Caribbean Regional Negotiating Machinery

EU-CARIFORUM
Economic Partnership Agreement (EPA) Overview

Workshop for Regional Media

CRNM

Caribbean Regional Negotiating Machinery

EU-CARIFORUM
Economic Partnership Agreement (EPA)

Welcome

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Caribbean Regional Negotiating Machinery

EU-CARIFORUM
Economic Partnership Agreement (EPA)

An Overview

Including: Mandate, Objectives, Organization & Process

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Caribbean Regional Negotiating Machinery

Presentation Outline

- The Cotonou Mandate
- EPA Negotiation Plan and Schedule
- CARIFORUM Organisation
- Negotiation Objectives
- Overall Evaluation

The Cotonou Partnership Agreement
(signed 23 June 2000)

- Broad Objectives (Chap 1, Art. 34) include:
  - *Smooth and gradual integration into the world economy*
  - *Promote sustainable development,*
  - *Contribute to poverty eradication*
  - *States play a full part in international trade*
  - *Cooperation to enhance production, supply and trading capacity, as well as capacity to attract investment*

The Cotonou Partnership

- Principles (Chap 1, Art. 35):
  - *"A true, strengthened and strategic partnership" to promote development, building on previous ACP-EC Conventions*
  - *Trade development measures to promote competitiveness*
  - *Build on regional integration process as a key instrument for integration into world economy*
  - *Take account of different needs and levels of development of ACP countries and regions*
  - *Ensure S&D for all ACP countries and special treatment for LDCs taking due account of the vulnerability of small, landlocked and island countries i.e., asymmetrical commitments*

Cotonou Provisions

- **New Trading Arrangements (Chap 2, Art. 36 & 37)**
  - *Conclude new WTO compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade*
  - *NTAs to be introduced gradually; recognition of need for a preparatory period ending on 31 December 2007 during which non-reciprocal preferences are maintained*
  - *Agree on the need to review commodity protocols*

Cotonou Provisions

- *Negotiations to start September 2002*
- *New trading arrangement to enter into force on 1 January 2008*
- *Regional configurations to be agreed*
- *Caribbean (and other ACP regions) aim to negotiate an EPA*
- *LDCs have EBA option*
- *Non-LDCs could seek alternative to EPA*
- *All-ACP Phase - no negotiations*

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Why finish on time?

1. Expiration of GATT Article 1 waiver Dec. 31, 2007;
2. Without EPA, GSP or MFN would hurt traditional sectors and result in job losses (only Haiti would get EBA as an LDC);
3. Cotonou trade protocol would have to be renegotiated;
4. Even if 3 above happened, WTO members would be hostile to renewing a waiver for ACP;
5. Interim agreements were inferior to comprehensive agreements as market access leverage would be lost;
6. Getting first mover advantage, and extracting more concessions from EU

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CARIFORUM-EC Negotiations

- CARIFORUM-EC negotiations launched in Kingston, April 2004
- Plan and Schedule for EPA agreed
- Four negotiating groups
  - *Market Access (Goods)*
  - *Services and Investment*
  - *Trade-related Issues (TRI)*
  - *Legal and Institutional Issues*
- Four Phases
- Three levels of negotiation: Ministerial, Principal Negotiators and Technical

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CARIFORUM Organisation

- Training of officials and others
- Regional coordination
  - *TWGs*
  - *Ministerial (COTED and other)*
  - *Heads of Government*
- Consultations: national and sectoral
- Non-official Stakeholders
  - *private sector engagement*
  - *civil society (NGOs, media, trade unions, academia, parliamentarians, etc.)*
- College of Negotiators

Negotiation Objectives

- CARIFORUM objectives include
  - *Minimise negative impact of liberalisation in all areas, particularly regarding LDCs;*
  - *Maximise market access in goods,*
  - *Retain preferences & minimize preference erosion*
  - *Improve services access, particularly where the Region can benefit in the short term;*
  - *Encourage investment that is environment-friendly*

Negotiation Objectives

- *Enhance competitiveness and diversification through innovation*
- *Protect and stimulate SMEs*
- *Promote regional integration, economic cooperation and good governance*
- *Conclude a modern trade agreement*
- *Keep subjects manageable avoiding politically or economically unacceptable ones*
- *Secure additional funding for capacity building, integration support, EPA implementation, etc.*

Negotiation Objectives

- EC stated objectives
  - *Foster regional integration conceived as single economic space*
  - *Market building purpose*
  - *Non-commercial ambition*
  - *Reciprocity expected even for LDCs in EPA*
  - *Continued support for CF development priorities*

