgrade capacity, particularly of the Caribbean Regional Organization for Standards and Quality (CROSQ) and the Caribbean Agricultural Health and Food Safety Agency (CAHFSA). CARIFORUM cited the creation of these bodies as reflective of its accent on the development of regional institutional capacity in various technical disciplines. In this regard, CARIFORUM encouraged the fast-tracked delivery of EU support in augmenting the region's TBT and SPS capacity as this would assist, *inter alia*, the region's private sector to prepare for effective EPA implementation. The EU welcomed the emergence of these regional entities as a cost efficient method to improve the development and implementation of appropriate TBT and SPS measures. It further expressed the hope that this would lead to a harmonized approach to SPS and TBT requirements in the region, which would facilitate trade. In that regard the EU expressed support for the Region's efforts and would seek a single set of SPS and TBT provisions in the EPA.

In the discussion on *rules of origin*, the EU again emphasized the advantages of simple rules and the need to ensure coherence between rules of origin for intra- and inter-

regional trade. The EU also stressed the importance of other areas relating to market access where it favored a single regional approach, including: trade facilitation, trade defense instruments and dispute settlement. CARIFORUM argued that in order to secure effective market access in the EU, the region attaches great importance to the emergence of appropriate rules of origin governing CARIFORUM-EU trade. In terms of both trade facilitation and trade defense measures, CARIFORUM noted that advancement of the CSME had resulted in the adoption of regional rules but that further work was required with regard to integration of Haiti and the CARICOM-Dominican Republic FTA.

In the discussion on *Services and Investment* CARIFORUM outlined the progress made in developing a CARICOM services regime and provided the EU with an indicative list of service sub-sectors of interest in EPA negotiations. The built-in agenda for the CARICOM-Dominican Republic FTA included services and would be facilitated by progress in the CSME context. The EU welcomed these plans and noted the advantages of regulatory convergence in the region. Additionally, the EU took note of CARIFORUM's Services interests and expressed a willingness to begin considering these in Phase III of EPA negotiations, preferably within the context of a *positive list* approach.

Both sides agreed that, like trade in services, *investment* would be a key element to capture the benefits of trade opportunities generated under the EPA. In developing a CARICOM Agreement on Investment, CSME members were signaling their intent on forging a clear, predictable and enforceable investment regime, including the attendant regulatory framework. In this context, the EU urged that investors enjoy national treatment since any differentiation could limit investment flows and economic development. CARIFORUM noted that bi-regional investment provisions would co-exist with over 70 existing bilateral investment treaties but, if the high level of ambition for the EPA were realized, then it would largely supersede their provisions. CARIFORUM expressed the view that investment promotion would need to be considered as well as investment rules. However, the EU expressed the alternative view that a clear and credible investment regime was the first and most important step.

With respect to the *Trade Related Areas*, both sides were encouraged by the technical work that had been done on the key areas of intellectual property, competition rules and government procurement and agreed that such work provided a good basis for further work in the EPA negotiations. CARIFORUM summarized its internal work in progress on these areas with the current focus on advancing requisite provisions in the CSME.

#### ***Activities of the RPTF***

The Co-Chairs of the RPTF presented the Joint Report of its Second Meeting held in Brussels, May 18-19, 2005. They emphasized that the needs identified by Principal Negotiators during the technical negotiations would be developed in greater detail for practical follow-up. In that connection they called upon the negotiators to specify, prioritize and target their requests in line with the EPA agenda.

With respect to implementing consultation with *Non-State Actors (NSA)* the EU: requested information on the status of the work done so far; called for feedback on what had been done; and the plans that were in place for consultation among NSA at the

national level in order to facilitate their participation in the EPA process. CARIFORUM reminded the EU that the only NSA consultative mechanism provided for in the context of EPA negotiations was included in the Joint Plan and Schedule, which provided for the establishment of an NSA Network.

CARIFORUM further recalled that an NSA Network had been put in place in November 2004 and that the Rider of the €750,000 Grant Agreement from the Intra-ACP EPA Project to CARIFORUM, provided for a series of consultations with NGOs and NSA. In that connection the Caribbean Policy Development Centre (CPDC) would organize a meeting in June 2005 to inform NSA on the EPA process. Requests had been made to the PMU of the Intra-ACP EPA Project to organize seminars where NSA Networks have been largely involved and this would continue in the future. CARIFORUM undertook to provide information on the status of the NSA consultative mechanism at the national and regional levels before the Third RPTF Meeting. Also, on the basis of intra-Caribbean consultation an extensive document would be prepared and shared with the EU.

The EU requested information on the status of preparation of the project for a Capacity Building Support Program for negotiations foreseen under the 9<sup>th</sup> EDF Caribbean Regional Indicative Program (CRIP), as its approval would have implications for the proper functioning of the RPTF. Eleven (11) areas of work have since been proposed by CARIFORUM-EC Principal Negotiators. These are: Technical Barriers to Trade (TBT); Sanitary and Phyto-Sanitary (SPS) Measures; Trade Facilitation/Risk Analysis; Caribbean Association of Investment Promotion Agencies (CAIPA); Investment Statistics; Harmonization and Rationalization of Incentives Systems focused on Services and including tourism and agriculture; Structural Reform of Financial Services; Corporate and Indirect Taxation; Competition Policy; Intellectual Property Rights and Government (Public) Procurement.

CARIFORUM expressed the view that an attempt should be made to secure significant progress in the identified work program areas in time for the Second CARIFORUM-EU Ministerial Meeting scheduled to be convened in Saint Lucia in September 2005. While the EU agreed with that view it noted that in order to achieve such results the modalities of the RPTF work must be clarified and that the setting up of basic principles would be the key for achieving this objective.

Both sides welcomed the inventories of studies and assistance on Caribbean regional integration and trade, and agreed that duplication of studies and the provision of technical assistance should be avoided. With regard to TBT and SPS in particular, the EU urged that regional synergies be sought. CARIFORUM reiterated its anticipation that the EU would fast-track its assistance in the strengthening of CARIFORUM capacity in these two fields and thereby bolstering private sector confidence in EPA negotiations.

#### ***Assessment as at Fourth Meeting of Principal Negotiators***

CARIFORUM and the EU agreed that development would be at the centre of an EPA. Moreover, the Parties also shared the view that the pursuit of development represents a multi-dimensional undertaking that seeks to harness the benefits accruing from trade and integration, and also requires accompanying adjustment measures and institutional capacity building.

The reader will recall that during Phase II of the negotiations, the RPTF prepared terms of reference for eleven (11) projects that were recommended for implementation in order to ensure effective implementation of the EPA. CARIFORUM and the EU agreed that EPA negotiations and the delivery of development support should compliment each other. Viewed from the EU's perspective the RPTF was beginning to deliver results, however the issue of longer term funding to secure implementation of activities in support of an EPA had to be addressed and in that regard the Commission was actively considering how best to fund EPA and regional integration activities.

CARIFORUM noted that delays in the delivery of technical and financial resources from the EU could impair its capacity to advance the regional integration process and to effectively negotiate the EPA. Furthermore, there was disagreement between CARIFORUM and the EU over the re-channeling of resources already programmed under the CRIP toward EPA implementation. However, both sides agreed that the RPTF should address with dispatch the support needs identified during the course of the negotiations.

At technical level CARIFORUM and the EU noted the value of the work that had been done during Phase II of the negotiations and the importance of deepened regional integration to promoting trade-led development. The Principal Negotiators of both sides concurred that the EPA process should be based on regional market building with preference for regional partners balanced with the appropriate level of liberalization towards extra-regional countries.

CARIFORUM and the EU agreed that as a result of the Phase II process, both sides had achieved an improved understanding of the respective economic spaces that will assume EPA commitments. CARIFORUM stressed the importance of the regional action plan that had been developed to obtain technical and financial assistance, for facilitating the Region's effective preparation and participation in the negotiations. The EU noted the usefulness of development support of the EPA process.

