



*CARICOM, the European Union
and International Linkages in
External Trade Negotiations*

-Anthony Peter Gonzáles



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CARICOM, the European Union and International Linkages in External Trade Negotiations

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CARICOM, THE EUROPEAN UNION AND INTERNATIONAL LINKAGES IN EXTERNAL TRADE NEGOTIATIONS+

Introduction¹

CARICOM² countries are facing a continuously expanding programme of trade negotiations at the regional, hemispheric and global levels. Briefly, these negotiations cover the WTO (Built-in Agenda, Doha Development Round, and possibly “Millennium Round”), CARICOM (CSME Programme), FTAA, and ACP/European Union. Other possible negotiations could involve CARICOM/Cuba (phase two), CARICOM/Andean Group, CARICOM/Central America and CARICOM/Canada. Priority in these negotiations is obviously going to post-Cotonou, WTO and FTAA. The WTO is important as it governs both the FTAA and the future ACP/EU arrangement. Post-Cotonou and FTAA would also reflect the importance of preserving existing markets as well as market prospects for exports. Caribbean trade is intricately linked to key markets such as the United Kingdom, the United States and Canada. Developments in these markets, in so far as they potentially can be trade-diverting are of particular significance to these countries.

Regional negotiations also occupy a strategic position among the negotiating priorities. Essentially they seek to consolidate the CARICOM market as well as extend the regional market to neighbouring countries, particularly for new and non-traditional manufactures and services.

CARICOM perceives the present and future set of negotiations as important in assisting them in making a transition to a more competitive global environment. They accept that trade preferences are on their way out but plead for a reasonable period of adjustment for these small economies that are vulnerable to rapid changes in prices, environmental hazards, etc. They believe that there should be some understanding on the part of the international community to the plight of small economies. Trade strategies are therefore linked to the vulnerability of small states, the UN SIDS programme and Agenda 21 and poverty reduction strategies, and are largely formulated in terms of special and differential treatment.

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¹ See Appendix for a list of abbreviations.

² CARICOM members are Antigua And Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts/Nevis, St Lucia, St Vincent and The Grenadines, Suriname, Trinidad And Tobago. The Bahamas is an Associate Member but not a member of the Common Market. Haiti is a provisional member. Ratification of the Agreement by the Haitian Parliament is awaited.

In these complex and broad negotiations, the question of reciprocity remains a central preoccupation in external trade policy formulation in the region. So far, CARICOM countries have agreed to an approach that emphasizes reciprocity by the CARICOM MDCs and non-reciprocity for the CARICOM LDCs. This has already been put into practice in the trade agreements with Colombia, the Dominican Republic and Cuba.

As regards developed countries this position is still to be tested. There are demands in the FTAA and in the European Union for reciprocity that would have to be addressed. An extensive debate has been raging in terms of approaches and modalities to granting reciprocity to developed countries. In this paper, the aim is to assess the chances of success of the CARICOM strategy with respect to the European Union. The CARICOM approach is first examined as it has been applied in this region. Its experience in the WTO and FTAA is then discussed as an input into the appraisal of its possibilities in the ACP/EU context.

CARICOM's Approach to External Trade Negotiations

As a trade strategy, CARICOM at the outset adopted a notion of ever widening concentric circles in terms of increasing levels of competition. The West Indian Commission³ which best articulates this position grappled with the twin problem of widening and deepening of CARICOM in the new post-cold war era. It resolved this dilemma by arguing that CARICOM, due to its small size, should remain as a separate integration scheme and collectively negotiate with large Caribbean and Latin American countries. At the time, countries such as the Dominican Republic, Haiti, Cuba and Venezuela were considered as large and potentially having too great an influence on the movement. Their economic and social structures were also seen as different and capable of weakening the already fragile coherence of CARICOM. Suriname and the small Caribbean overseas territories and dependencies were regarded as potential members of CARICOM that would satisfy the criteria of smallness. The signing of trade and economic cooperation agreements with other Caribbean countries was seen as a better approach than membership in CARICOM.⁴

³ West Indian Commission, "Time For Action-The Report of The West Indian Commission", Black Rock, Barbados, 1992.