Issue Areas/Concerns

CARIFORUM issues/concerns

- DR, Haiti and The Bahamas within CARIFORUM and CARICOM constructs
- Region-to-region agreement;
  - *CF two-tiered integration reality;*
  - *EC's regional integration ambition exceeds Region's stated ambition*
    - *Single economic space,*
    - *free circulation,*
    - *common institutions*
  - *Parties to EPA;*
- WTO compatibility (Market access & Services)

Issue Areas/Concerns

- Non-reciprocity and CARICOM LDCs & Haiti
- Dominance of revenue concern
- Relationship between concessions granted to the EC and intra-CF concessions: Regional preference;
- MFN demand re industrialised countries and major developing countries
- ACP solidarity & coordination

Overall Evaluation

- Achievements
  - *Adequate technical preparation and stakeholder consultation*
  - *The Region has kept together: Intra-regional coordination a major challenge*
  - *Negotiators did a good job: they could do nothing without MS approval; mandates often inflexible*
  - *CF completed a full EPA – the only region so far - and within mandated timeframe*
  - *Objectives achieved (subject-wise, balance, asymmetry and most of all developmental)*

Overall Evaluation

- *Precedents for the Region and for negotiations:*
  - Subject comprehensiveness
  - Reciprocity
  - 25 years phasing of liberalisation
  - Inclusion of moratorium
  - Treatment of ODCs
  - Best EU Services offer; the inclusion of entertainment; address tourism concerns

Overall Evaluation

- *Precedents (continued):*
  - Treatment of Innovation
  - Transparency without market access in GP
  - Treatment of development
- *High cost of no-EPA avoided: GSP and MFN*
- *Influence on future negotiations*

Overall Evaluation

- Areas for Improvement
  - *Greater consultation with certain categories of stakeholders*
  - *Generally weak stakeholder responsiveness to queries*
  - *Insufficient information dissemination*
  - *Member states not doing their homework occasioning delays in the coordination process*
  - *Insufficient inter-ministerial coordination at national level*

What lies ahead?

- *Public relations aspect: private sector, civil society reactions*
- *Signature, provisional application and ratification, entry into force*
- *Implementation challenges*
- *Economic reform agendas*
- *EC to deliver on commitments (effective and timely aid delivery)*
- *Monitoring of implementation and impact*

Conclusion

- *If the EPA is to reduce poverty:*
  - *The private sector must seize opportunities;*
  - *Governments should use the security of EPA aggressively to attract investment;*
  - *The region should utilise the EPA to further regional integration; and*
  - *EC funding should be forthcoming on a timely basis;*

Questions

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Caribbean Regional Negotiating Machinery

EU-CARIFORUM
Economic Partnership Agreement (EPA)

Market Access In Goods

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AGENDA

1. *NEW TRADING ARRANGEMENTS IN COTONOU*
2. *CARIFORUM NEGOTIATING OBJECTIVES*
3. *ADDITIONAL ISSUE AREAS/CONCERNS*
4. *WHAT ACCESS DID CARIFORUM OBTAIN?*
5. *WHAT ACCESS DID CARIFORUM GIVE?*
6. *DEVELOPMENT COOPERATION SUPPORT*
7. *DID CARIFORUM GET A GOOD DEAL?*

1. NEW TRADING ARRANGEMENTS

Title 2, Chapter 2, Articles 36 & 37

- **Agree to conclude new WTO compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in <u>all areas</u> relevant to trade**
  - *From non-reciprocal preferences to reciprocity*
  - *WTO requirement: "Substantially all trade" (SAT)*
    - How much? Around 90% of two-way trade
    - How soon? 10-12 years
  - *Development cooperation*
  - *Scope of NTAs*

1. NEW TRADING ARRANGEMENTS

- **The Parties agree that the NTAs shall be introduced gradually and recognise the need, therefore, for a preparatory period ….which shall end by 31 December 2007… during which the non-reciprocal preferences shall be maintained**
  - *'Preparatory period' for:*
    - "Economic partnership agreements shall be negotiated" starting September 2002
    - Capacity-building in the public and private sector, including measures to enhance competitiveness, for strengthening regional organisation and for support to regional integration initiatives, etc.
  - *'Gradually' means:*
    - Roll-over of Lomé preferences under Cotonou until 31 December 2007
    - Reciprocity kicks in gradually after that date

1. NEW TRADING ARRANGEMENTS

- "Negotiations shall aim notably at establishing the timetable for the **progressive removal of barriers to trade** between the Parties, in accordance with the relevant WTO rules"
- "Negotiations shall taken account of the **level of development** and the **socio-economic impact of trade measures** on ACP countries, and their capacity to adapt and adjust their economies to the liberalisation process…
- Parties agree on the need to review commodity protocols in the context of NTAs, in particular as regards their compatibility with WTO rules
- NTAs to enter into force January 1, 2008

2. CARIFORUM NEGOTIATING OBJECTIVES

- Maximise market access in goods through removal of tariffs and quotas
- Retain preferences & minimize preference erosion
- Remove non-tariff blockages
- Minimise negative impact of liberalisation/opening on
  - *Production and particularly SMEs*
  - *Employment*
  - *Tariff revenue & ODC concerns*
  - *Food security concerns*
  - *Rural livelihood and rural development*
- Secure additional funding for capacity building, integration support, EPA implementation, etc.