With respect to the form of the EPA, CARIFORUM expressed the desire to build an EPA with *variable geometry* that takes into account the differences in size and levels of development among CARIFORUM countries. As far as CARIFORUM was concerned *variable geometry* should not constitute an obstacle to the development of a common economic space. However, the EU expressed concern regarding the concept of *variable geometry*, drawing upon its own regional integration experience where small size has not been an obstacle to development.

Both sides however acknowledged that the peculiar economic and political situation of Haiti needed to be taken into account and CARIFORUM welcomed the commitment of the EU to assist in this regard.

### ***Report on RPTF Activities***

At the Fourth Meeting of Principal Negotiators an oral report was presented by the Co-Chairs of the RPTF. Co-Chairs advanced that the delays experienced in considering the

TORs submitted were due to their lack of homogeneity and the embryonic nature of the RPTF process. This was duly noted by the EU Principal Negotiator, while the CARIFORUM Principal Negotiator further noted that the RPTF's activities should complement the interventions to be undertaken under the 9<sup>th</sup> CRIP.

However there was a considerably greater divergence in views of the two sides over the delays in implementation of the CRIP. CARIFORUM argued that the delays in delivery of resources impaired the Region's integration and negotiation capacity and may even undermine the confidence of CARIFORUM stakeholders in the EPA process. In this context, CARIFORUM also noted that RPTF's activities complement the interventions to be undertaken under the 9<sup>th</sup> CRIP.

Responding to CARIFORUM's argument the EU first argued that CRIP implementation was a joint responsibility of both sides. However, delays in implementation could be partially attributed to new EDF Financial Regulation, to the need to agglomerate projects, and that an audit of the CARICOM Secretariat's capacity to implement EDF funded projects was underway at that time. Both sides agreed on the need to signal to Ministers the imperative of an expeditious treatment of regional integration support measures.

### **Assessment of Phase III – Consolidation and Detailed Negotiations**

#### ***Overall Assessment***

Phase III of EPA negotiations commenced on September 30, 2005, the very day on which Phase II came to an end and is scheduled to be concluded in December 2006.<sup>18</sup> The following three objectives are at the center of this phase of the negotiations: (a) forging common understanding on the structure of a CARIFORUM-EC EPA agreement; (b) consolidation of the outcome of discussions on the priority issues for CARIFORUM regional integration; and (c) agreement on an approach to trade liberalization, including identifying *sensitive products* for CARIFORUM countries and the way in which they should be treated.

As at the time of preparation of this report four out of the six technical negotiating sessions scheduled for Phase III had been concluded, with the remaining two rounds scheduled to take place in September 19-22 and November 21-24, 2006 in Santo Domingo and Brussels, respectively. Phase III will conclude with the Third CARIFORUM-EU Ministerial on EPA Negotiations, in Brussels on November 29-30. At that meeting, CARIFORUM Ministers and EU Commissioners will consider the draft EPA text emerging from Phase III negotiations and provide guidance on the way forward for the fourth and final phase of talks.

Whereas negotiations have proceeded in accordance with the Joint Plan and Schedule most of these EPA negotiating sessions have resulted in an *accentuation of differences* between CARIFORUM and the EU in a number of issues of particular economic interest to the Caribbean. Let us now examine these issues in detail.

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<sup>18</sup> Although it should be noted, that actual EPA negotiating sessions at technical level only effectively commenced in February 2006.

## Negotiating Sessions and the Fifth Meeting of Principal Negotiators

CARIFORUM and EU negotiators have met four times at the level of Technical Negotiating Groups (TNGs) and once at the level of Principal Negotiators Since the effective launch of Phase III negotiations in February 2006. Intensive negotiations have resulted in significant progress in the following areas, viz.: SPS and TBT measures; trade and customs facilitation; transparency in government procurement; and trade and innovation.

Both sides also agree on the general principle that the EPA should be supportive of CARIFORUM economic and social development. Yet, despite the evidence of meaningful progress, the current state of negotiations reflects four principal areas of divergence between the two sides as follows: (a) approach to tariff liberalization; (b) articulation of the regional integration dimension of the EPA; (c) scope and domain of commitments in the fields of sustainable development and good governance; and (d) funding for the costs of EPA implementation and adjustment.

With respect to the approach to *trade liberalization* in goods, the major area of divergence between the two sides relates to the EU proposal seeking a single starting line (SSL) - one initial tariff level to be used by all CARIFORUM members of the EPA on a line by line basis. A critical element of the SSL implies establishing at the outset of the implementation period (January 1, 2008) a common regional tariff for individual goods imported from the European Union. The concept of the SSL as advanced by the EU side would also be conditioned by two additional principles. First is that the *lowest rate* applied by a CARIFORUM member state for an individual tariff line would become the starting line for all CARIFORUM countries. Second is the principle of *non-discrimination*, in which the EU is demanding treatment no less favorable than that granted by any CARIFORUM member to another developed country.<sup>19</sup> The main implication of the EC proposal of SSL is that CARIFORUM would effectively liberalize *upwards of 70%* of all its tariff lines upon the entry into force of the EPA. However, not only would such an accelerated pace of tariff liberalization be politically unacceptable, but it would also likely severely *adversely* impact the economies of CARIFORUM.

Therefore, CARIFORUM has rejected the EU proposal for an SSL based on the lowest applied rates as the basis for tariff reduction commitments for the following reasons. First, the EU's SSL logic is inconsistent with its own publicly declared orientation that an EPA will initially support regional market building and only later seek to open regional markets. Second, the EU's insistence on the principle of non-discrimination is inconsistent with its declaration that it has no mercantilist interests in the CARIFORUM market. Third, the EU's approach to trade liberalization would result in some countries in

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<sup>19</sup> The importance of this EU position is that the Dominican Republic, which is a participant in a recently completed FTA between the United States, Central America and the Dominican Republic (CAFTA-DR), would be required to provide market access to the EU no less favorable than that which it would provide to the United States in the context of the CAFTA-DR FTA.

CARIFORUM having no control over the pace and extent of their tariff liberalization at the start of implementation of the EPA, January 1, 2008.

Conceptualization of the *regional integration dimension* constitutes yet another area of sharp disagreement between CARIFORUM and the EU. CARIFORUM's concern is not the importance of strengthening regional integration *per se*, but rather how such objective frames CARIFORUM commitments. While the EU has dropped its demands that CARIFORUM should establish a customs union among all of its fifteen members, it nevertheless seeks common CARIFORUM commitments in all disciplines - market access schedule, SPS and TBT regimes, services, investment, government procurement, intellectual property, competition policy, dispute settlement mechanism, etc. Yet, the Region continues to argue that in light of the differing scope and depth of the various streams of its regional integration processes, *variable geometry* must be applied to allow the greatest form of flexibility in terms of the commitments assumed.

Yet another area of contention between CARIFORUM and the EU has been their views on *sustainable development*. However, the EU appears to be changing its stance on sustainable development, largely as a consequence of an all ACP-wide resistance to binding commitments in all aspects of this discipline. While neither Party has put draft text on the table, the oral exchanges so far indicate a shift on the part of the EU towards a mix of best endeavors and some rules. CARIFORUM has continued to insist that the Region will not assume binding commitments on areas in which there is insufficient institutional capacity, while recognizing the importance of ensuring that commitments assumed in the EPA will foster the Region's sustainable development. CARIFORUM is currently undertaking technical work to identify an optimal approach to the treatment of this issue, as well as concrete proposals, based on the Caribbean Region's approved Position Paper on Sustainable Development, arising from the Barbados Plan of Action for the Sustainable Development of Small Island States (SIDS), prepared by the CARICOM Secretariat, and approved by participating Caribbean States. The Region's position is that embracing *sustainable development* provides cover for some of the Region's defensive interests while securing EU support for implementation of initiatives covered by the Barbados Plan of Action.