⁴ The CARICOM concentric approach tended to over-emphasize smallness to the detriment of the importance of a stronger Caribbean community. It focused too much on physical size of population and territory without taking into consideration other factors such as culture, collective negotiating power, level of development, regional and hemispheric geopolitical balance, etc. It changed somewhat over time as indicated in the willingness of CARICOM to consider membership for Haiti as well as for other previously-defined "large" Caribbean countries. See Gonzales, Anthony. "CARICOM and Convergence with Hemispheric Integration" Mimeo. Paper presented to the Third Annual Global Development Conference held in Rio de Janeiro from 9 to 14 December 2001.

In the eyes of the West Indian Commission, the first concentric circle was CARICOM comprising the small countries in the Caribbean. Full entry into CARICOM, as exemplified in the case of Suriname, illustrated this approach.

The next outer ring embraced the other Caribbean countries and the CACM. In approaching the developing countries of the hemisphere, CARICOM essentially targeted the wider Caribbean Basin countries. In 1996 CARICOM agreed to give priority to negotiating free trade agreements with Colombia, the Dominican Republic, the Central American Common Market (or Costa Rica) and Venezuela.⁵

CARICOM also adopted a model approach in negotiating trade and economic agreements with non-CARICOM countries of the hemisphere. It stipulated that reciprocity will be given by the MDCs⁶ of CARICOM and non-reciprocity should be negotiated for the LDCs⁷ of CARICOM.

As regards the rest of the hemisphere (NAFTA and MERCOSUR), which was regarded as the third outer ring, CARICOM agreed in the above-mentioned decision that interest in entering into trade arrangements with MERCOSUR should be signaled. It however, did not state clearly the nature (reciprocal or non-reciprocal) of such agreements. The implication however, seemed to be an expectation that with such large countries and trade blocs as MERCOSUR and NAFTA, trade agreements should be non-reciprocal. CARICOM already enjoys non-reciprocal trading arrangements with the developed countries (Canada and the United States) in the hemisphere in the form of CARIBCAN and CBI.

Since the 1996 CARICOM decision on regional trade negotiations, CARICOM has concluded negotiations for a Free Trade Agreement (FTA) with the Dominican Republic⁸ and a Partial Scope Agreement with Cuba.⁹ It has also negotiated an Agreement on Trade and Technical Cooperation with the Government of the Republic of Colombia as well as a CARICOM-Venezuela Trade and Investment Agreement.

In terms of special and differential treatment, the CARICOM/Cuba Agreement takes into consideration the differences in the levels of development between Cuba and the LDCs of CARICOM in the implementation of a programme of trade liberalisation between the Parties. The basic Agreement between CARICOM and the Dominican Republic is based on reciprocity with the five CARICOM MDCs and non-reciprocity with the LDCs until the year 2005. The CARICOM-Venezuela Trade and Investment Agreement is a one-way preferential agreement concluded under the facility for non-

⁵ At its Seventeenth Meeting held in Barbados in July 1996, the Conference of Heads of Government.

⁶ In CARICOM, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago are defined as More Developed Countries (MDCs).

⁷ CARICOM LDCs are Belize, Grenada, Saint Lucia, St. Vincent and the Grenadines, Dominica, Antigua and Barbuda, St. Kitts/Nevis, and Montserrat.

⁸ This Agreement has entered into force between the Dominican Republic and two CARICOM countries (Jamaica and Trinidad and Tobago) from the 1st December 2001.

⁹ The Agreement on Trade and Economic Cooperation between the Caribbean Community and the Government of the Republic of Cuba was signed on 5 July 2000.

reciprocal partial scope agreements available to members of the Latin American Integration Association (ALADI). Duty-free or duty-reduced access to the Venezuelan market for identified CARICOM products is provided.¹⁰

The CARICOM/Colombia Agreement began as a non-reciprocal agreement but had to provide for a level of reciprocity to Colombia after a period of four years. It makes provision for the four CARICOM MDCs to grant duty-free or duty-reduced treatment to identified products from Colombia, while Colombia provides similar treatment to a different and additional set of identified products from all CARICOM Member States.¹¹ MFN treatment applies with respect to other products. The CARICOM LDCs will continue to enjoy the benefit of preference for their exports which qualify without having to reciprocate.