3. OTHER CARIFORUM ISSUES & CONCERNS

- DR, Haiti and The Bahamas within CARIFORUM and CARICOM constructs
- Non-reciprocity and CARICOM LDCs & Haiti
- EC's Regional Preference demand, that is, the relationship between concessions granted to the EC and intra-CF concessions
- EC's MFN demand

4. WHAT ACCESS DID CARIFORUM OBTAIN?

- Immediate DFQF access to EU market for all products
  - *DOMs special case*
  - *rice and sugar two-year delays*
- Improved rules of origin
- Sugar:
  - *Sugar Protocol (Caribbean quota 465,336 tons of total ACP quota of 1.4 million tons):*
    - *EU Council denounced SP last Sept. effective 1 October 2009*
    - *Quotas increased by 60,000 tons*
    - *Reallocation of shortfall on SP*
  - *After Sept 2009: DFQF*

4. WHAT ACCESS DID CARIFORUM OBTAIN?

- Rice:
  - *Two years for DFQF to begin*
  - *In 2008 and 2009 quota increases (29% and 72%, respectively) above present 145,000 tons:*
  - *Tariff (65 euro per ton) removed immediately*
  - *No distinction between broken rice and whole grain*
- Bananas:
  - *DFQF*
  - *Joint Declaration on Bananas: commits funding for industry adjustments including diversification and addressing social impacts of NTAs*

4. WHAT ACCESS DID CARIFORUM OBTAIN?

- Zero for zero on export subsidies, i.e., EU eliminates such subsidies on products that CF liberalises.
- However, CF allowed to keep such subsidies that it applies in keeping with WTO rules.
- CF exports excluded from EC use of multilateral safeguards

5. WHAT ACCESS DID CARIFORUM GIVE?

- CF to liberalise at least 80% of imports
- CF liberalisation starts after 3 years, i.e. 2011
- Liberalisation commitments extend 25 years!
  - *In 2011: 52.8% of imports liberalised*
  - *Within 5 years 2013: 56.0% liberalised*
  - *Within 10 yrs 2018: 61.1% liberalised*
  - *Within 15 yrs 2023: **82.7%** liberalised*
  - *Within 20 yrs 2028: 84.6% liberalised*
  - *Within 25 yrs 2033: 86.9% liberalised*

5. WHAT ACCESS DID CARIFORUM GIVE?

- CF excludes from liberalisation 13.1% of imports – 493 most sensitive items (6-digit level):
  - *Mainly agricultural and processed agricultural products, including meat and fishery products;*
  - *Beverages and tobacco;*
  - *Some chemicals, paints, soaps, apparel;*
  - *Iron and steel products;*
  - *Furniture, mattresses and other industrial products.*

5. WHAT ACCESS DID CARIFORUM GIVE?

- 10 yrs for cars and gasoline (convert to excise tax)
- Removal of ODCs: maintained over 7 yrs and phased out over next 3 yrs (EU assistance tax reform)
- However, two protections for CARIFORUM:
  - Safeguard provision
    - *but no 'special safeguard' for Agriculture*
  - Balance of payments provision

6. DEVELOPMENT COOPERATION SUPPORT: Examples from Agriculture and Fisheries

- Improvement in the competitiveness of potentially viable production, including downstream processing through innovation, training, promotion of linkages and other support activities;
- Development of export marketing capabilities, including market research, as well as the identification of options for the improvement of marketing infrastructure and transportation, and the identification of financing and cooperation options for producers and traders;
- Compliance quality standards relating to food production and marketing, including standards relating to environmentally and socially sound agricultural practices and organic and non-genetically modified foods;
- Promotion of private investment and public-private partnerships in potentially viable production;
- Improvement in the ability of CARIFORUM operators to comply with national, regional and international technical, health and quality standards for fish and fish products;
- Building or strengthening the scientific and technical human and institutional capability at regional level for sustainable trade in fisheries products, including aquaculture

