

THE CARIBBEAN, THE CRISIS AND THE ECONOMIC 'PARTNERSHIP' AGREEMENT

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Presentation at South Centre Seminar

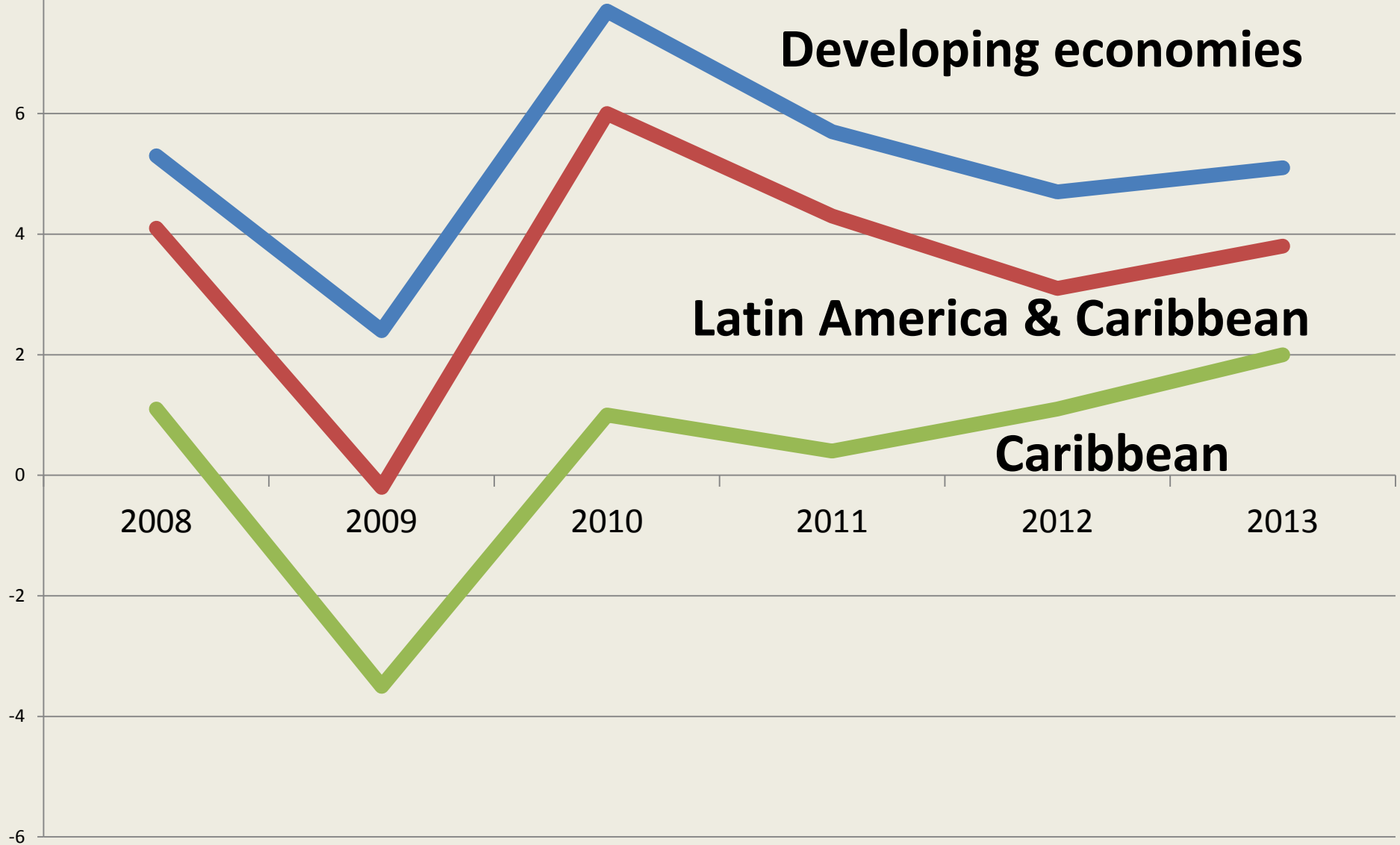
January 31-February 1 2013

Impact of the global crisis

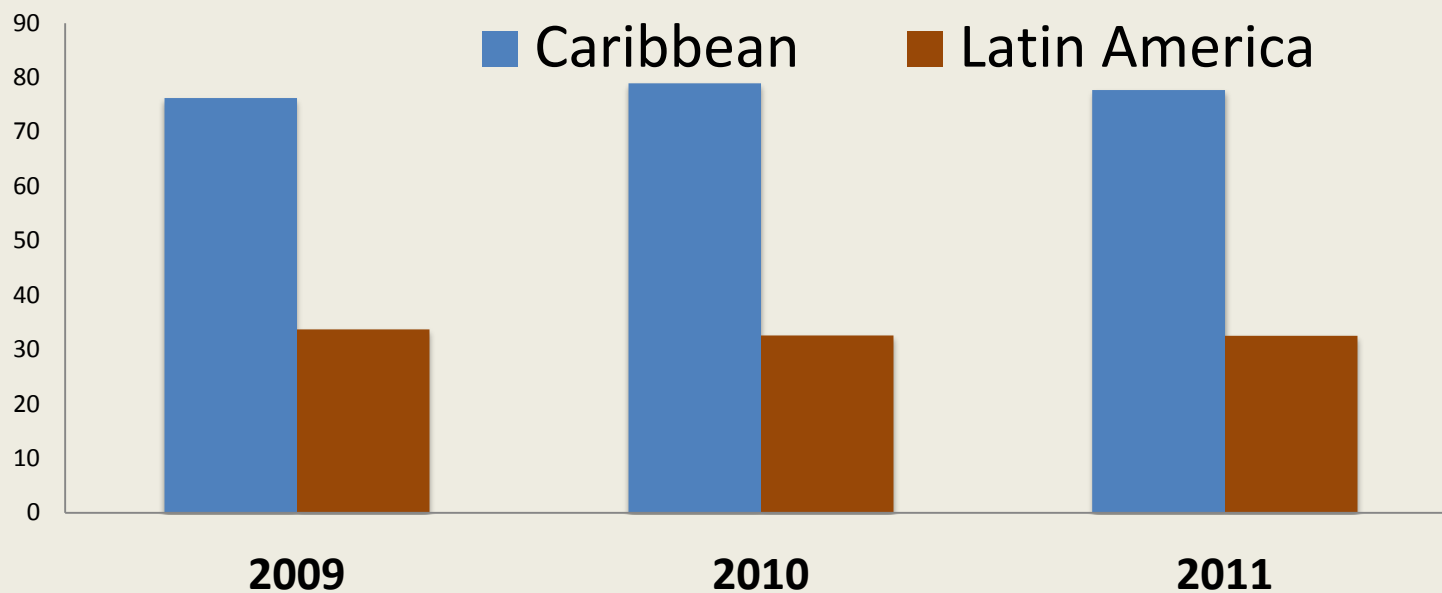
- As small, vulnerable economies, Caribbean countries have been more severely impacted by the crisis than developing countries as a whole and LAC as a whole
- The short-term impacts of the crisis come on top of the impact of negative long-term trends resulting from globalisation (preference erosion) and climate change (floods, hurricanes, and coastal degradation)
- The situation of Caribbean economies probably has much in common with the group of Small Island Developing States and Small Vulnerable Economies in other regions