Securing adequate EU *development funding* for EPA implementation constitutes yet another problematic area in negotiating the EPA. CARIFORUM maintains the importance of infusing development provisions throughout the EPA and the need to furnish the Region with the funding mechanisms to address its transformative needs. Such needs are mainly but not exclusively in the area of trade capacity building measures.<sup>20</sup> However, the EU argues that it is committed to funding EPA implementation via the Regional Indicative Programmes (RIPs), and hence it is increasing the 10<sup>th</sup> CARIFORUM RIP from €57 million to €132 million. Yet, as generous as this may seem to the reader, the EU offer should be seen in the context of a recent Commonwealth Secretariat study that computed the cost of implementing an EPA in the Caribbean at

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<sup>20</sup> The Region envisions an EPA that would couple binding commitments on trade liberalization and rules with EC development support. Only such an approach would allow EC support to be both actionable and delivered in a timely and predictable manner.

€900 million. Moreover, previous levels of CARIFORUM RIP were closer to €100 million than €50 million.

Yet another major area of contention between CARIFORUM and the EU is the difference in their *approaches or notions of development*. The EU view is that development can be promoted by the adoption of sound economic policies and should be trade-driven. These expressions of such sound economic policies are granting the EU *reciprocal access* to CARIFORUM's market and deepening CARIFORUM's own regional integration processes. However, CARIFORUM has embraced the principle of *asymmetrical trade liberalization* and has also invested considerable capital in its regional integration processes. Thus while CARIFORUM fully recognizes the adoption of sound policies is necessary, it insists that they are not sufficient in the pursuit of Caribbean development.

### Chapter III – Implications of Current EPA Negotiations for Windward Islands’ Farmers and Regional Agriculture

In this chapter we examine the implications for Windward Islands’ Farmers and Regional Agriculture, should the EPA be completed in accordance with the current negotiations. In doing so the chapter proceeds along two alternative hypotheses, explores each of these in the context of available empirical evidence then draws conclusions and proposes recommendations based on these. It was seen in Chapter I that the Windward Islands export primarily a limited number of *agricultural commodities* to the EU, while importing a diverse range of primarily *manufactures*. Moreover, it was seen that the EU exports significant quantities of select agricultural products to these countries. Therefore, from an agricultural perspective the question might be whether the EU is providing effective market access for the range of products that can be exported from these countries, but which so far have enjoyed limited or no market presence.

We begin by examining what it is CARIFORUM is demanding in the EPA with respect to Agriculture and the extent to which the EC is prepared to fulfill such demands. In so doing we examine the overall approach to Agriculture trade liberalization, followed by some specific treatment of Sanitary and Phyto-sanitary (SPS) Measures, Technical Barriers to Trade (TBT), Safeguards and approach to Rules of Origin. If CARIFORUM is already making demands of the EC that are consistent with the expectations of the Farmers of WINFA, then the real issue becomes whether or not the EC is prepared to fulfill such demands. *If the EC is prepared to fulfill those demands then CARIFORUM would have entered into an agreement in the best interest of the Farmers of WINFA and therefore the EPA would positively impact farmers and regional agriculture. Consequently, there would be an increase in production and trade of various crops resulting in increased employment, revenue and savings for farmers of the region.*

However, *if the EC is not prepared to fulfill those demands then CARIFORUM would not have fulfilled the demands of Farmers of WINFA in the EPA negotiations and therefore the EPA would negatively impact on farmers and regional development. In such a scenario, the options open to WINFA include: implementation of a large advocacy and lobby campaign, both locally and internationally, that seeks to ensure the EC changes its stance in the negotiations; requesting CARIFORUM not to conclude the negotiations on agriculture; and some other considerations including – the region’s stance in the WTO on agriculture as well as the region’s political support to the EC in other general subject areas.*

*If instead, CARIFORUM is not yet making demands of the EC that are consistent with the expectations of the Farmers of WINFA, then the real issue becomes rewriting CARIFORUM’s Agriculture Brief and ensuring that it accurately captures such demands. In that case it would have been the Region’s negotiators that would have failed the Farmers of WINFA and not the approach of the EC to the negotiations, per se. Therefore, an alternative to the EPA would hardly be helpful in such a context.*

The following sections of the report draw heavily upon the Joint CARIFORUM-EC Reports of the various trade negotiation groups (TNGs) up to July of 2006.

### ***Approach to Trade Liberalization***

At the Fourth Technical Negotiating Group on Market Access (TNG IV), CARIFORUM emphasized that it is interested in an EPA that results in the *full liberalization* of the EC market. In that connection, CARIFORUM sought clarification on the *ad valorem* equivalent of specific rates on products listed in *Declaration XXII* of the Cotonou Agreement.

With respect to EU member states access to Caribbean markets CARIFORUM has proposed an approach comprising three lists as follows: a Zero List; an Exclusions List; and a Phased List. Essentially, the *Zero List* will comprise items that would attract zero duty at the time of entry into force of the EPA; the *Exclusions List* will comprise items to be excluded from liberalization; and the *Phased List* will comprise items on which duty will be phased out over a transition period to be negotiated. In addition, CARIFORUM signaled difficulties in establishing a single list of zero-rated items given the variance across member states, although a single Exclusion List is anticipated. Finally, with regards to the Phased List CARIFORUM has proposed that: only the five CARICOM MDCs, the Bahamas and the Dominican Republic would contribute; the base rates would be the *WTO bound rates* of individual CARIFORUM States; and the relevant transition periods would be uniform. Both linear and non-linear reductions are contemplated and the desirability of an initial moratorium, in whole or in part, was an option.

In response to CARIFORUM's market access proposal the EC stated its inability to commit total duty- and quota- free access. Moreover, while not rejecting the concept of a list of products to be excluded from liberalization, the EC noted that considerations relating to economic efficiency and WTO-compatibility imply limiting the number of such exclusions.

Regarding flexibility the EC was prepared to consider CARIFORUM benefiting from a transitional period in excess of ten years provided such cases could be justified on developmental grounds. However, the EC expressed its concerns on two aspects of CARIFORUM's proposal: the *exclusion of some countries* from the liberalization process; and the use of the *bound rates* as the base rates from which items on the phased list would be liberalized.

The EC suggested that the non-contribution of some CARIFORUM States to the phased reduction process would compromise the objective of a single economic space with a common protection level, and would further act as a disincentive to trade and investment in the less developed countries of CARICOM. CARIFORUM's concerns regarding the impact of trade liberalization on *fiscal revenue* could be addressed by alternative solutions that may be available or become available during the transitional period. Moreover, the EC drew attention to the absence of explicit legal WTO backing for the calculation of *substantially all trade* in the manner proposed by CARIFORUM as well as its concern over the use of *bound rates* as base rates for phased reduction in the EPA.

## **SSL**

Regarding a proposal by the EC for a single starting line (SSL) as the basis for *tariff elimination* throughout CARIFORUM, the EC explained that the proposed SSL should be viewed as a tool for *market building* and *regional integration*, rather than as a tool for *market opening* or *rapid liberalization*. As such, the principles of the single starting line would include the following elements: transparency expressed in the need to have a single schedule for tariff liberalization; promotion of regional integration and therefore a single level of protection, where possible; provisions for free circulation to allow EC products to move freely within CARIFORUM without attracting additional duties; and the lowest applied duty would not necessarily constitute the base rate for tariff liberalization. The EC also stated its conviction that the use of the SSL would not pose too many difficulties for the majority of CARIFORUM's tariff lines. In this context, the EC also signaled its readiness to address both the specific concerns related to the Dominican Republic's concessions to other industrialized countries and the reality of Haiti's tariff structure.