7. IS IT A GOOD DEAL?

- Is market access **assymetrical**? Could it be more so?
- Is our liberalisation **gradual** taking account of CARIFORUM sensitivities & vulnerability?
- Could we have got any **more market access**?
- Have our **development priorities** been catered to?
- What is the **alternative** to EPA?
  - GSP and MFN access
- **Current status**: Agreement not yet in force or even applied provisionally but CARIFORUM already enjoys EPA access as of January 1, 2008

Questions

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Coffee Break

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EU-CARIFORUM Economic Partnership Agreement (EPA)

An Overview

Services & Investment

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Basic Structure of S& I provisions

1. Rules or disciplines on Services & Investment
2. Market access commitments (Schedules)
3. Protocol on Cultural cooperation
4. Link with other parts of EPA

Preparatory work

- Decided on CF market access interests
- Very long and tedious process - national & regional consultations, ministerials, sectoral groups, etc.
- CRNM recommended that countries identify:

  (i) Sectors in which they need investment & efficiencies to promote development

  (ii) Sectors with offensive market access interests in the EU

  (iii) Sensitive sectors

Cariforum Broad objectives

- Get improved market access in EU & support to improve export capacity in services
- Preserve the space for Caribbean countries to continue to promote their own national processes of economic development
- EPA Services negotiations must take into account and be guided by the **internal regional integration process among Caribbean** countries & reflect the particular sensitivities and needs of individual countries and/ sub-groupings within the Caribbean.

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Cariforum Services Objectives

- Professional services, tourism
- Entry for Short term Visitors for Business Purposes & Mode 4
- Market access for cultural industries in spite of EC sensitivities - Cultural protocol
- Development support for dealing with:

  Information asymmetries, EU regulatory regimes, interface with EC firms, capacity building, etc.

EU Main interests

- Big infrastructural services - finance, maritime transport, computer and related, environmental
- Commercial Presence (Mode 3) in particular & key personnel
- Meet WTO rules and scrutiny
- Did not make formal requests for market opening by CF

Key Points

- Services supplied by government excluded
- Subsidies not covered by Agreement
- Government free to regulate
- Government procurement not covered
- Immigration policies & procedures not covered

Structure of Services & Investment Title

- Chap 1 - General provisions
- Chap 2 - Commercial Presence (Investment)
- Chap 3 - Cross Border Supply of services
- Chap 4 - Temporary Presence of Natural Persons for Business Purpose
- Chap 5 - Regulatory Framework (with sectoral rules)

Sectoral provisions

- Computer
- Courier
- Telecoms
- Financial services
- Maritime transport
- Tourism

6. E-commerce
7. Cooperation

Investment Interests

- Address the declining interest of EU firms in Caribbean by a new complete framework
- CF wanted comprehensive Investment provisions: EC had limited mandate
- Create a regime for investment & trade in EPA to attract EU & 3rd country firms to CF states
- Eliminate the need to negotiate new bilateral investment treaties

Investment Rules

- Market access
- National Treatment and MFN
- Excludes - nuclear materials; arms; audiovisual; cabotage; air traffic rights
- Forbids corruption by investors
- Maintains core labour standards
- Safeguard the environment
- Forbids lowering of environmental, labour or occupational health & safety standards to attract investment

Market Access for investment

- EC - commitments very broad and deep except for a few sectors such as energy, health, education
- EC - limitations on landholding, and other restrictions in mainly new Members
- CF - commitments in manufacturing, mining, etc but limitations re landholding, type of corporate entity, SMEs, etc.
- CF - Reservations in agriculture, forestry, fishing, mining, food & beverage, furniture, in some states; Only Dominican Republic liberalized electricity & gas

Rules on Services

- Mainly GATS approach
- National Treatment, MFN
- Similar exclusions of sectors as investment chapter
- Mutual recognition of qualifications
- Special categories of natural persons for temporary entry:
  - Key personnel (managers, specialists) & graduate trainees
  - Business services sellers
  - Contractual services suppliers
  - Independent professionals
  - Short term visitors for business purposes

Short term visitors for business purposes

EC and CF states to facilitate temporary entry for the following activities for up to 90 days:

- Research & design
- Marketing
- Training seminars
- Trade fairs and exhibitions
- Sales & purchasing
- Tourism personnel

Services Market Access Granted

- CF - Positive list for services commitments like GATS template; limited sectoral coverage to 60-75% of services sectors. (Dom Rep is 90 %). Some opening in the future. Very limited Mode 4 commitments.
- EC - Different structure but positive list
- Very broad sectoral coverage - more than 90 %; much greater access granted for Mode 4 to CF suppliers than in WTO; Limitations in new member states & starting in 2011 & 2014

Tourism

- Rules to prevent anti-competitive behaviour by large tourism operators
- Support for SMEs
- Cooperate re mutual recognition of tourism requirements. qualifications, licences
- Development support for training, standards, environmental management

Cultural Industries

- Major gains - in market access and Cultural Protocol which provides for collaboration, support, movement of artists and cultural practitioners and special provisions for audio-visual collaboration
- 26 EU states granted access for Contractual Service suppliers in Entertainment services
- First time ever for EC in a sector that is very sensitive and for which trade commitments are not normally taken

Entertainment Services

CPC 9619	**Entertainment services** (other than audio-visual)
96191	Theatrical producer, singer group, band and orchestra entertainment services
96192	Services provided by authors, composers, sculptors, entertainers and other individual artists
96193	Ancillary theatrical services n.e.c.
96194	Circus, amusement park and similar attraction services
96195	Ballroom, discotheque and dance instructor services
96199	Other entertainment services n.e.c.

Temporary entry access for CF Contractual Service Suppliers (CSS) in 29 sectors in EU

1. Legal advisory services in respect of international public law and foreign law
2. Accounting and bookkeeping services
3. Taxation advisory services
4. Architectural services
5. Urban planning and landscape architecture services
6. Engineering services
7. Integrated Engineering services
8. Medical and dental services
9. Veterinary services
10. Midwives services
11. Services provided by nurses, physiotherapists and paramedical personnel
12. Computer and related services
13. Research and development services

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Temporary Entry for CSS in EU

14. Advertising services
15. Market Research and Opinion Polling
16. Management consulting services
17. Services related to management consulting
18. Technical testing and analysis services
19. Related scientific and technical consulting services
20. Maintenance and repair of equipment
21. Chef de cuisine services
22. Fashion model services
23. Translation and interpretation services
24. Site investigation work
25. Higher education services (only privately-funded services)
26. Environmental services
27. Travel agencies and tour operators' services
28. Tourist guides services
29. Entertainment services other than audiovisual services

Access for Independent Professionals in EU

1. Legal advisory services in respect of international public law and foreign law (i.e. non-EU law)
2. Architectural services
3. Urban planning and landscape architecture services
4. Engineering services
5. Integrated Engineering services
6. Computer and related services
7. Research and development services
8. Market Research and Opinion Polling
9. Management consulting services
10. Services related to management consulting
11. Translation and interpretation services

Technical Cooperation

- Improve ability of CF suppliers to meet regulations and standards in EU
- Improve export capacity of CF suppliers (culture, tourism, SMEs, MRAs)
- Interaction & dialogue between CF and EC firms
- Address quality and standards in CF
- Develop & implement regulatory regimes
- Establish mechanisms for promoting investment & joint ventures
- Other activities

Questions

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EU-CARIFORUM
Economic Partnership Agreement (EPA)

Trade Related Issues

Including: Government Procurement, Innovation & Intellectual Property

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OVERVIEW

PART II, TITLE IV

(Six Chapters)

- **COMPETITION**
- **INNOVATION AND INTELLECTUAL PROPERTY**
- **PUBLIC PROCUREMENT**
- **ENVIRONMENT**
- **SOCIAL ASPECTS**
- **PROTECTION OF PERSONAL DATA**

COMPETITION

- Targets anti-competitive collusion and abuse of dominant market position through information exchange and enforcement collaboration

COMPETITION

- Provides for support over 5 year institutional capacity building transition period and 6 years confidence building collaboration

COMPETITION

- Recognises CARIFORUM "variable geometry" integration commitments (e.g. CSME)
- Shelters public enterprises and other monopolies where necessary but promotes their withdrawal from discriminatory participation in competitive markets

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INNOVATION AND INTELLECTUAL PROPERTY

- Recognises relationship between level of development, innovation system capacity and level of protection of intellectual property
- Allows for the participation of CARIFORUM in EU framework programmes, specific programmes and other activities

INNOVATION AND INTELLECTUAL PROPERTY

- Assures that nothing in this Agreement shall be construed as to impair the promotion of access to medicines
- Provides for the protection of traditional knowledge and equitable benefit sharing from its use

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INNOVATION AND INTELLECTUAL PROPERTY

Provides for priority cooperation in:

- Competitiveness and Innovation
- Science and Technology
- Information and Communications Technology
- Eco-innovation and Renewable Energy

INNOVATION AND INTELLECTUAL PROPERTY

Provides for priority cooperation in:

- Reinforcement of Regional initiatives in Intellectual Property Rights
- Preparation of National laws and support for National institutions in order to facilitate meeting the obligations undertaken