A significant feature of all of the reciprocal trade arrangements that CARICOM has concluded is that the Less Developed Countries (OECS¹² and Belize) are not required to grant tariff concessions to imports from these third parties. These agreements with Venezuela, Cuba, the Dominican Republic and Colombia have set the stage for future trade talks with the rest of the region.

CARICOM'S Small Economies Approach in the FTAA and WTO

CARICOM countries are looking towards hemispheric integration to provide workable solutions to their adjustment to a world driven by globalization and liberalization, and in which there will be little or no place for special preferences in the future. It is useful to recall that CARICOM, relatively more than most, if not, all regions, has enjoyed sizeable non-reciprocal preferences over the last 25 years that has allowed it to continue the production of high-cost basic agricultural commodities.

The abrupt elimination of these preferences would now spell severe labour disruption and possibly even ethnic strife for certain CARICOM members. For economies that have enjoyed such high protection in developed country markets, the adjustment and transitional costs are high, not only in the economic equation, but also in political and social terms. Coupled with such risks are the natural barriers that these states face and which are linked to their small size. These relate essentially to the relatively higher transport costs that stem from small volumes; higher per capita utility costs associated with lack of scale and indivisibilities; the greater difficulties inherent in diversification due to narrow specialization and small markets; the higher transaction costs that face their small firms in entering foreign markets in areas such as acquiring marketing information, penetrating distribution networks, etc; the disproportionate impact

¹⁰ Venezuela has since requested the same preferential tariffs that were granted to Colombia by the CARICOM MDCs as soon as possible.

¹¹ The exceptions were the Bahamas which was not a party to the Agreement, and Suriname which was not a member of CARICOM when the Agreement was concluded.

¹² The OECS countries are Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts/Nevis, St Lucia, and St Vincent and the Grenadines. The British Virgin Islands and Anguilla are Associate Members.

of natural disasters, and the binding constraints of limited technical and administrative capacity. These bottlenecks do not necessarily condemn small states to be less developed than large ones. They do, however, involve different risks and call for policies appropriate to these states.¹³

An FTAA that focuses mainly on reducing trade barriers and harmonizing regulations would leave these problems untouched. Rather, it would focus on securing national advantages in other markets. The natural constraints faced by small states would remain and not be addressed. It is for this reason that CARICOM sees formal market integration as a priority for further development.

While the above perspectives have no doubt conditioned CARICOM's attitude toward the FTAA, the structural factors at work should not be ignored. CARICOM exhibits a slow and uneven pace of trade and investment integration in the hemisphere. While it is clear in terms of trade intensity that CARICOM's trade with the hemisphere is growing faster than its trade with other destinations, the rate of such growth and its high concentration on one or two countries does not facilitate the evolution of a strong consensus in favour of more policies to intensify that trade. Evidence of the latter is visible in the small number of Free Trade Agreements and Partial Scope arrangements entered into by CARICOM as compared to other regions and countries.

The slow pace of deepening CARICOM is another factor that is not conducive to its widening. Its proposed Single Market and Economy lacks depth as seen in the significant divergence between the proposed FTAA and the present state of integration in CARICOM. If one compares the nine negotiating areas in the FTAA with what pertains to CARICOM, it becomes clear that for seven of these areas, the internal arrangements in CARICOM are either non-existent, rudimentary, or in an embryonic stage. The latter are services, government procurement, competition policy, intellectual property rights, investment, subsidies and anti-dumping and countervailing measures, and dispute settlement. The proposed FTAA therefore far outstrips CARICOM in terms of a harmonized policy area and this may even be so if one were to accept that CARICOM has a common external tariff (more uncommon in many ways) and has some history of a community in terms of functional cooperation and people-to-people collaboration.