## ***Specific Positions in Agriculture***

With respect to Agriculture and Food sectors, CARIFORUM has highlighted their importance and the need for their transformation to the EC. The imperative of upgrading the traditional structures in response to new global realities was underscored, and in particular, the targeting of institutional structures that support the sectors, along with sub-sector specific issues related to production and productivity. The major challenge has been to develop the requisite interventions aimed at promoting both diversification and the graduation to higher value added production. In this context, CARIFORUM pointed to the direct link between its market access commitments and the availability of support to facilitate adjustment of the Agricultural and Food sectors.

CARIFORUM introduced its proposal for the establishment of a Joint Mechanism on Agriculture, Food and Rural Development. The major task of this Mechanism would be the formulation of a regional strategy predicated on the policy and institutional reforms required to improve the competitiveness of the food and agricultural sectors through, *inter alia*, the promotion of inflows of foreign investment. While the precise operation of the Mechanism could be developed in tandem with the institutions required to implement an EPA, CARIFORUM noted two principal parameters of its operations, namely, participation by the two sides' public, private and non-governmental sectors, and the interest in garnering financial support from both EC and non-EC partners.

Preliminary reaction the EC was to underscore the need to reserve its position subject to further internal consultations. Without prejudice to its position on the Joint Mechanism, the EC recognized the relevance of the principles and objectives of the proposed text and, in particular, the role Agriculture could play in development and poverty reduction. Further, the EC welcomed the references to policy reform and the involvement of stakeholders as well as non-EC donors. However, the EC emphasized the importance of incorporating relevant trade measures for the Agriculture sector in the EPA and also

pointed to available and possible future support under the Cotonou Agreement and the EDF.

### ***Sanitary and Phyto-sanitary (SPS) measures***

CARIFORUM has provided detailed comments on a draft EC SPS proposal and tabled its own revised text. In introducing its own text CARIFORUM enumerated the nature of the current task, which is to craft common language that could inform agreement on legal text to be developed in subsequent negotiating sessions.

The changes proposed by CARIFORUM refer, *inter alia*, to the references to multilateral obligations in light of The Bahamas non-membership of the WTO; unbundling the pursuit of strengthening regional integration with the provision of technical assistance; relationship between proposed measures and the scope of the WTO SPS Agreement; cross reference to the three relevant international bodies; a preference to the pursuit of regional cooperation as distinct from via a specific regional mechanism; crafting asymmetric obligations with respect to early warning procedures - CARIFORUM utilizes its WTO procedures while the EC notifies its EPA partners at an earlier stage; provision for continuous identification of products of interest; and without prejudice to the institutions to be developed for implementation of an EPA, posit a preference for the establishment of a Joint Technical Working Group to develop cooperation on this subject. CARIFORUM indicated that contrary to the situation in the EU a single SPS interlocutor was not envisaged and neither was free circulation.

CARIFORUM accepted the EC proposal to develop a joint SPS text reflective of areas of both agreement and differences.

### ***Technical Barriers to Trade (TBT) issues***

CARIFORUM provided its first proposed elements for this text and noted that while many of the issues raised in the SPS discussion were horizontal and also applied to this proposal there were some differences due to the different nature of the two topics. CARIFORUM pointed in particular to a reference in its proposal to the recent agreement in the WTO TBT Committee for asymmetrical treatment between Developed and Developing countries in the need for compliance with new measures.

As with the SPS proposal CARIFORUM pointed to their preliminary text seeking to ensure collaboration to assist CARIFORUM private sector operators to meet standards required by EU operators in addition to regulatory requirements. It was agreed the exchanges before the next negotiating session could provide some consolidation of the EC and CARIFORUM proposals.

### ***Rules of Origin***

Regarding EPA negotiations on Rules of Origin CARIFORUM drew attention to the decision of the 83<sup>rd</sup> Meeting of the ACP Council of Ministers held on 28-31 May 2006, which mandated that a *template on EPA rules of origin* be developed at the all-ACP level with the view to provide guidance to all ACP regions in their EPA negotiations. CARIFORUM advised that the ACP Secretariat had undertaken to prepare the template

which it expected to make available to the six ACP regions by the end of August 2006. There was much anticipation on the CARIFORUM side that once the template was made available it would place the six ACP regions in a position to conduct negotiations on Rules of Origin. As a result, it would be possible for CARIFORUM and the EC to initiate substantive negotiations on Rules of Origin from the Fifth TNG on Market Access. CARIFORUM expressed its anxiety to commence the negotiations in this area at the earliest opportunity and reiterated that the negotiations on Rules of Origin ideally should take place concurrently with the tariff liberalization negotiations.

In responding to CARIFORUM the EC reported that the Consultant's report on the Commission's proposed approach to preferential rules of origin had been completed and that the impact assessment was expected in September 2006. However, the EC was still ready to receive proposals from CARIFORUM regarding the approach to negotiations of rules of origin.

### ***Implications of EPA Agriculture Negotiations for the Windward Islands***

CARIFORUM's request that the EU should *fully liberalize* its market is not fully supportive of WINFA's objectives in *bananas*. Therefore, the Region should exploit the EU's resistance to full liberalization to develop a position on bananas supportive of Windward Islands' interest. Full liberalization would destroy the banana industry in the Windward Islands. Hence WINFA would prefer a managed *tariff-quota* approach.

The EU's proposal of limiting the number of exclusions can be entertained by WINFA in the context of selected agricultural products in particular. Moreover, the Region should pursue the EC's receptivity to a transition period of *more than ten years* in the case of bananas.

Joint Mechanism on Agriculture, Food and Rural Development proposed by the Region is a laudable initiative and should include organizations like WINFA that represent actual farmers and their interests. One of its tasks should be exploring the linkage between *diversification* and graduation to *higher stages* of the commodity chain.

With regards to SPS the suggestion for provision of *continuous identification* of products of interest should provide WINFA with an avenue to address SPS issues as they arise in trade of its existing and future commodities.

Regarding TBT the agreement of the EC to collaborate with CARIFORUM in ensuring that the latter's private sector meet EU standards and regulatory requirements will provide some means for WINFA farmers to access relevant assistance.

Finally, regarding rules of origin, the availability of an all-ACP regional template will provide WINFA a means of ensuring that its own *market presence* challenges and concerns would be shared with consistency across the ACP.

### ***Suggestions from the EPA Impact Study for the OECS***

The *EPA Impact Study for the OECS*, conducted by Antoine et al, contain some specific recommendations on domestic capacity development and export development policies. With regards to domestic capacity development the study recommends ensuring that the “domestic regulatory framework is complete and that laws and regulations are administered in a reasonable, objective, and impartial manner”. Additionally, the study recommends “strengthening regulatory frameworks and incentives for investment in physical infrastructure development to ensure cost-competitive, frequent air transport services within OECS and to key export markets”.

## Chapter IV – How an EPA would best serve Interests of the Windward Island Farming Community and Regional Development

Conceptually, a CARIFORUM-EU EPA would best serve the interests of the Windward Islands Farming Community if it results in stimulation of domestic production and boosts trade in at least some of the commodities where Farmers of WINFA have some comparative advantage. Linked to stimulating domestic production is increased employment and income distribution among farmers.

### Supply-side capacity and market access

Additionally, an EPA between CARIFORUM and the EC *must* address supply-side capacity constraints of the small island economies of the Windward Islands. As such, it *must* provide technical and financial resources for investment in the specific commodities and sectors where Windward Island farmers already have, or hope to develop, *comparative advantage*. Table 3 shows the major agricultural exports from the Windward Islands to the EU in 2003. The table also includes agricultural products to other major markets.