INNOVATION AND INTELLECTUAL PROPERTY

Provides for priority cooperation in:

- Identifying and protecting products using Geographical indications, particularly where GIs would protect local traditional knowledge and biodiversity
- The development by trade or professional associations of codes of conduct

INNOVATION AND INTELLECTUAL PROPERTY

- Provides a 6/7 year transition period for the Intellectual Property obligations, with the possibility of extension taking into account the development priorities and level of development in CARIFORUM

INNOVATION AND INTELLECTUAL PROPERTY

- Provides a 13/14 year transition period for Haiti as an LDC with the possibility of extension taking into account decisions in the WTO
- Encourages the transfer of technology from the EU to CARIFORUM
- Encourages continued regional integration

INNOVATION AND INTELLECTUAL PROPERTY

- Improves protection of digital content and facilitates access and delivery of licences
- Improves the protection for Geographical Indications for products other than wines and spirits
- Provides asymmetrical obligations concerning patent Treaties

INNOVATION AND INTELLECTUAL PROPERTY

- Facilitates the collection of evidence on infringement and the enforcement of Intellectual Property Rights

PUBLIC PROCUREMENT

Provides that the public procurement process be transparent when the sum involved EXCEEDS:

- 130,000 SDRs for supplies
- 130,000 SDRs for services
- 5,000,000 SDRs for works

PUBLIC PROCUREMENT

Provides an extensive list of exceptions, such as:

- Land or existing buildings
- Various financial services
- Agricultural products for food aid
- Programme material intended for broadcasting

PUBLIC PROCUREMENT

- An initial capacity building transition period of 2 years with a possible extension of 1 more year for individual States
- A transition period of 5 years for the Less Developed Countries of CARICOM

PUBLIC PROCUREMENT

- Provides for cooperation in the creation of a regional on-line facility for the effective dissemination of information on tendering opportunities
- If, in spite of this cooperation, the capacity still does not exist at the end of the 2 year transition period, it can be extended by a further 3 years

PUBLIC PROCUREMENT

- No commitment is undertaken to provide Market Access

ENVIRONMENT

- Encourages the trade in goods and services beneficial to environment
- Recognises the need to regulate trade to ensure the achievement of a Party's justifiable sustainable development objectives
- Recognises that CARIFORUM States might need special measures

ENVIRONMENT

- Provides a consultative process that precedes that of the Dispute Settlement Mechanism
- Provides for cooperation in the development of environmentally friendly CARIFORUM products using CARIFORUM natural resources
- Provides for cooperation in public awareness

SOCIAL ASPECTS

- Encourages adherence to internationally recognised core labour standards
- Recognises the need to regulate trade to ensure the achievement of a Party's social cohesion and development policies

SOCIAL ASPECTS

- Provides a consultative process that precedes that of the Dispute Settlement Mechanism
- Provides for cooperation in the development of measures for the promotion of Decent Work
- Provides for cooperation in public awareness

PROTECTION OF PERSONAL DATA

- Encourages the transborder flow of personal data for processing by maintaining effective data protection regimes
- Recognises the importance of cooperation in order to facilitate the development of appropriate data protection regimes

Questions

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Lunch

Caribbean Regional Negotiating Machinery

EU-CARIFORUM
Economic Partnership Agreement (EPA)

EPA as a Development Tool

Carl B. Greenidge
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OUTLINE

1. *EPA and not EPA*
2. *The Development Issue in the Context of ACP EU Relations*
3. *Caribbean Pre-occupations*
4. *Trade Instruments in Support of Development*
5. *The Caribbean 'Situation', 2008*
6. *What is so special about EPAs?*
7. *EPAs and Development*
8. *EPA a la Cariforum*
9. *The Search for Development in EPAs*
10. *Conclusions*
11. *Some useful references*

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EPA and Not EPA

- An EPA is only a FTA it is neither a panacea nor a regional development plan
- In the discussions in the early days even the Commission spoke of ‘flanking measures’ meaning additional instruments
- Widespread acknowledgement of need for supporting measures and a more efficient EDF procedures and management
- In that sense the Cariforum EPA seeks to be a ‘FTA plus’