In making the above structural comparisons, it is important not to neglect the process criteria that have affected CARICOM's vision of the FTAA. CARICOM's outlook of the FTAA has been governed by the lack of progress on its proposals regarding smaller economies presented to the FTAA. In spite of the San Jose Declaration of 1998, the Miami Declaration of 1995, and the Toronto Declaration of 1999, all of which entailed commitments to take into account the development and size of economies, no meaningful progress has been made beyond some consensus regarding the need for technical assistance. The CARICOM states are still hoping that in the coming months, as the FTAA process enters a more substantive phase, that the issue of special and differential treatment will be finally addressed. There is growing consensus about the

¹³ World Bank/Commonwealth Secretariat. "Small States: Meeting Challenges in the Global Economy." March 2000.

need to start examining eligibility criteria. This is a positive sign but it must be equally matched by the identification of relevant provisions that would meet the demands of these states.

CARICOM is also pursuing the above development agenda in the WTO and the upcoming negotiations between the European Union and the African, Caribbean and Pacific (ACP) states. CARICOM has always been concerned with the extent to which the Marrakesh agreement did not take into account the conditions of small states. The experience with the WTO panel on bananas has led the small banana-producing CARICOM countries to question the degree to which the WTO appreciates the commodity dependence of some of these countries, and whether a case cannot be made for a waiver or some positive discrimination among developing countries in favor of such small vulnerable economies.

CARICOM countries have been pressing especially for recognition of the needs and concerns of small economies, trying to adopt a work programme on smaller economies within the WTO; the operationalisation of special and differential treatment for developing countries and the need to make it binding; the adoption of a development driven work programme; as well as the need for greater internal transparency in WTO decision-making.¹⁴

Currently, in the WTO, small developing states are covered by provisions for special and differential treatment that apply to developing countries as a whole. In all, the various texts contain 72 of the 97 different provisions of special and differential treatment related to developing members as a group. The conceptual basis for their inclusion lies in the observation that these countries suffer from intrinsic disadvantages and that trade policies for sustainable development in these countries are different.

According to GATT 94, these provisions can be classified into five main groups: provisions aimed at increasing trade opportunities through market access; provisions requiring WTO members to safeguard the interest of developing countries; provisions allowing flexibility to developing countries in rules and disciplines governing trade measures; provisions allowing longer transitional periods to developing countries; and provisions for technical assistance.¹⁵

The main issue for CARICOM countries is whether another category of vulnerable countries can be created with a package of special and differential measures that are less than that for the LLDCs¹⁶ but meet the needs of these countries with treatment that is transitional rather than permanent.¹⁷ This issue is fundamental and involves the restructuring of the present system of classification as well as changing the criteria for differentiation and graduation among developing countries.

¹⁴ RNM UPDATE Special Issue: The Fourth WTO Ministerial Part 1 November 23, 2001.

¹⁵ Additional provisions within these five groups relate specifically to the least-developed countries.

¹⁶ Least Developed Countries (LLDCs) as defined by the UN and recognized by the WTO.

¹⁷ WTO. *Concerns and Problems of Small Economies*. Joint Paper By Barbados, Jamaica, Lesotho, Mauritius, Sri Lanka And Trinidad and Tobago WT/COMTD/W/50/ 2 December 1998.

At Doha, some progress on small economies was made in terms of procedure. It was agreed to establish a work programme on small economies under the auspices of the General Council to examine issues relating to the trade of small economies. “The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO members.”¹⁸ In addition, recently in the Doha WTO Ministerial Declaration, agreement was reached “to review all special and differential treatment with a view to strengthening them and making them more precise, effective and operational”. The latter opens up the possibility for a new WTO framework of Special and Differential Treatment more in line with the development needs of particular groups of developing countries.

In conclusion, CARICOM states find it difficult to accept that they must be fatalistically pragmatic as small states and adjust to regional and multilateral liberalization at any cost. They have adopted a defensive posture and are examining their options on all fronts. Their unfinished agenda remains essentially one of pursuing special and differential treatment that would enable them to meet their obligations and not conflict with their own regional arrangements.