**Table 3 – Major Agriculture Exports from the Windward Islands to the EU (2003)**

Tariff Heading	Description
03026999	FRESH OR CHILLED EDIBLE SALTWATER FISH, N.E.S.
03041038	FISH FILLETS OF SALTWATER FISH, FRESH OR CHILLED (EXCL. COD, FISH OF THE SPECIES BOREOGADUS SAIDA, COALFISH AND REDFISH)
07082000	FRESH OR CHILLED BEANS 'VIGNA SPP., PHASEOLUS SPP.', SHELLED OR UNSHELLED
07096099	FRESH OR CHILLED FRUITS OF GENUS CAPSICUM OR PIMENTA (EXCL. FOR INDUSTRIAL MANUFACTURE OF CAPSICIN OR CAPSICUM OLEORESIN DYES, FOR INDUSTRIAL MANUFACTURE OF ESSENTIAL OILS OR RESINOIDS, AND SWEET PEPPERS)
07099090	FRESH OR CHILLED VEGETABLES (EXCL. POTATOES, TOMATOES, VEGETABLES OF THE ALLIUM SPP., CABBAGES OF THE GENUS BRASSICA, LETTUCES OF THE SPECIES LACTUCA SATIVA AND CICHORIUM, CARROTS, TURNIPS, SALAD BEETROOT, SALSIFY, CELERIAC, RADISHES AND SIMILAR EDIBLE RO
07149011	FRESH AND WHOLE OR WITHOUT SKIN AND FROZEN ARROWROOT, SALEP AND SIMILAR ROOTS AND TUBERS (EXCL. MANIOC, JERUSALEM ARTICHOKE AND SWEET PATATOES) WITH HIGH STARCH CONTENT, WHETHER OR NOT SLICED, FOR HUMAN CONSUMPTION, IN PACKINGS <= 28 KG
07149090	ROOTS AND TUBERS WITH HIGH STARCH OR INULIN CONTENT (EXCL. 0714.10-10 TO 0714.90-10)
08030011	Plantains, Fresh
08030019	BANANAS, FRESH (EXCL. PLANTAINS)
08044000	FRESH OR DRIED AVOCADOS
08045000	FRESH OR DRIED GUAVAS, MANGOES AND MANGOSTEENS
08051010	FRESH SANGUINES AND SEMI-SANGUINES
08052010	FRESH OR DRIED CLEMENTINES
08054000	FRESH OR DRIED GRAPEFRUIT
08071900	FRESH MELONS (EXCL. WATERMELONS)
08072000	FRESH PAWPAWS 'PAPAYAS'
08109030	TAMARINDS, CASHEW APPLES, JACKFRUIT, LYCHEES AND SAPODILLO PLUMS, FRESH
09011100	COFFEE (EXCL. ROASTED AND DECAFFEINATED)
09081000	NUTMEG

Tariff Heading	Description
09082000	MACE
09101000	GINGER
10063067	WHOLLY MILLED LONG GRAIN RICE, LENGTH/WIDTH RATIO >= 3, PARBOILED, WHETHER OR NOT POLISHED OR GLAZED
11062090	FLOUR, MEAL AND POWDER OF SAGO AND OF ROOT OR TUBERS OF MANIOC, ARROWROOT, SALEP, JERUSALEM ARTICHOKE, SWEET POTATOES AND SIMILAR ROOTS AND TUBERS WITH A HIGH CONTENT OF STARCH OR INULIN OF HEADING 0714 (EXCL. DENATURED)
11081990	STARCH (EXCL. WHEAT, MAIZE, POTATO, MANIOC AND RICE)
15159059	CRUDE FIXED VEGETABLE FATS AND OILS, IN IMMEDIATE PACKINGS OF A CONTENT OF > 1 KG, OR CRUDE, LIQUID (EXCL. THOSE FOR TECHNICAL OR INDUSTRIAL USES; SOYA-BEEN, PEANUT, OLIVE, PALM, SUNFLOWER, SAFFLOWER, COTTON-SEED, COCONUT, PALM KERNEL, BABASSU, RUBSEN, MU
18010000	COCOA BEANS, WHOLE OR BROKEN, RAW OR ROASTED
18040000	COCOA BUTTER, FAT AND OIL
20079993	JAMS, FRUIT JELLIES, MARMALADES, FRUIT PUREE AND PASTES OF GUAVAS, MANGOES, MANGOSTEENS, PAPAIA 'PAPAYAS', JACKFRUITS, PASSION FRUIT, TAMARINDS, CASHEW APPLES, LYCHEES, SAPODILLO PLUMS, CARAMBOLA, PITAHAYA, COCONUTS, CASHEW NUTS, BRAZIL NUTS, ARECA 'BETEL
21039090	SAUCES AND PREPARATIONS THEREFOR, MIXED CONDIMENTS AND MIXED SEASONINGS (EXCL. SOYA SAUCE, TOMATO KETCHUP AND OTHER TOMATO SAUCES, LIQUID MANGO CHUTNEY AND AROMATIC BITTERS OF SUBHEADING 2103.90.30)
22021000	WATERS, INCL. MINERAL AND AERATED, WITH ADDED SUGAR, SWEETENER OR FLAVOUR, FOR DIRECT CONSUMPTION AS A BEVERAGE
22029010	NON-ALCOHOLIC BEVERAGES, NOT CONTAINING MILK, MILK PRODUCTS AND FATS DERIVED THEREFROM (EXCL. WATER, FRUIT OR VEGETABLE JUICES)
22029099	NON-ALCOHOLIC BEVERAGES CONTAINING >= 2% FATS DERIVED FROM MILK OR MILK PRODUCTS
22030009	BEER MADE FROM MALT, IN CONTAINERS HOLDING <= 10 L (EXCL. IN BOTTLES)
22084051	RUM WITH A CONTENT OF VOLATILE SUBSTANCES (OTHER THAN ETHYL AND METHYL ALCOHOL) OF >= 225 G/HL OF PURE ALCOHOL 'WITH A 10% TOLERANCE', IN CONTAINERS HOLDING > 2 L
22087010	LIQUEURS AND CORDIALS, IN CONTAINERS HOLDING <= 2 L

Source: Author based on data from EUROSTAT (2004) and FAOSTAT (2004).

While most of the products identified in Table 4 have actually entered the market in the EU in the past, there is evidence that exporters face several constraints in effectively establishing market presence in the target EU members. As discussed in Chapter I although there is some diversity in the agricultural export offer of these countries, in practice, trade has been monopolized by a few products – bananas, nutmeg and rum. Most of these products have entered the EU market on a seasonal basis and face significant non-tariff barriers. Moreover, the Region's farmers encounter difficulties in establishing market presence due to a lack of local knowledge and continuous imperfect knowledge of local norms in member states.

### ***Business relationships, EU norms and customs***

Therefore, for ordinary farmers to effectively benefit from the EPA market access will be necessary but not sufficient. In addition to market access steps must be taken to ensure market presence. These would include: measures to ensure that all *non-tariff barriers* are eliminated in product markets of interest; technical and financial assistance in getting to know *EU residents* and understand local *norms* and *customs* in member states; and technical assistance in building *business relationships* including establishment of local presence. Moreover, a CARIFORUM-EU EPA must provide for special considerations for the small island economies of the Windward Islands that take into account the

difficulties these countries face in realizing economies of scale – their cost structures are inherently higher than others – hence their need for duty- and quota- free market access for most of the commodities that have been identified in which comparative advantage might be developed. Additionally, the EU should maintain significant MFN tariffs on these commodities from more competitive countries for a minimum transition period to be agreed to, approximately ten years. Simultaneously, WINFA Farmers should be provided with technical and financial assistance geared at making them more competitive and efficient for the target commodities and sectors that have been identified. Table 3 is an indicative list only.

### ***Specific treatment for bananas***

However, with respect to bananas WINFA Farmers place a premium on their ability to enter the EU market and sell their bananas at remunerative prices. Given the limited availability of arable land in the Windward Islands and the vast size of the EU banana market, *quota free* access is *not* a major priority for the Windward Islands especially if it will result in further trade litigation between the EU and Latin America. In fact, it seems more desirable for banana exports from these countries to be subjected to a quota in the EU market, provided that a relatively high tariff is maintained on MFN bananas.