The Development Issue in ACP-EU Relations

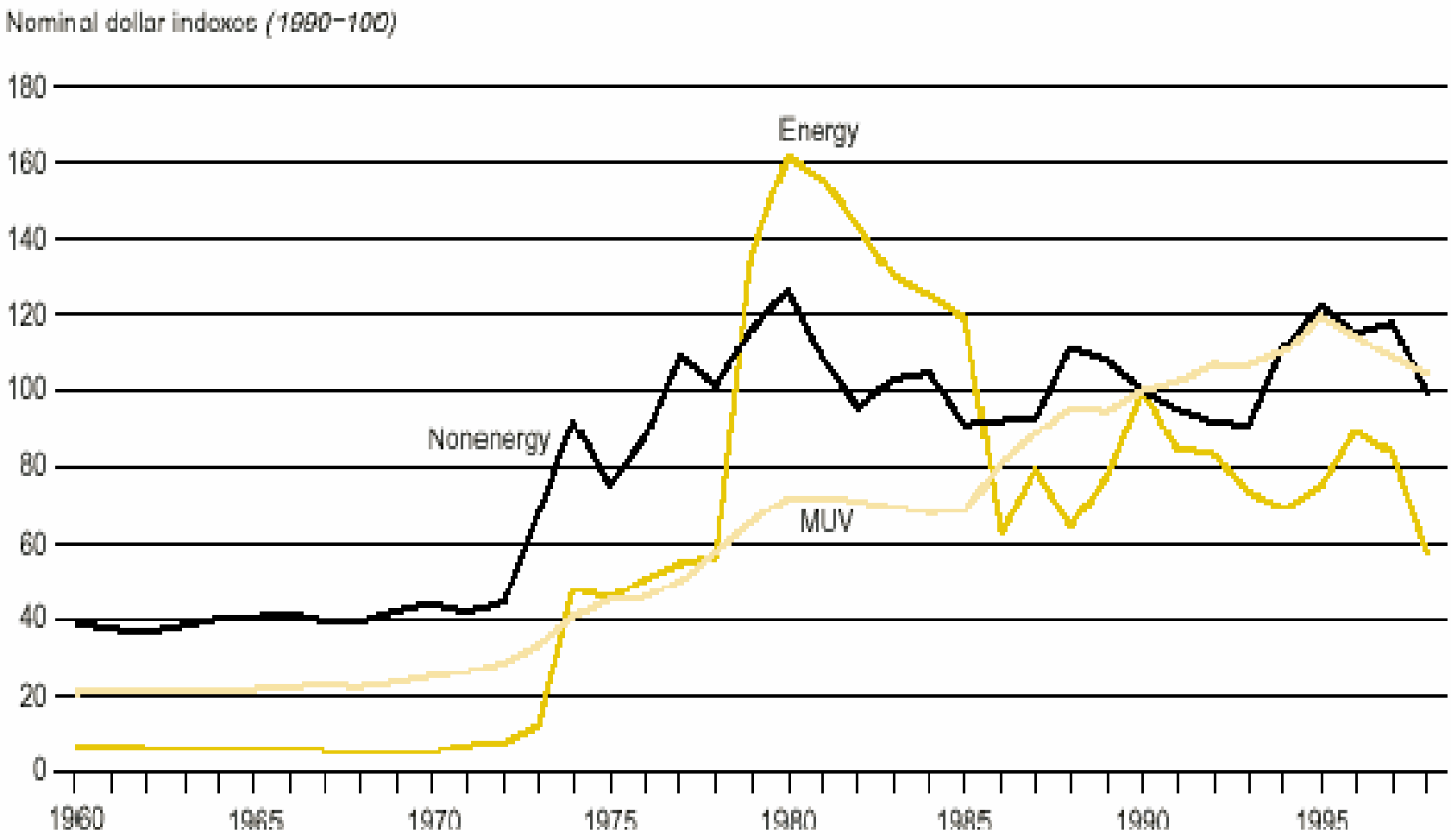
Lomé:

‘man at the centre of development’ &

was mainly pre-occupied with assistance on economic issues in context of ACP states identification of development priorities:

- Production
- Export earnings problems arising from price fluctuations and
- downward secular price trends for their main products – primary commodities

Figure 4.1 Primary commodity prices versus manufactures unit value index (MUV),1960–98



Source: World Bank staff calculations.

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The Development Issue in ACP-EU Relations (cont.1)

- Related investment problems encountered
- Also reflecting lack of structural diversification and
- inadequate command of technological change,low involvement in innovation and technological change – ‘white magic’ era
- The challenge of industrialisation
  - Infant industries
  - LDLIDCs Production

The Development Issue (cont 2)

Cotonou shared these concerns but reflected EU insistence on adding their development concerns, and re-oriented cooperation towards:

- Strengthening the role of the market in ACP states at all levels in enhancing efficiency and providing incentives
  - entire section devoted to this
- Cementing Europe's role as a global player in international economic arena
- Acknowledging dysfunctional role of many ACP Governments and supporting the role of non-state actors
- Problem of humanitarian crises with and without war
- Putting 'sustainability' in development
- Enhancing Aid effectiveness

Caribbean pre-occupations in development

- Small size and international trade
  - Inhibits economies of scale in production runs inter alia, but its importance depends on the:
    - characteristics of sector
    - size of the product market
    - & can be attenuated by access to int. mkts
    - large markets improve prody
  - If the available data is controlled for location, level of development and incidence of petroleum, GDP growth in smaller states is better than that of larger ones
  - Reality is that smaller states are wealthier within and outside of the Caribbean
- Vulnerability
  - for all the debate and fury over SIDs it is yet to find favour in a meaningful way in WTO
- Diversification and new economic activities

Caribbean pre-occupations in development (cont.)