IMPACT OF THE CRISIS

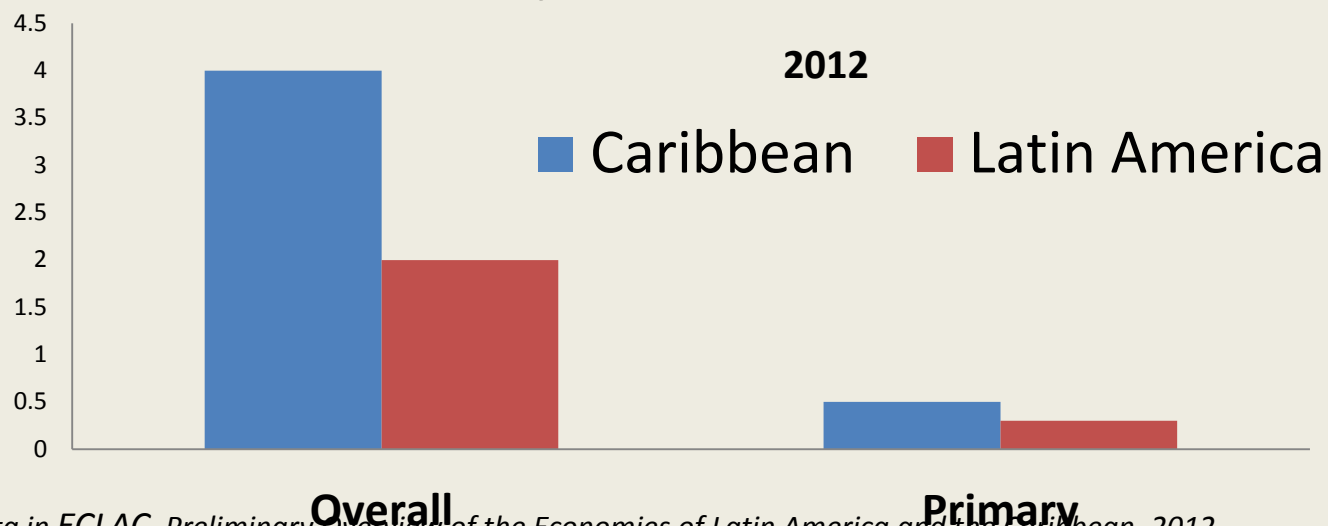
Annual variation in GDP



DEBT % GDP



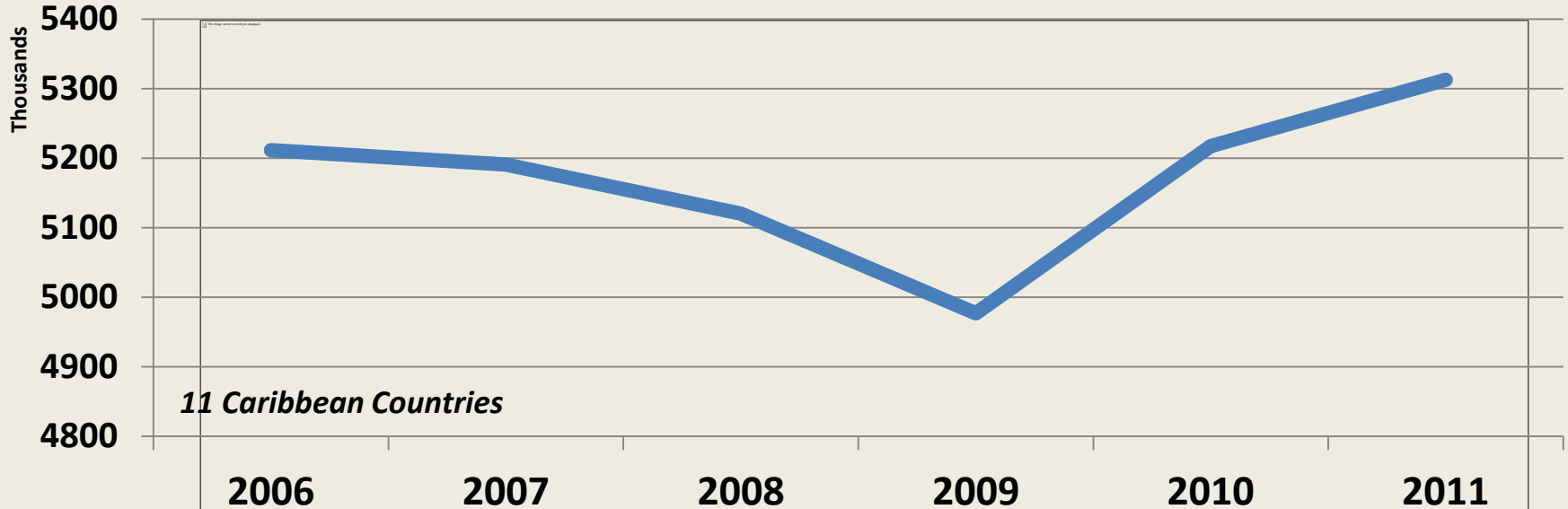
DEFICIT % GDP – OVERALL & PRIMARY



Transmission mechanisms

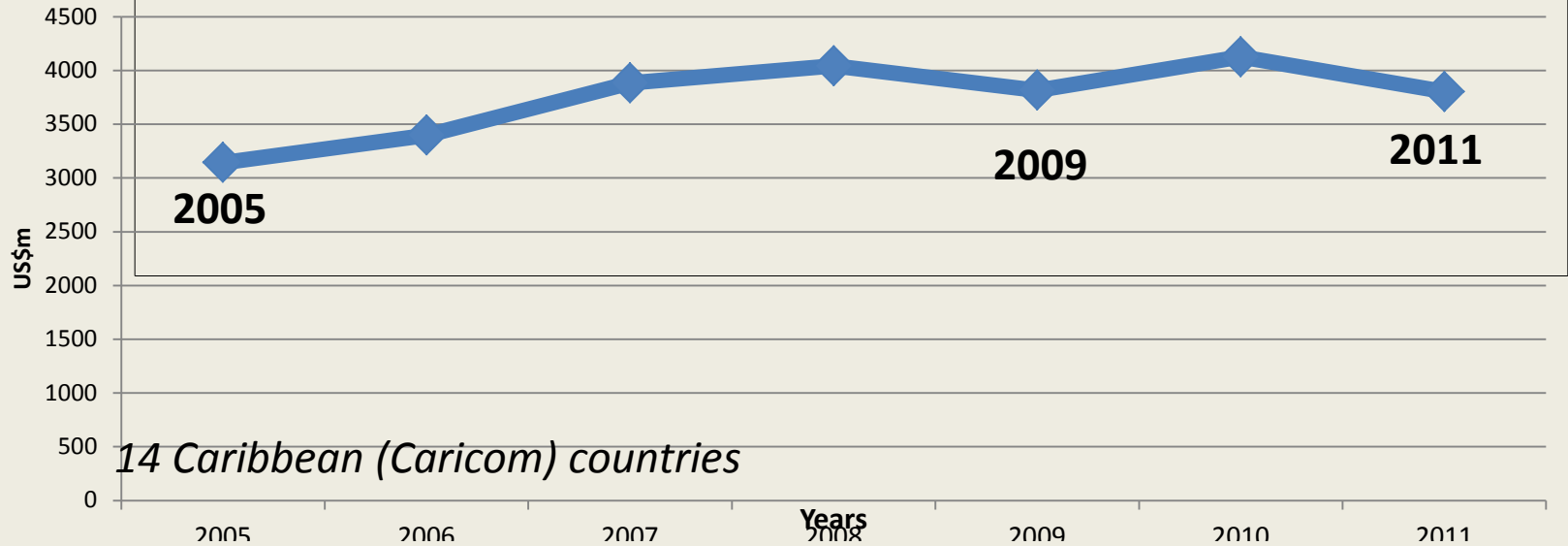
- Tourism
- Remittances
- Export receipts
- Import prices—food commodities
- Fiscal revenues
- Financial meltdowns

Tourist Arrivals



11 Caribbean Countries

Remittances



14 Caribbean (Caricom) countries

Selected IMF Caribbean Programmes 2010-2012

Country	Type	Date	Term	US\$
Antigua & Barbuda	SBA	2010	36/mo.	128 M.
Dominica	RCG	2012	Imed.	3 M
Dominican Rep.	SBA	2009	27/mo	1.74 B
Grenada	ECF	2010	36/mo	13.7 M
Haiti	ECF	2010		278 M
Jamaica	SBA	2010	27/mo	1.27 B
St Kitts & Nevis	SBA	2011	36/mo	79 M
St Lucia	RCF	2011	Immed	8.2 M
St Vincent & Grenadines	RCF	2011	Immed	2 M

The Caribbean EPA

- In October 2008 the CARIFORUM Group, consisting of 15 Caribbean countries, signed a “Full” EPA with the EU covering goods, services, investment, innovation and intellectual property, public procurement, competition policy and other trade-related subjects
- The Caribbean is so far the only ACP group to sign on to a “Full” EPA
- Notably, the CF EPA contains an MFN clause obliging CF to offer to the EU any more favourable treatment it accords in goods, services and investment to emerging economies of the Global South

Why a 'Full' EPA?