### ***Importance of Food Security and Rural Livelihoods***

The reader will recall from Chapter I that although the EU exports primarily manufactures to the Region, its exports also include some agricultural produce, including products meant chiefly for food. Reciprocity in the EPA would imply driving tariffs to zero on substantially all the products that the EU presently exports to the Region and this may include agricultural products.

However, the EPA would have done a major injustice to the region's farmers and its agricultural development if it results in the destruction of domestic agriculture as it becomes substituted by "artificially competitive" or subsidized imports. The EU has agreed to phase out all agricultural subsidies by 2013 in the context of the WTO DDA negotiations. However, talks are temporarily suspended and it remains unclear whether WTO members will continue to commit to earlier proposals when talks resume.

In any event, assuming the EU will phase out all agricultural subsidies by 2013 then strategically, CARIFORUM should request that its commitments to liberalize agriculture be *back-loaded* until then, at least for the products it has identified as having some comparative advantage. Moreover, in respect of the Windward Islands agriculture's share of their imports has increased over time, while their *total export values* have declined rendering them increasingly more food insecure.

Therefore, the EPA should foresee measures to ensure that the *food security* position of the region is *enhanced* and its farmers continue to exploit some gainful employment as their *rural livelihoods* derived from traditional agricultural activity are preserved.

## Chapter V – Alternatives to Current EPA that Advance Interests of Windward Island Farmers and Agriculture Development

In this chapter EPA alternatives are explored against the backdrop of CARIFORUM and WINFA interests in agricultural development. The chapter attempts to discuss alternatives to the EPA with a view to ascertaining whether the current EPA negotiations are tending towards outcomes that support the development objectives for CARIFORUM agriculture, which are to transform the sector through diversification into value-added products that are internationally competitive.<sup>21</sup> Based on the proposals articulated in the EPA negotiations and elsewhere (mainly WTO), the CARIFORUM interests in agriculture are:

- (i) *Real market opening* for products of export interest (should address tariffs, non-tariff barriers including SPS, TBT, rules of origin and regimes);
- (ii) *Flexibility* for policy makers which facilitates the protection of sensitive industries such as exclusions and longer phase out periods for tariffs; and
- (iii) Development assistance to address *supply-side constraints* that will enable producers to convert market opportunities into business realities.

The EPA negotiations have been proceeding as scheduled since the negotiations were launched in 2004. However, as indicated in earlier chapters, the progress of the negotiations is perceived as less than satisfactory by the CARIFORUM negotiators. One of the areas of continued divergence between the EU and ACP has been their differing perspectives on the development dimension – a cross-cutting issue in the negotiations. This has fuelled the discussion on alternatives to EPAs or EPA alternatives by ACP countries and more passionately some of the NGOs, who have gone as far as launching a “StopEPA Campaign” in 2004.

The argument for exploring alternatives has been justified by the need for a fallback position should the EPA negotiations not conclude successfully. The formulation of an alternative can also be useful as a benchmark for evaluation of an EPA agreement. The mandate to explore EPA alternatives is set out in Article 37.6 of the CPA, though this issue has never been a formal part of the negotiations. The article states:

*In 2004, the Community will assess the situation of the non-LDCs which, after consultations with the Community decide that they are not in a position to enter into Economic Partnership Agreements and will examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules*

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<sup>21</sup> This is articulated in much more detail in many CARICOM documents including the Regional Transformation Programme and the Jagdeo Initiative. The OECS Development Charter also echoes similar objectives.

Consideration of EPA alternatives has ascended to a place of primacy at the ACP as indicated by the recent decision of the ACP Council of Ministers at their 83<sup>rd</sup> Session in May 2006, to include the exploration of EPA alternatives as part of the Article 37.4 mandated review of the EPA negotiations. However, it is the EC that is charged with the responsibility of conducting the assessment and providing the proposed framework for non-LDCs who are not entering the EPAs. Two years after the date set for this assessment, the EC position is that the reciprocal free trade arrangements envisaged for the EPAs are the best option for advancing the development objectives of the ACP countries. The only other EU option that has been presented as a CPA and WTO compatible alternative is the EU GSP.

EPA alternatives have also assumed a high level of importance for peasant farmers' organizations such as WINFA, whose major objective is to ensure that trade arrangements are directed toward economic and social development. WINFA's objectives in agriculture are: to promote small-holder agriculture through modalities that address sustainable development; improve market access and producer prices; provide stable and predictable trading arrangements; and development opportunities and improvement of rural livelihoods.<sup>22</sup> The WINFA objectives for agriculture are analogous to the policy objectives espoused in the CARIFORUM Non-Paper "Agriculture, Food and Rural Development" that was recently tabled at a Joint CARIFORUM-EC TNG. The CARIFORUM interests in agriculture include the support of the transformation of the sector through the upgrade of traditional structures; the targeting of institutional structures that support the sectors; and sub-sector specific issues related to production and productivity. But the EC position in the EPA has been to focus on market liberalization and market building through regional integration. Development concerns have not been part of the agriculture negotiations and were met with a lukewarm response at the last TNG. The development concerns while welcomed were relegated to being addressed referred through the funding provided under CPA and EDF facilities.

EU and ACP agree that development is at the heart of the EPAs but it is clear that the approaches to the realization of this agenda differ. The development debate which is of greatest significance to NGOs in any discussion of EPA alternatives highlights the divergence of views between the EU and CARIFORUM. The EU perspective of development places emphasis on the removal of barriers to trade and market building and proposes that development will be stimulated by trade/market liberalization<sup>23</sup>. The CARIFORUM view, which is very much in line with WINFA's, is that development should be at the heart of the EPA whose purpose is to reform the existing trade relationship.

A discussion of possible alternatives to the EPA should begin with a discussion of the importance of WTO compatibility. WTO compatibility is discussed here in the context of the existing rules of the GATT and the GATS. Given the penchant of other developing countries to challenge the modalities governing preferential trade

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<sup>22</sup> Adapted from material on WINFA website [http://www.fairtradetoronto.com/whats\\_ft.html](http://www.fairtradetoronto.com/whats_ft.html) accessed September 12, 2006.

<sup>23</sup> EPA Impact Study by Antoine et al p. 118.

arrangements of which the CARIFORUM states are beneficiaries (which was the genesis of the EPAs), any arrangement succeeding the CPA should be compatible with the relevant WTO provisions on regional trade agreements. Therefore, alternative arrangements could either be based on the Generalized System of Preferences (GSP) which is generally applicable to all developing countries, or they should be reciprocal arrangements that cover “substantially all the trade”. A fundamental and critical difference between these two types of arrangements is the legal security that each is able to provide. GSP-type arrangements are *unilateral* and can be withdrawn at any time by the preference granting country (or countries). There is the additional possibility of a preference beneficiary being graduated out of the “group” thus discontinuing to qualify for such preferences.

In a GSP-type scenario, which the EU has touted as the most feasible alternative to the EPA, unilateral non-reciprocal trade preferences can be extended to developing countries by a developed country. The GSP generally requires these preferences to be extended to all developing countries and not to categories of developing countries. However, a recent Appellate Body ruling on the Indian challenge to the EU GSP stated that differentiation between developing countries is allowed if the treatment is related to objective and internationally accepted differences.<sup>24</sup> The EU GSP is due for review in 2008 and if the new EU GSP which was adopted in 2005 is accepted, then, it could be a viable *legal* alternative to the EPA. However, such an arrangement, as indicated before is not legally secure and, further, may also allow for participation from CARIFORUM’s competitors including Latin American agricultural producers.

The other scenario is more complicated and requires reciprocal commitments on trade liberalization by the CARIFORUM/ACP on “substantially all the trade” to be compliant with Article XXIV of the GATT. At least one study has shown that for CARIFORUM, this would require the liberalization of a minimum of 83% of trade with the EU provided that the EU liberalizes completely, i.e., 100%. In another scenario, described as “EPA light”, the definition of *substantially all trade* is interpreted as 85% of product coverage. In this scenario, the EU could fully liberalize all trade and the ACP could liberalize a minimum of 50% to 60% of their trade. The difficulty with this approach is that it is considered to be stretching the limits of the flexibility of the RTA provisions and also assuming the other WTO members will turn a “blind eye” to such a loose interpretation of the definition of “substantially all the trade”.