- If the available data is controlled for location, level of development and incidence of petroleum, GDP growth in smaller states is better than that of larger ones
- Reality is that smaller states are wealthier within and outside of the Caribbean

- Vulnerability
  - for all the debate and fury over SIDs it is yet to find favour in a meaningful way in WTO
  - Reason?
- New economic activities
  - Significance of services in development process?

TRADE INSTRUMENTS IN SUPPORT OF DEVELOPMENT

Lomé

- Non-reciprocal trade agreement
- Support for Regional Cooperation/Integration
- Compensatory Export Stabilisation Scheme – Stabex, Sysmin
- Project funding
- LDLICs funding
- EIB, CTA, CDE

Cotonou

- Enhanced competitiveness thru trade liberalisation
- Gradual integration into international economic system
- MDGs and Good Governance
- Funds in support of regional integration/cooperation
- Flex
- Programme funding
- LDLICs funding
- EIB, CTA, CDE

The Caribbean Situation, 2008

Background against which policy is to be implemented:

- Decline in output and productivity in many states
- Regional integration scheme not yet completed
    - from FTA, to partial CU, to Common Market with Single Economic Space
    - Most rapid growth since 1998 is in inter-regional trade
- International trade environment characterized by:
    - declining preferential margins
    - low tolerance for preferential access
- Effects of CAP review
- Significance of services to region
- Political sensitivity of employment levels

What is So Special About EPAs?

- Times have changed – cynicism and more critical observers
- Replacing a highly prized mechanism and seeking to ensure no state is worse off – EU Council promise
- Claims about trade development link questioned
- Issues in question:
  - Supply side constraints and how these are to be lifted

EPAs and Development

The philosophy

- Trade long seen as 'engine of growth' in context of development of both US and recent East Asian Tigers. Cotonou formalizes it in EPA.
- Central to neo-classic model – on which Bretton Woods Consensus is based – is liberalised markets. The latter is the basis for the efficient allocation of resources and as a means of delivering competitiveness through increasing private ownership, expanding exports and promoting investments. In addition proposes:
  - Modernisation
  - Innovation
  - Increased market access and
  - Enhanced regional integration

EPAs and Development (cont.)

Main features:

- Regional approach to trade cooperation
- WTO-compatible and involving
  - Asymmetrical reciprocity in return for
  - Limited preferential access
- Aid for trade

EPA a la Cariforum

- Favourable scope, timing and extent of market liberalisation
- Nature of links to funding
- Helpful treatment of services of special interest to the region and
- Defensive regulatory framework
- Prominence of innovation and S&TD support

Caribbean Regional Negotiating Machinery

The Search for Development in EPAs

- Development dictates that RTAs should not:
  - Limit economic policy space and opportunities available to developing state signatories
  - Require too liberal investment rules in exchange for inadequate and primarily FDI
  - Unfavourable balance between developing state obligations and priorities
  - Fail to include a 'development chapter'
  - Omit the inclusion of a monitoring mechanism
- Proposed benchmark study to look in addition at:
  - MDGs
  - Sustainable development goals
  - Economic and social equity, especially poverty reduction

Conclusions

- Trade is but one policy instrument
- Development is multi-dimensional
- The context in which the Caribbean's EPA is to be implemented is one of frequent, and perhaps, rapid change not least of all in international markets. The challenge is therefore for the region to develop the capacity to adjust significantly and with dispatch as circumstances dictate
- Such adjustment will involve many areas, such as effective social networking, in order to maximise limited skills and quickly share and manage valuable, sometimes specialised information expeditiously.

Conclusions (cont)

- Trade policies alone cannot ensure development
- Complementary policies will need to be consistently pursued
- In absence of perfect foresight this trade framework will also need to be modified and adjusted over time
- An ex ante review suggests that these concerns have been largely met
- The real test is an empirical one and would require time to determine. The gap between the two exercise will be a test of whether Governments can implement policies when circumstances dictate

Some Useful References

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Questions

Caribbean Regional Negotiating Machinery

Thank You

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Final Discussions