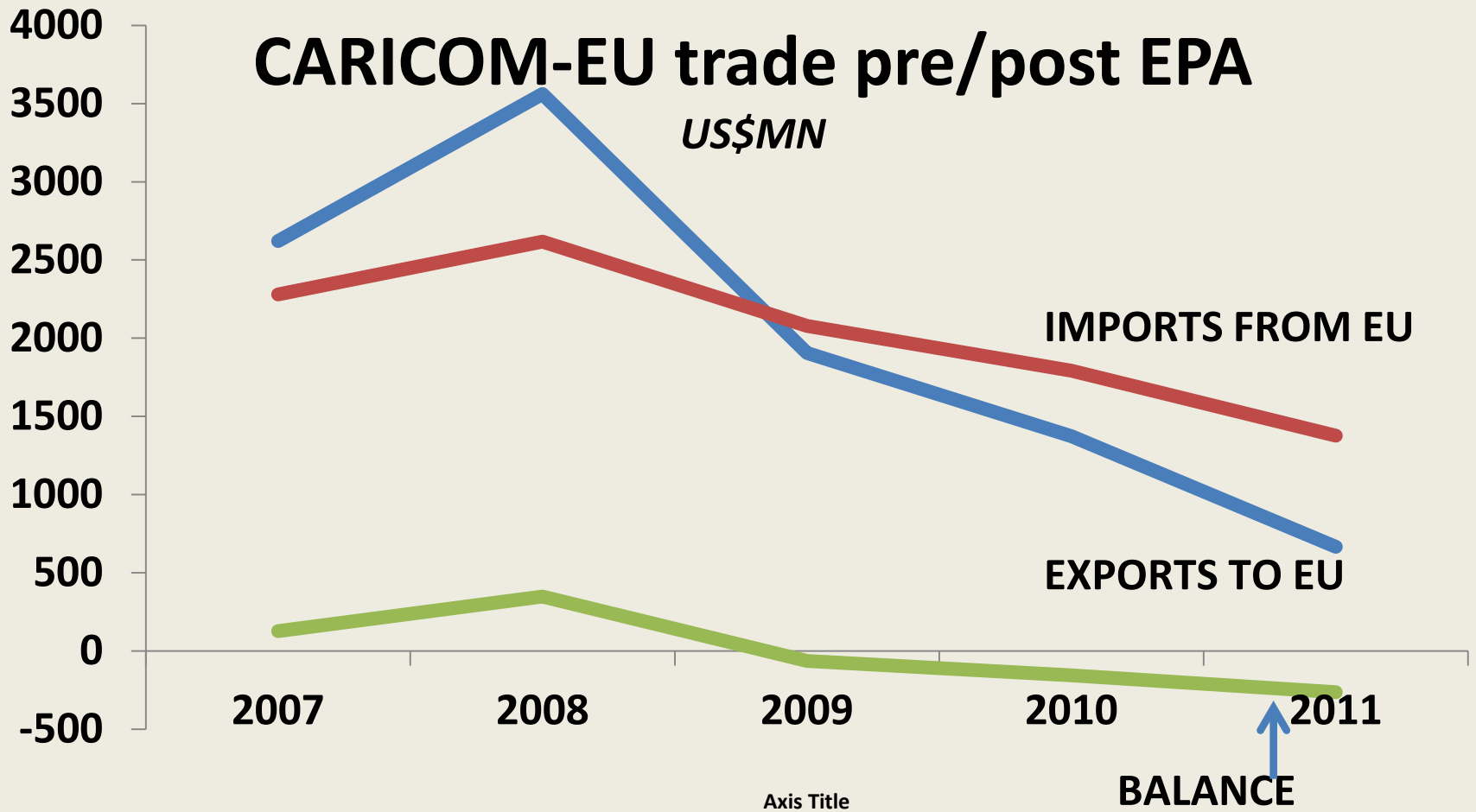
- 14/15 CF countries are non-LDCs & the EU threatened to impose tariffs on their exports if negotiations were not completed by the deadline
- Many CF countries are services exporters & they believed they would benefit from the opening of EU services markets
- CF feared losing market share to Central and South American countries with which the EU was negotiating FTAs
- CF was promised additional assistance under Aid For Trade—"first-in-the-line" advantages