Bilal and Rampa (2006) also propose other scenarios that could meet the Article XXIV requirements: “EPA menu Approach” requiring 90% liberalization on average but scope and coverage are country specific; “Country-Specific EPA” requiring 65–85% liberalization by ACP; and “All ACP EPA” requiring 80% liberalization by ACP. All scenarios assume 100% liberalization by the EU.

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<sup>24</sup> The Appellate Body concluded that “in granting differential tariff treatment, preference-granting countries are required, by virtue of the term “non-discriminatory”, to ensure that identical treatment is available to all similarly-situated GSP beneficiaries, that is, to all GSP beneficiaries that have the same “development, financial and trade needs” to which the treatment in question is intended to respond.”

There is another aspect of WTO compatibility which has been given limited attention by the Region. GATT Article XXIV and rulings on the provisions of the article, support the interpretation that the sub-regional groupings that conclude RTAs with the EU must themselves be customs unions by 2007.<sup>25</sup> This would have been possible if a CARICOM-EC EPA were being negotiated. However, in the present scenario, the CARIFORUM configuration which essentially is a CARICOM-Dominican Republic FTA must be transformed to a customs union. This gives credence to the EC demand for a single starting line approach to tariff liberalization. Therefore, CARICOM and specifically WINFA's constituents must be mindful of this interpretation as the definition of a customs union under GATT Article XXIV is more stringent than the provisions of the Enabling Clause. CARICOM and CARIFORUM negotiators should seek clarification on this issue as it can be inferred that this is the EU interpretation of Article XXIV based in their proposals on market access and the regional integration agenda that they have advanced.

The other aspect of the exploration of EPA alternatives is the development focus. This precipitates the question: can alternatives to the EPA better facilitate the **achievement of CARIFORUM agriculture development objectives**? A recently completed study of the impact of the EPAs on the OECS underscores the significance of the development dimension and argues that the gains in development are a *sine qua non* for the establishment of a sustainable arrangement, which is in line with the NGO perspective on the primacy of development in trade arrangements. CARIFORUM needs to set out and work towards realizing its own agriculture development objectives. The achievement of these objectives is not contingent on the conclusion of an EPA but must be advanced in all negotiating forums.

Moreover, the extent to which modalities that address the issues of poverty alleviation and sustainable development are included in an agreement with the EU is dependent on the extent to which CARIFORUM negotiators advance the interests of their constituents which is a direct function of the mandate issued by capitals. The EU has for the most part dampened discussions on the development dimension by proposing that development is consequential on trade liberalization and that addressing development in each negotiating area would yield overall gains in agriculture. This line of argument could be carried through to any scenario for an ACP-EU agreement. Therefore, the inclusion of a development agenda in a CARIFORUM-EC agreement requires its articulation from a CARIFORUM perspective.

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<sup>25</sup> See pg 14, Koroma and Ford (2006).

## **Chapter VI – Assessment of the Breakdown in WTO DDA Talks on Windward Islands Agriculture Development**

This chapter reviews the causes of the breakdown of talks at the WTO in July 2006, paying particular attention to the agricultural issues that contributed to this development. It then reviews the key proposals that were on the table at that juncture and their influence on the talks with particular attention being paid to the EC position on agriculture and how the breakdown in the WTO negotiations could influence the EPA outcome on agriculture.

The Doha round negotiations came to a halt on 24 July 2006 after a failed ministerial meeting of the six major players (US, EU, Brazil, India, Australia and Japan) the so called G6. The failure of the talks was rooted in deep divisions on the issues of agricultural subsidies, market access in agriculture and non-agricultural market access. The WTO Director General had expressed the view that the negotiations would advance if there were movement on a 'triangle' of issues: the US would have to agree to deeper cuts to domestic farm support; the EU to increase agricultural market access; and large developing countries such as Brazil and India to significantly lower industrial tariffs. Despite a mandate provided by the Political Leaders of these countries to their trade ministers at the St. Petersburg Summit on July 17, 2006, there clearly was not enough political will and at the July meeting of the Trade Negotiations Committee, WTO DG Lamy concluded that based on the severity of the impasse among the G6, the conclusion of the round at the end of 2006 would not be possible.

The period leading up to the collapse of the talks was a time of extensive consultations. DG Lamy had undertaken extensive bilateral consultations with the G6 as well as the coordinators of the respective WTO alliances. However, both India and the EC blamed the US intransigence for their refusal to offer additional concessions and in the wake of the collapse of the talks, the G6 ministers engaged in a war of words with many fingers pointing to the US as being responsible for the failure. The key developing country spokesman, India, blamed the US for “inverting” the goals of the so-called development round by asking developing countries to “pay” in advance for any concession by the US in trade-distorting domestic support. The EC, likewise, was critical of the US for its failure to move on that issue. The WTO DG also concurred that domestic support was the “corner” on which the triangle of issues had broken down.

The general membership of the WTO has expressed disappointment over the July collapse, which the TNC has dubbed a “suspension” of negotiations. WTO members have also signaled the immediate need for the resumption of the negotiations, the importance of development and the need to maintain the transparency of the multilateral negotiating process.

The Ministerial Declaration of 2001 set a mandate for: *“comprehensive negotiations aimed at substantial improvement in market access reductions, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic*

*support*". Special and Differential Treatment (SDT) was to be an integral part of the negotiations. The December 2005 Hong Kong Ministerial Declaration established a framework for developing modalities on domestic support (three bands for cuts with steeper cuts for highest band), elimination of export subsidies by 2013, improved market access (four bands for tariffs with special treatment for sensitive products, special products and a Special Safeguard Mechanism (SSM).

By working through the small, vulnerable economies grouping, CARICOM has laid several demands on the table in an effort to secure special and differential treatment appropriate to their peculiar situation. The challenge for SVEs has been to craft proposals that address SVE issues without creating a new category of WTO members.

The significance of the current round of negotiations for developing countries in particular is that the DDA has a built-in mandate to address the issues and concerns of small economies. At the time of the collapse of the talks, there were several issues on the table of importance in securing the policy space required to safeguard their agricultural interests. The key areas of agreement according to the Chair's reference papers follow.

### ***Market Access***

An unequivocal statement from the Chair of the Committee on Agriculture to use bound rates as the basis for tariff cuts and not applied rates. Sensitive Products, Special Products, and the Special Safeguard Mechanism were still contentious issues. The positions of members on the number of products and the treatment of selected products were still widely divergent.

### ***Domestic Support and Export Subsidies***

In the lead up to July 24, 2006, the EC had shown a willingness to move on all three pillars of the Agreement on Agriculture. The EC package included over 50% cut in tariffs, 75% cut in domestic support and 100% elimination of export subsidies. The Trade Commissioner had also indicated a willingness to discuss the disciplining of sensitive products.

In the aftermath of the suspension of the talks, and given the implicit relationship between the WTO and the EPAs, some consideration needs to be given to the implications of a breakdown in the WTO talks for the outcome of the EPAs. The additional commitments and obligations that are anticipated from engaging in EPA negotiations is that the overall trade package should be WTO-plus.

### ***Preferences***

This is one of the most important issues for CARICOM and also one of the most contentious. Preferences and preference erosion are best addressed in the WTO. Linking the maintenance of preferences to the appropriate modalities for sensitive products and special products could accord legal security to preferential arrangements. Relegating this issue to the EPA negotiations would require the juggling of the erosion of EBA benefits for LDCs, the erosive effects of subsequent market access modalities and the effects of future CAP reform.

