

The Trinidad and Tobago Manufacturers' Association welcomes the news that the CARIFORUM-EC Economic Partnership Agreement has been signed ahead of the December 31st deadline. The region has until April 15, 2008 to put into place all the administrative and legal instruments to give effect to the Agreement. However, it should be noted that from January 01, 08 the region's goods and services would continue to be afforded duty free quota free entry into the EU market.

Further the Association appreciates the fact that a comprehensive Agreement was signed as opposed to an interim Agreement that would have only secured coverage for trade in goods. In signing a comprehensive Agreement this would allow the other important aspects of the arrangement such as Trade in Services, Innovation; transparency in Government Procurement; Personal Data Protection; Cooperation; the Development Chapter; Trade Related Issues such as Competition Policy, Investments and Intellectual Property Rights to come into force simultaneously with the chapter on Trade in Goods.

This augurs well for us in Trinidad and Tobago, and by extension the wider CARIFORUM region, especially the Lesser Developed Economies of the CARICOM region who stand to benefit most from some of these areas in the Agreement. For example, Trade in Services would be more beneficial to the OECS countries as well as the Development assistance that was agreed to in the Agreement as opposed to an interim Agreement only on goods. The development dimensions would allow the countries in the region to make the necessary adjustments to cope with the rigors of reciprocal trade between two trading partners that are as asymmetrical in nature as the lion and the sheep in the battle for economic space.

With respect to Trade in Services, there are many openings in this area for TT. The region was able to obtain market access commitment from the EU in 93% of the international services sectoral classification, while at the same time TT only undertook 75% opening in this area. In respect to contractual suppliers of entertainment services (including theatre, live bands, circus, and discotheque services and other audiovisual services) TT has obtained market access in 25 of the 27 Member States of the EU. Further the Agreement provides for access to key personnel and graduate trainees.

The TTMA recognizes that many other entities have been voicing their opinions on the process and the value to having the Agreement completed and or signed at all, stating that enough analysis was not done and there should have been a more inclusive approach to the process, involving the stakeholders to a greater extent.

Whereas the Association respects the views of these entities, it wishes to state that this body was involved in the process from the beginning and have actually participated in the process, shaping the outcome while at the same time ensuring that the interests of its stakeholders were well represented, and as far as the negotiation would allow, safeguarding the sensitive industries that were certain to fold up if they were made to face competition from their European competitors.

The TTMA would argue that a greater advocacy role would be needed by the Government, CRNM and other participants to the process to sensitize all and sundry of the benefits and disadvantages to be derived from the Agreement, and it is doing its part to ensure that the information is disseminated to the wider population. However, the TTMA is not agreeing with the notion that the Agreement should not have been signed. One needs to recognize the opportunity cost of not doing such for the country.

Our analysis shows that for 2006, Trinidad and Tobago exported well over TT\$ 2 billion worth of goods to the EU market; this represented approximately 200 tariff lines traded with this market. (Research done by Mr. Patrick Kanyimbo (MTI) and Mr. Justin Pantin (TTMA). Of the 200 tariff lines traded, roughly 40% would have been hit with a tariff under any dispensation that speaks to the paying of duties upon entry into the EU.

The Europeans stated categorically that they were not going to extend the waiver for the Cotonou Agreement, thus if the Economic Partnership Agreement was not signed by the end of this year, TT goods would have had to enter the EU market under the General System of Preference (GSP) scheme; meaning these goods would have had to pay a duty that is more favorable than the Most Favored Nation rate, but less favourable than a duty free regime.

In effect the 40% tariff lines hit by the GSP rate represent approximately 75% of Trade with EU, the dollar figure being 1.5 billion of the 2 billion dollars worth of trade engaged in 2006.

The questions that need to be asked are, firstly, would manufacturers have been able to absorb this hit: and secondly, would they have been able to compete with those countries that would have signed the Agreement, whose goods enter EU duty free, while the region's goods were made to pay a duty? In some instances this duty would have been as high as 30% for orange juices; 29% for mixed juices; 20% for jam and jelly; 18% for other juices; 7% for tomato ketchup, 6% for other bread and cakes; 6% for ammonia; 13% for other food preparations; 9% for other vegetables; 10% for male shirts of cotton, among others. The simple answer for the TTMA is that our producers and exporters would not have been able to sustain this hit and thus would have had to forego production to the EU market which is TT's fourth largest trading partner behind the US, Caricom and Central America. This may have had the multiplier effect of reduced production in TT, leading to lost of jobs.

Other aspects of the GSP scheme that were not to the liking of the TTMA were, it expired in 2008 and thus its existence beyond this period was debatable. Further the EPA would be a binding Agreement as opposed to a GSP regime that is non-contractual in nature and is done in an ad hoc manner, making market access less certain.