Major Challenges to CARICOM in ACP/EU Trade Negotiations

The new ACP-EU Partnership Agreement establishes a framework that pursues trade liberalization between the parties and offers provisions in the area of trade-related matters. This framework agreement covers 20 years, and in 2002, a formal negotiation period of 6 years will be opened. Existing preferences will be continued for a preparatory period of 8 years until 2007, after which individually or collectively for the ACP countries, a new trade regime is expected to be in place that would either be a Free Trade Area (FTA) in the form of an Economic Partnership Agreement (EPA) which would have a transition period of 10 or 12 years up to 2018 or 2020; or the GSP or some other alternative to be determined. Since both parties agreed “to remove progressively barriers to trade” between them, there is already some commitment to reciprocity in an EPA for the ACP non-LLDCs who choose to do so. This EPA will be WTO-compatible and cover “essentially all trade” and be implemented within 10 to 12 years. ACP countries are invited to sign up as groups, building on their own regional integration schemes. For countries not wishing to enter EPAs, alternative arrangements will be examined that are WTO-compatible and provide a level of market access equivalent to current preferences. ACP Least Developed (LLDCs) are guaranteed free access to the EU market for essentially all their products. Such liberalisation would start in parallel in 2000 for almost all imports from all LLDCs and on the basis of GSP be completed by the year 2005, at the latest on a non-reciprocal basis.¹⁹ The current all-ACP non-reciprocal tariff preferences are maintained until December 21, 2007.

¹⁸ The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference. WT/MIN(01)/DEC/W/

¹⁹ The European Union recently granted an “everything-except-arms” GSP treatment for all ACP and

Formal negotiations on Economic Partnership Agreements will start by September 2002 at the latest and in 2004, the situation of non-LLDC ACP countries not in a position to enter into EPAs will be assessed and alternative possibilities considered. The progress in the negotiation of EPAs will be assessed and new trading arrangements will enter into force by January 1, 2008 at the latest. Liberalisation of trade will begin by 2008, at the latest and have a transitional period of at least 12 years.

The EU agreements with ACP countries have given Caribbean countries non-reciprocal duty free access to the EU market for most products. In addition preferential access is provided under various commodity protocols for ACP countries. Commodity protocols for sugar, rum, rice and bananas provide preferential access in terms of quota and higher than world market prices. In view of the new arrangements that emerged at the end of the Uruguay Round, a new framework for trade between the ACP and the European Union became necessary as a result of the difficulty of maintaining special non-reciprocal trade preferences for a select group of developing countries.

Cotonou trade preferences discriminate between ACP and non-ACP countries of similar levels of development. WTO rules, under the Enabling Clause, allow developing countries to be exempted from the principle of non-discrimination (also referred to as the MFN principle, spelled out in Article 1 of GATT), but only if they are all treated the same, as in the GSP which is compatible under the Enabling Clause (adopted for an indefinite period). This discriminating policy has been able to survive until now only by means of a waiver but this waiver has now become difficult, if not impossible, to obtain in the WTO.

As regards the negotiation of Economic Partnership Agreements (EPAs), it is the EU intention to request reciprocity individually or from all members of an ACP sub-region (including LLDCs that wish to accept an EPA) either already applying free trade effectively or planning to introduce free trade and which elects itself for such negotiation. This may, in particular, be the case in custom unions or (completed) free trade areas among ACP states.

The CARICOM Treaty, as modified by Protocols II to IX, is built on the assumption that commitments in multilateral and bilateral agreements will never provide superior conditions to nationals of third countries or to goods and services of such countries than is provided to nationals of states of the CSME. CARICOM has been able to structure provisions in the CSME, giving more favourable conditions to goods, services and nationals of member states than to similar goods, services or nationals of third countries, by virtue of exceptions built into the Agreements with third parties or provided for in international agreements such as the Marrakesh Agreement. The exemptions are permitted on the basis of agreed conditions. These conditions are however not static. Trade agreements are negotiated and re-negotiated from time to time. The latter is the case in future ACP/EU negotiations since the coherence of CARICOM and its CSME may be threatened. The OECS CARICOM States have already indicated

non-ACP LLDCs.

a strong interest in non-reciprocity in trading relations even though by EU criteria they are not LLDCs. Haiti would qualify for non-reciprocal treatment by the European Union. Some other CARICOM countries might opt for the GSP, while the rest may wish for a full-fledged FTA, although on some asymmetrical terms.

It may be difficult to reconcile these different approaches with the notion of a single market and economy. