

## **CARICOM TRANSCRIPT**

PRESENTATION BY  
PRIME MINISTER BRUCE GOLDING M.P.  
ON THE EUROPEAN PARTNERSHIP AGREEMENT

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You will recall that at the outset of the meeting, I expressed some concerns that the agenda was overloaded and that one consequence of that was likely to be our inability to allocate the appropriate time and attention to issues that were both important and urgent. I can think of no item on the agenda that is more urgent, more important, particularly because it involves more contentious issues than the question of our external trade negotiations and more particularly the EPA arrangements that we have entered upon.

Members are already aware that on the 16<sup>th</sup> of December, CARIFORUM States and the European Union reached an agreement on a new economic partnership. This was done merely 15 days before the deadline that was set for the conclusion of an agreement.

The negotiation, the conclusion of an agreement and the deadline, were mandated by the Cotonou Agreement and the terms of the waiver which was granted by the WTO in November 2001. Let me try to set this agreement in some context. The Cotonou Agreement signed in March of 2000 assimilated the preferential arrangements which we enjoyed under Lome. It however required that these arrangements which were inconsistent with WTO rules and therefore required a waiver; it required that these arrangements be replaced by an Economic Partnership Agreement and the deadline for completing that was set for the 31<sup>st</sup> December 2007.

There have been as we all know some very trenchant criticisms of the agreement. Some of them coming from Caribbean personalities, very distinguished, and whose concerns must not be dismissed. What have been these criticisms?

One was that we approached the negotiations with undue and even reckless haste to sign. I challenge that. We knew from 2000 - seven years and nine months before the deadline - we knew that this was the timetable that was set. The clock had started to tick and we should have heard the ticking of that clock. The negotiations began in April of 2004. Could we have started the negotiations earlier? Should we have started those negotiations earlier? I think so. In hindsight I believe that we should have proceeded more diligently in order to avoid finding ourselves in a crunch time position approaching the end of the negotiating period. In hindsight too, I don't think that we were sufficiently seized - certainly many of the critical stakeholders in this effort - I don't think that we were sufficiently seized of the implications of any new agreement with Europe and therefore, had we been more sensitized to this new adventure, perhaps we would have been better prepared for the negotiations themselves.

Some critics have argued that we did not have to sign and on that score I agree with them. We did not have to sign because there are choices. We could have made one of two choices. We could have eschewed any agreement if we felt that the agreement was not in the best interest of the Caribbean, of the region. We could have opted to enter upon trade with Europe determined by WTO rules which would have involved regional exports to Europe being subject to the general

system of preferences. That was a choice. We could have looked that choice straight in the eye and determined whether or not, all things considered, that was a better arrangement for us.

Some critics say well, we could have applied for another waiver. Well, the truth is we couldn't have applied for a waiver because we would have had no *locus standi* under WTO rules it is the preference granting party and not the preference receiving party that has the option of making an application for a waiver. Based on clear signs that were given, the European Commission had no intention of going back to the WTO and even if they did, the chances of succeeding perhaps would have been as good as a snowball has of remaining a snowball in hell.

A third criticism is that we could have resigned ourselves going on the GSP arrangement but continue negotiations towards concluding a more appropriate agreement. My view and I offer this just as my own view, is that such an approach would have offered us – would have put us in a position to secure no better terms. I don't think that it would have given us any greater leverage. Indeed, it is possible that the disposition of the European Commission to continuing those negotiations would not have been as favourable as they would have been.

Two other points I want to mention very quickly in terms of recognizing some of the concerns that have been expressed. One is the argument that we have allowed access to our market in return for a continuation of access to the European market when we know that we have capacity limitations and will not be able to exploit the opportunities that access to the European market gives. My response to that Mr. Chairman is well whose responsibility is that? If we have a capacity problem whose job is it now to address that problem and to get that problem right? And more than that, forget about Europe. If we are going to stand up to competition which we have to face – not just in external markets but on our own supermarket shelves – then we are going to have to address our capacity deficiencies whether we enter into an agreement with Europe or not. If we are to survive, if we are to offer our people the opportunity for development and growth, we are going to have to address that capacity issue.

The other point finally before I move on, is an argument that the development chapter - the development component of the agreement – is weak. That is an issue I think we could probably debate for the next ten years. I do feel – again I am expressing a view which I hold very strongly – that in these negotiations, reserving our right not to enter upon an agreement – Europe has no obligations to offer us any development assistance in the same way we are not obliged to allow them duty free quota free access to our market. These are choices that we have. These are choices that Europe has. And therefore we can discuss the strength of the development component but simply to say that this is not a contingent liability in a trade negotiation. A trade agreement must be assessed on the basis of what it provides and the rights it conveys. It cannot be measured in terms of what development assistance it contains.

What is it that we have agreed to Mr. Chairman? In terms of goods, immediate duty free quota free access for all CARIFORUM exports to the EU with the exception of rice and sugar. Rice will enjoy duty free quota free access commencing in 2010 with increase quotas for duty-free quotas for 2008/2009. In so far as rice is concerned, the distinction that has been preserved between whole grain and broken rice is to be eliminated. In so far as sugar is concerned, it will enjoy duty-free quota-free access commencing in October of next year with increased tariff rate quotas of 60,000 tones – 30,000 for CARICOM and 30,000 for the Dominican Republic – between now and then, and inter-regional reallocation of quotas in the event of delivery shortfall.

In terms of goods again, duty-free quota-free access of EU exports to CARIFORUM states but limited as follows. Four hundred and ninety-three items amounting to 13% of CARIFORUM

imports from the EU will be permanently protected from tariff liberalization. These include fresh fruits and vegetables, dairy and cheese products, processed agricultural products, chemicals, furniture and industrial products. One of the points I think we need to note is that 75 per cent of the agricultural imports which come in now from Europe will continue to be protected by tariff and have no sunset clause. Those will be protected in perpetuity. Secondly, I think we must note that the EU is required to eliminate export subsidies on all the agricultural products which we liberalize. That's the other 25 per cent.

What are the tariff related commitments that CARIFORUM has made? It is important to appreciate where we are starting from. Our starting point is that up to the 31<sup>st</sup> of December without any EPA, 51 per cent of the imports from Europe already attracted zero duty. 51 per cent! The ending point which is where EPA is intending to take us, will still leave us with 13% of imports from Europe being protected from liberalization. So that what is to be liberalized over the next 25 years is 36% - that's 51% plus the 13 that will not be liberalized, meaning no change to the status quo. The status quo change will affect 36% of our tariffs. In that, we have sought to phase the liberalization to give us space to make the adjustments that we will be required to make.

Immediately - in terms of additional liberalization - immediately upon coming into force of the agreement, we would liberalize 1.8 % of imports which are regarded as nuisance tariff because they don't really impact upon our domestic economy. In the first five years another 3.2%. In the next five year another 8.3%. In the next five years which would take us up to the fifteen year basket, 21.7%, which amounts to 60 per cent of the new tariff liberalization that has to be done. So, 60% of what we have to liberalize beyond what was liberalized from the very beginning, 60% of that is in the 15 year basket. In the 20 year basket we will liberalize another 1.9% and finally in the 25 year basket the final 2.3% which would bring us up to 87% liberalization – actually 86.9%.

So, there is no liberalization apart from the 1.8% of nuisance tariff. There is no liberalization for the first three years. Tariffs on revenue sensitive items such as gasoline, motor vehicles, motor vehicle parts, are to be phased out in years eight to ten and in so far as other duties and charges are concerned another major negotiating issue. Current ODCs are to be maintained for the first 7 years and then phased out in years eight to ten.

Finally on goods Mr. Chairman, during the first 3 years the EU is to exclude CARIFORUM exports from application of multilateral safeguard measures and employ constructive measures before imposing anti-dumping and countervailing duties. In regard to services, the EU will immediately liberalize 94% of the W120 list of sectors. The Dom. Rep. has committed to liberalizing 90%, CARICOM MDC to liberalize 75%, CARICOM LDC to liberalize 65%. The Bahamas and Haiti are to submit their liberalization schedules within six months.

The EU is to grant access to CARIFORUM professionals in 29 sectors for Caribbean contractual service suppliers subject to them having secured contracts and limited to up to ninety days aggregated in any calendar year. This includes importantly entertainers for which a stout battle had to be fought and we have got acceptance of that to all EU countries with the exception of Belgium and Italy. The EU will also grant access to CARIFORUM professionals in eleven sectors for temporary entry. This has to do with CARIFORUM independent professionals or self-employed persons.

In the area of investment, reciprocal market access will be provided in most areas of agriculture and forestry, manufacturing, mining and service sectors. CARIFORUM has reserved protection for public services, utilities and other sensitive sectors. CARIFORUM will retain special

protection for small and medium enterprises in specific sectors and special rules governing investment in tourism, e-commerce, courier services, telecommunications, financial services and maritime transport will apply.

A sticking point in the negotiations had to do with MSN treatment. The EU, the EC argued and insisted that the obligation should exist that would require us to extend to each other, us to them and them to us, similar treatment to that entered into by either party with a developing country that commands 1% or more of world's merchandise exports or, in the case of a bloc of developing countries 11/2%. This of course was in reaction to the fact that we do have some developing countries like China and Brazil that are major exporters and it was in a sense to square bracket them and to indicate that if we entered into trade agreements with them which were better than those contained in EPA, that those arrangements would also have to be extended to them. In so far as regional preferences are concerned the EU insisted that any concessions granted by CARIFORUM to the EU in goods and services must automatically be extended from one CARIFORUM state to another. We found it difficult to oppose that because that is certainly consistent with the principles of the CSME and indeed the principles of CARICOM. It does not preclude CARIFORUM states from granting to each other, terms that are more favourable than those granted to the EU.

The question of removing tariffs from EU imports circulating within CARIFORUM was another issue on which we were not able to reach agreement and therefore what we agreed to do was to use our best endeavours. We took that position because we do not yet have a CSME free circulation regime and we did not wish to compromise any decisions that we may make in the future in that regard.

No commitments were given relating to government procurement since we did not want to compromise the design and implementation of CSME government procurement regimes which remain a work-in-progress and which we anticipate will go far beyond anything that we might have to assume under the EPA arrangement.

Regarding the development chapter Mr. Chairman, while the EPA does not provide an indication of the levels of assistance that would be available to facilitate implementation, the commitments undertaken by CARIFORUM are in many instances conditioned upon delivery of such assistance. There are five sources of EU funding that are available to support the implementation of EPA. They are the national indicative programmes, the CARIFORUM regional indicative programme, the all ACP facility, the general budget of the EC and the aid for trade programme. CRIP constitutes a...the tenth CRIP amounts to €132 Million with the CARIFORUM Ministers having decided in October of last year to allocate 30% of CRIP to EPA implementation. That will be complemented by reserving all of the incentive tranche of the 33 Million, to EPA implementation.

The question of the...of the all ACP facility of €2.7 Billion which is also inserted in the ten EDF is a matter of concern because we did not - and it is an area of disappointment I found - we were not able to secure any commitments regarding the allocation from that fund to CARIFORUM. This is an all ACP facility and the further concern we have is that the disposition of the European Commission could well result in a bias being shown towards African countries because of their own stage of development and would work to our disadvantage. The modalities governing access to this facility are still being worked out and it is something that we need to pursue aggressively. But we need to put ourselves in a position where we can tap into this source which means that the projects that would qualify for assistance under that funding head are things that we have to pursue as a matter of urgency.

The status Mr. Chairman of – lets looks at a couple of issues – I will try to be as brief as I can. Among the things arising out of this experience has been the need for us to do an evaluation of the negotiating process that was used, the structures that were employed, the results that have been obtained and whether or not that represents the way forward in terms of future negotiations and what arrangements we need to put in place regarding implementation. This brings me to what is emerging as perhaps the most contentious issue and that has to do with the role of the CRNM.

The CRNM was established in 1996 by the Heads of Government acting in their wisdom. Questions have been raised about the status of the CRNM. As you know COTED commissioned a consultant evaluation of the process and among the issues that they raised was the legal status, whether it was a legal entity because it is not a Treaty-based defined entity. It was set up and it operated under the political direction of the Heads and was subject to supervision by the Prime Ministerial Sub-committee on External Trade Negotiation. It is an issue that has to be addressed and it may well be that the Heads may decide that this is an issue that is better addressed in caucus. But let me raise some general issues here. It needs to be addressed because there are inherent conflicts between the mandate of the CRNM and established Treaty-defined Community organs, COTED being one. In the case of COTED, COTED has special delegated authority to deal with things like tariffs that impact significantly on any trade agreement.

The complaint has been made and the independent consultants have pointed to what appeared to be a disconnect at times between the CRNM working in collaboration with the Heads of Government and COTED which complains that it was many instances left out of the loop. The observation was made in the discussion with the independent consultant that the level of supervision of the Prime Ministerial Sub-committee was less than what was required. Concerns have been raised for example about the funding of the CRNM and whether or not the sources of funds could have given the appearance if not the actuality of a compromising loyalty. Concern was expressed as well that the negotiating brief that was provided to the CRNM even though clearly defined, as the negotiations progressed and as they got into dealing with tight sticking point issues, that the negotiating briefs offered, fell into some level of ambiguity.

It is something that has to be addressed. I think it is a well known secret that there has been tension between the CRNM and the secretariat. I don't think that we can afford to enter upon any further negotiations until we confront that issue head on. It is something that I would suggest Mr. Chairman that perhaps the Heads in caucus need to focus on. Do we revisit that decisions that was made in 1996 to determine the value of that approach and to seek to resolve the matter dispassionately, devoid of emotion, respecting the Treaty and the institutions that are created thereby, but at the same time allowing for pragmatism and recognizing that one of the challenges that we have faced in the past has been how to execute decisions of the Community and to do so expeditiously and in a timely manner.

When you are entering upon trade negotiations you cannot afford to have ambivalence. Most importantly, you cannot effectively anchor those negotiations if there is uncertainty in the minds of the negotiators when they go to the negotiating table. So it is an issue that I believe has to be addressed.

In so far as the consultants reports were concerned which was engaged by COTED, they made a number of recommendations which the Heads will have to address. One is that the negotiating machinery must be Treaty-based with shared responsibility between the negotiating machinery, secretariat, COTED and other designated organs of the Community. It went further to suggest

that the secretariat needs to be restructured to better manage the economic cooperation functions of the region and that these functions would have to include the implementation of trade agreements and they are suggesting that that should be assigned – should be placed under the directions of a single directorate headed by a Deputy Secretary General.

They went further to propose that the CRNM should be integrated into the restructured secretariat. They urged that we accelerate preparation for the implementation of EPA. They urge that we fast track the CSME implementation - let me just spend just a short moment on this.

The observation was made and I think that it has merit – that, CSME is in danger of being smothered under EPA because of how EPA was structured. EPA was not a negotiation between Europe and CARICOM. For the purpose of the negotiations the Dom. Rep. was included in the bargaining unit and therefore at the negotiating table it was not possible to give preeminence to a CARICOM position because our negotiating stance had to accommodate the interest of Dom. Rep. And the observation was made that one of the negative effects of this is that our own internal need to deepen our integration process to expand the reach of the CSME and to in fact carry out parts of the mandate that was given for the establishment and development of the CSME suffered, because we were now in this wider theatre of negotiations.

They also suggests in the consultants recommendations that greater care be taken to synchronize national and regional development objectives into future negotiations – the criticism having been made that a number of member states were not able, perhaps because of limitations in capacity or for other reasons, were not able to have their own national development strategies placed in the basket of issues that were going to be pursued in the negotiations.

Just two final points before I rap up.

In terms of implementation we are at a stage now where we have some challenges. We have some important – some imperatives that we have to respond to. There are certain obligations under the EPA which require immediate action such as for example establishing the CARIFORUM/EC council, establishing the CARIFORUM/EC committee on trade and development, the CARIFORUM/EC parliamentary committee, the CARIFORUM/EC consultative committee. We on our side are required to establish national coordinators in each member state, as well as a regional CARIFORUM coordinator to help to manage the process of implementation. It was to that end that I took the liberty of asking the secretary general to prepare a road map for implementation, setting out the various obligations that have to be met, the legislative action that have to be taken, the administrative structures that have to be put in place. I thought it was necessary to do that – this was not a decision making enterprise or endeavour – it was simply asking the secretary general to prepare for our consideration and to assist us in making the appropriate decision – a schedule of the things that have to be done in order to give life to the agreement that we have signed. I do want to commend the secretary general because having reviewed that document myself I think it is a well prepared document that can assist us both collectively as actions that have to be take by individual governments in order to actualize the provisions of the agreement.

We face challenges Mr. Chairman, let's be very clear. One of the things that have been said for example is that in terms of duty-free quota-free access we had that before so we have gained nothing more. My response to that is that we were about to lose it and therefore it is a question of retaining what we have enjoyed for a long time and were on the verge of losing. But duty-free quota-free access is not going to be of any value to us unless we can penetrate those markets. That is an area that I feel that we ought to turn our attention to in a very aggressive way. I believe that there are tremendous opportunities not only for local producers to seek to identify those areas

of this vast market of 450 million people with an average per capita income of some US\$17,000.00 - not only do I believe that with the appropriate institutional arrangements and support, we have producers who can get in there. We may be able to find just a niche because I don't believe that we will ever be mass producers in that European market but, a niche of the right size in that market can put thousands of our people to work. It is a question of identifying those niches and seeing to what extent we can get ourselves up to the level of efficiency and productive competence to be able to penetrate those.

I think also that something that we have not seen enough of - and the blame perhaps has to be shared by both government and the private sector - but I have not seen enough efforts being made for private sector companies in the region to recognize that while they may be huge giants in their own territories, in terms of the world stage they are merely specks that can hardly be seen. One of the decisions that we are going to have to make within this region is whether we want to be whales in a swimming pool or we are prepared to be minnows in an ocean with the expectation that in that ocean there may be sufficient nutrients to enable us to grow. It is not so much a decision it's a process. I have been surprised and impatient that somehow we don't seem to be moving in that direction. We perhaps need to look from the point of view of government and the institutional arrangements. Are we doing enough to facilitate, to induce, to encourage and we have to enter into dialogue with the private sector to find out now why is it that you seem intent on continuing to compete among yourself, sharing this limited economic space that we have in the region and in the process, instead of creating wealth, very often all of these good efforts are simply redistributing the poverty that we have so much of and which we want to get rid of. It is an issue that I really feel that we as a community need to address and to address in a serious way.

There is a third window of opportunity that if we handle it strategically, I believe can reap rich dividends. And that is to say to the foreign investment community that look, you want to get into Europe? Here is a place to set sail from. A big part of the success of Ireland was, when Ireland in joining the EU was able to join under preferential arrangements in terms of taxes, in terms of a whole host of concessions, they went out to the world and said now look, if you guys want to get into Europe the gateway to Europe - preferred gateway is Ireland. Because, if you come to Ireland and you set up your businesses in Ireland - lower taxes, lower this, lower that - and that was so much a part of what we now know as Irish miracle.

But I don't think it is something that is going to come about by our standing at the waving galleries of our airports and looking at the aircrafts coming in to see which foreign investors are deplaning. I do believe that we have to deliberately, in an organized structure strategic way, we need to go into the international capital market - the investor community - to go and promote and to sell the advantages that EPA offers and to see to what extent we can attract that kind of capital and that kind of investment into Jamaica.

Mr. Chairman if I have said I was going to close early and I didn't I apologize. One final point. One final, final point!

This is not the first, this is not the first trade agreement we have entered into. If we do a clinical examination of the previous ones, our benefits have fallen far short of the promise that they offered. Was that because the agreements were bad? Or was it because our own response to the opportunities there was lethargic? I mean, you look at CBI for example, it certainly has not provided us with the benefits that we had anticipated. You look at CARIBCAN you can say the same thing. So, we have a questionable tradition of having agreements but somehow not being able to absorb the benefits that the agreements offer. We need to look very clinically at ourselves to find out why we didn't. We have a number of other negotiations that are scheduled. There is disagreement as to the speed with which we should enter upon those agreements.

The independent consultants have in fact proposed that in fact we should list them in some order of priority. They have proposed Canada first, Dom. Rep. second, USA third, Costa Rica fourth, Central America fifth. As far as the Jamaican delegation is concerned we have slightly different views in terms of the order of priority. Those are matters that we need to discuss and to determine. We know of the initiative being taken by Congressman Rangel which Prime Minister Spencer brought us up to date on. We are called upon to have a presence in several theatres at the same time. It is going to put strain on our negotiating capacity. I think that we have built up considerable capacity coming out of EPA and whatever may be the criticisms we make of the CRNM I do feel that the CRNM is an institution of which we can be proud and I think that they have performed. As to how they ought to be configured within the CARICOM structure is something I believe the Heads will have to examine.

My colleague is saying I am so ethnocentric that I spoke of about attracting investors to Jamaica. I didn't mean to offend but I hope that Jamaica gets some of it. So, we need to examine that because Canada is anxious to start and I am concerned as to whether or not it is in our interest to set our own timetable because we have to determine whether or not that agreement is in our interest. If it is not in our interest then we can hold back. If it is in our interest, then I don't think that we should put them on indefinite hold.

There is the US situation which is tied up with Congressman Rangel's initiatives and there are of course other negotiating commitments that we have closer within the region. We need to take decisions on those, but before we embark on that we have to reconcile and clarify the ambiguities and uncertainties regarding our negotiating machinery.

I thank you Mr. Chairman.