Having participated in the process to bring the Agreement to a conclusion, and having worked with the relevant stakeholders in the country, the TTMA is pleased that the EPA has been finalized. The EU market is now guaranteed. Investors and producers alike can

rest assured that they can continue to make the investments needed for expanded production to facilitate the market access that have been created.

It should be added though that the TTMA recognizes that this was a negotiating process and as such not all the positions argued for by CARIFORUM/TT would have been forthcoming. Thus there are some matters that are not in the best interest of the TTMA and its members, for example, the changing of the rules which speaks to the utilization of home grown sugar to make confectionery for export purposes to the EU market.

Whereas the trade statistic for 2006 shows that our exports to the EU for this product were in the vicinity of TT\$150,000, this measure can act as a deterrent for expanding production capacity for exports to that market. This is one area the TTMA would be working with the Government and the relevant stake holder to find an innovative way to circumvent this problem. The Minister spoke to the possibility of growing home grown sugar privately, specifically for this purpose. This is something the TTMA, in its effort to finding a solution, would be discussing with the sugar manufacturing company of TT.

Other aspects of the Agreement that were not in favour of TTMA's position were, inter alia, the issue of MNF principal, the provision of Safeguard measures for the French overseas territories, for example Martinique and Guadeloupe, forgoing on the use of pre shipment inspection and the none granting of special safeguards for Agriculture products.

However, when one examines the cost of not having the Agreement in place, vis-à-vis trading in a duty free environment and giving up some of the positions we would have liked to keep, for the TTMA, the benefits outweigh the cost.

Liberalization/globalization is here to stay, and trading in such an environment is a reality for our members. The TTMA appreciates that this was the first of many FTAs that would be negotiated in the not to distant future with other developed countries. This Agreement has a development dimension infused throughout; as such this would be the yardstick for future negotiations. This should be the temp plate used when negotiating any agreement with large developing partners, and most definitely negotiations with any developed partner.

The challenge for the TTMA stakeholders would be to address the supply side constraints that manufacturers face with respect to servicing these new market opportunities that are being created by the Government of TT. Also they would need to ensure that their production capabilities are adequately and effectively retooled and re-engineered to face the competition that would be meeting them on their doorsteps as a result of the new reciprocal dispensation they find ourselves trading in.

As mentioned above, the TTMA views this as an inevitable situation that was always going to happen given that the days of preferential arrangement are quickly coming to an end. Hence TT producers/exporters have to ensure that their operations are such that they would be able to compete with goods which would have to travel the Atlantic, incurring

cost, insurance and freight and made to compete with domestic production. Those industries that were deemed sensitive were given some policy space, up to 25 years in some instances, to get their acts together, ensuring that techniques used in production are cost efficient. Also some infant and other sensitive industries were excluded from the Agreement, thus these companies would continue to be afforded protection from imported goods which are made to continue to pay the duties levied on them upon entry to the common market.

In addition, to facilitating trade between CARIFORUM and the EU, this Agreement would provide opportunities for investment promotion and for local firms to improve their international competitiveness.

Governments would be able to access funding for capacity building and technical assistance, for example in the area of strengthening local regulatory bodies.

The latter is a critical issue, given that reciprocal trade brings forward the possibility of unfair trade practices being engaged by unscrupulous traders.

It is therefore imperative that the Government of Trinidad and Tobago ensures that all the regulatory bodies are operating in an effective manner, thus guiding the efficiencies that are required and simultaneously safeguarding its manufacturers from unfair competition.

This will build competitive advantages that would afford manufactures sustained efficiencies to compete in the international market place.

Thus in conclusion it is safe to say that the Agreement was not a bad one. There are many opportunities created for local manufacturers and exporters, as well as service providers. For the TTMA, most importantly, this Agreement locks in the market space the country presently has with the EU. Without this Agreement the opportunity cost would have been high, displacing TT goods from that market with dire consequences for some local producers and workers. The TTMA wishes to reiterate that this Agreement **MUST** be used as the template when the time comes to negotiate other FTAs with similar developed countries, which one must add is inevitable, since globalization is upon us and the CBI preferential arrangement is soon to expire as well as CARIBCAN. In hindsight it is probably a good thing that the EU was the first of the developed countries the region engaged in this process since they are more acquiescent to the development needs of our very small, vulnerable status on the global stage.

The TTMA would continue to work and partner with the Government of TT to ensure that the country remains on the path to long term sustainable growth and development. There is a significant role for the Government to play, not only with respect to creating market openings for exporters, but assisting in addressing the supply constraints exporters faced in penetrating these markets. Also the liberalization process implicitly means that our borders are free for unscrupulous traders to take advantage of; thus one must ensure that as the country move to engage in a free trading environment, all the necessary bodies

are working effectively and efficiently to guarantee that the playing field is leveled as much as possible.

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