### ***Implications***

Many developing countries consider they have been deprived of anticipated benefits from completion of the DDA. Most notably duty-free and quota-free market access for LDCs, a substantial Aid for Trade (AFT) package, improvements in market access for cotton exporters, as well as the general S&D package. However, not all developing countries have been enthusiastic supporters of the round, as many of them fear that they would be required to make concessions that would have the effect of damaging their goods and services sectors without gaining much in return.

The Caribbean group has, for the most part, taken a defensive position in almost all areas of the negotiations exhibiting very little inclination towards market opening in the agricultural and non-agricultural areas. This is complicated by the fact that, rather than enhancing the region's access to the main industrialized markets, the round is more likely to have the opposite effect – given the existing preferential arrangements in place. Efforts by the Caribbean to have its concerns on preference erosion taken into account in the talks have borne little fruit.

With regards to the European market, the EPA negotiations are intended to lock in existing preferential arrangements, albeit on a reciprocal basis. The major concerns that the Caribbean has regarding the future of its commodity exports to Europe are less connected with the Doha negotiations themselves than with EU domestic reforms (in the case of sugar) and with WTO dispute settlement process (in the case of bananas). It is, however, the case that the outcome of the talks can have significant impacts on the future competitiveness of the region's traditional exports.

In summary it is not clear that the Caribbean perceives the suspension of the DDA talks as a wholly negative development. In many ways it provides additional “breathing space” and an opportunity for the Region to assess its own place in the negotiations, as well as to determine how best to safeguard its interests and in particular to achieve the development promise of the DDA.

## Chapter VII – Conclusions and Policy Recommendations

The purpose of this report has been to evaluate the CARIFORUM-EU EPA negotiations with a view to determining whether the negotiations so far are consistent with the CARIFORUM objectives for an EPA. More specifically, the report has sought to analyze the extent to which the outcomes of agriculture negotiations are likely to be consistent with the expectations of Caribbean Farmers, with special reference to the Windward Islands.

Generally, what has emerged from the report could be summarized as follows. EPA negotiations have proceeded according to schedule. However, treatment of several issues of interest to CARIFORUM has been less than satisfactory.

First, both CARIFORUM and the EU broadly share a similar vision of the EPA. Both sides believe that an EPA has to be more than a classic FTA built purely on market access commitments and obligations. In particular, both sides agree that an EPA should contain a significant development dimension with respect to the CARIFORUM side.

However, when it comes to the specifics of the negotiations it appears that there is considerable divergence in some key positions of the two sides. In particular they do not agree over the following issues: how the development dimension should be crafted so that it infuses all aspects of the EPA; financial resources for CARIFORUM's implementation of commitments under an EPA; approach to tariff elimination; variability in the economic structure and progress of CARIFORUM states; treatment of investment taking into account bi-lateral investment treaties; and commitments in the areas of sustainable development and good governance.

CARIFORUM's agriculture trade deficit is a major problem for most of its members, except Guyana and Belize that have been consistent agriculture trade surplus generators. Trinidad and Tobago's agriculture performance continues to improve and can move to a surplus position if export growth is sustained along its present path. However, all of the Windward Islands consistently record agriculture trade deficits, even if there exists commodities to which production can be diversified, as supply-side constraints effectively constitute barriers to diversification.

The EU's stance on a single starting line (SSL) as the basis for liberalization of trade in CARIFORUM, if adopted, could result in the smallest economies undertaking to cut their tariffs to the same extent as significantly larger economies. Consequently, this would place considerable pressure on the already weak fiscal systems. Related to the EU's position on SSL is its view on the principle of non-discrimination – any member of CARIFORUM that has made concessions to a developed country must make similar concessions to the EU. This provision would allow the EU to access concessions made by the Dominican Republic in the CAFTA-DR-US FTA and could have even more profound adverse implications for the smaller CARIFORUM members.

It is difficult at best to see how an EPA developed under such circumstances would adequately satisfy the demands of CARIFORUM. In general the problem appears to be not the negotiators on the CARIFORUM side, but the intransigent positions of the EU in a number of areas of importance to CARIFORUM.

With regards to the specific treatment of Agriculture in the talks so far, nothing submitted by the CARIFORUM side appears to be injurious to Farmers of WINFA. However, more can be done to ensure a more focused and specific outcome with respect to agriculture in general and the products of export interest by Farmers of WINFA in particular. In particular, where bananas are concerned it would be in WINFA Farmers best interest if a managed quota was maintained on the EU side, thereby providing a justification for the EU to continue to impose a reasonably high tariff on bananas subjected to MFN market access.

Quota free or unlimited quantity market access for bananas means very little to WINFA farmers in a context in which they all face permanent supply-side constraints. However, the major banana exporters from Africa – Cameroon and Ivory Coast, are pursuing quota free access given that they possess capacity to effectively expand market presence, significantly. Should the EU concede to this in the EPA then it would signal intense competition to the Latin American suppliers and would likely result in an entire new round of banana trade litigation in the WTO. Therefore, in addition to stating its position in these negotiations WINFA needs to engage farmers from organizations in these countries, as well as other influential groups in pursuing their objective.

Farmers of WINFA might achieve more out of the EPA than is presently scheduled by making the following specific submissions to negotiators through the CARIFORUM Council of Ministers of Trade. First, for products affected by long-standing preferences the EU should commit not to engage negotiations multilaterally and to move to designate them as sensitive. Additionally, such products should be excluded from the scope of negotiations in other FTAs that the EU may engage in over the next decade.

Secondly, Farmers of WINFA need to notify the products identified in Table 3 as important to either their export production interest or rural livelihoods and security to the CARIFORUM Council of Ministers of Trade. As such, the Ministers of Trade should be requested to instruct its regional negotiators to ensure that in addition to market access which the EU will provide in an EPA that the EU commits to building supply-side capacity for development of these products in the Region. Commitment should also be sought from the EU in the context of technical and financial assistance to ensure that market access can be converted to market presence in the EU for these products. Moreover, the EU should agree as part of the development dimension to implement measures that would help farmers better integrate into the entire supply chain for these products. Such integration should result in an enhanced understanding of norms and values, business practices and other issues peculiar to EU member states that may impede market presence.

Additionally, the EU has proven so far to be too inflexible in the following areas: concept of a development dimension that will generate real value to CARIFORUM; financial assistance for implementing commitments and obligations under and EPA; and the approach to tariff elimination. There is a need therefore for an aggressive lobby and advocacy campaign of EU capitals and the Commission on these specific issues.

While this report has surveyed some of the literature on alternatives to the EPA, it has not found evidence of credible alternatives that would effectively provide CARIFORUM the same degree of security as the EPA. Indeed options like GSP would result in less favorable treatment than that under Cotonou. Therefore, the major initiative that CARIFORUM should embark upon is to ensure that it maximizes on the flexibility in implementation, opting for long phase-out periods for sensitive products while diversifying their export production base.

In order to help build CARICOM and CARIFORUM's regional integration processes, a major challenge that remains is the transportation of goods from one member to another. As part of its commitment to help build the integration process, the EU should provide technical and financial assistance to the Region for establishment of a shipping line. This is seen as a major priority for success of the Region's own integration and market building and ultimately, the success of the EPA between CARIFORUM and the EU.

Another concern of WINFA is embodied within the debate on environmental sustainability. Specifically, the EU should commit to environmentally friendly means of production of goods for trade with CARIFORUM, and assist CARIFORUM in developing and implementing appropriate standards to ensure its own environmental sustainability.

Regarding the RPTF it seems that the relevant preparatory work has been done in identification of the various areas for support. However, the pace of implementation of projects and initiatives within the identified areas is rather slow. There is a need therefore for the EU to ensure that all necessary actions are taken to facilitate an early harvest in the delivery in key areas.

Finally, the importance of the development dimension cannot be understated. The CARIFORUM side is expected to table a detailed approach that could be adopted to the development dimension when talks resume after the summer. WINFA should examine the submissions in that proposal in order to ensure that it reasonably capture most of its concerns.

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