EPA Implementation Problems

- ❑ The 'Full' EPA has imposed onerous legal, regulatory and administrative obligations on the small, resource-constrained CF states
- ❑ By mid-2011, 5/15 CF countries had set up EPA Implementation Units; & these were small & under-resourced
- ❑ The EPA was 'provisionally applied' on December 29 2008; but it has not legally entered into force as only 5/15 CF states and 10/25 EU states have completed their EPA ratification procedures (October 2012)
- ❑ The legality of its 'Provisional Application' has been questioned (Naar 2012)

Due to acute fiscal constraints, including those resulting from the impact of the global crisis and debt burden, **7 Cariforum states failed to meet their commitments to implement the first round of tariff cuts on EU imports scheduled for January 2011**

Since Provisional Application of the EPA, Caricom's trade balance with the EU has worsened



Other reported problems

- ❑ Caribbean small exporters have reported substantial non-tariff barriers in accessing the EU market including SPS, TBT and ROI
- ❑ Traditional exporters have lost ground from EU banana agreement and FTAs concluded with Latin American & Asian countries
- ❑ Mutual Recognition Agreements necessary to access the EU's services markets are not yet in place
- ❑ The promised Aid for Trade has not materialised
- ❑ The EU's proposed Differentiation policy will mean a substantial diminution of aid flows to the Caribbean
- ❑ Major disagreements between CF and the EU have emerged over the interpretation/wording of certain clauses of the EPA
- ❑ The EPA has in effect side-lined the CARICOM integration scheme - - Caricom Single Market and Economy (CSME)

EPA access to EU services markets

- ❑ The EPA prioritises the services professions of accounting, architecture, engineering and tourism for exports to the EU market
- ❑ In these and other “liberalised” sectors, access is qualified by several eligibility requirements
- ❑ A key requirement is the establishment of agreements for the mutual recognition of professional qualifications between CF and EU countries

Steps to MRAs

- Relevant professional bodies are to be encouraged to start negotiations within three years after **the coming into force of the Agreement**
- Once agreement is reached, recommendations are to be submitted to the EPA Joint Committee on Trade and Development
- CTD reviews to determine consistency with EPA.
- If CTD approves, Parties negotiate and MRA through their competent authorities covering requirements, qualifications, licenses and other regulations”;
- Subject to relevant GATS Article VII provisions-- “other WTO Members should be notified with sufficient possibility for others interested to join.”
- Update: after over four years, technical work is proceeding on engineering. No profession has reached an advanced stage of negotiations on an MRA***

Disagreements

- ❑ CARIFORUM is of the view that there are errors in the schedule of CARIFORUM States' tariff reductions with respect to motor vehicles and parts imported from the EU, because the schedule does not reflect the "moratorium" which both regions had agreed would apply to cuts in the rates for these products.
- ❑ The EU's response is that if CARIFORUM States' wished to amend their schedule, this will require a wholly different and much lengthier procedure than that which applied for the treatment of errors.
- ❑ This issue failed to be resolved at meetings of EPA Trade and Development Committee (TDC) and Joint Council (JC) C in 2012

Disagreements

- ❑ CARIFORUM has objected to the application of the *octroi de mer* by the French Caribbean Overseas Regions (FCORs) of Guadeloupe, Martinique and French Guyana.
- ❑ The EU's response, following the French authorities, is that the *octroi de mer* is specific to the FCORs; not a customs duty; does not discriminate against CARIFORUM States; and that it had its legal basis in the EU's Lisbon Treaty and had been 'grandfathered' in the EPA, under Article 239(4);
- ❑ CARIFORUM has reasserted that the *octroi de mer* is an internal tax, and that it is being administered in a discriminatory manner.
- ❑ The Joint Council meeting of October 2012 failed to reach agreement on the issue.

EPA Five-Year Review

- ❑ A Joint Declaration adopted at the time of signing the EPA mandated a ‘comprehensive review’ of the Agreement to be undertaken within 5 years at subsequent five-yearly intervals in order to determine its impact, including the costs and consequences of Implementation and an undertake to amend its provisions and adjust their application as necessary.”
- ❑ What this means will be/is the subject of interpretation & negotiation
- ❑ Monitoring set up by CF so far focuses on implementation of EPA obligations
- ❑ The EPA needs to be monitored as an instrument of sustainable development that brings benefits to all socio-economic groups including “men, women, young people and children”. (Article 5).

Thank You!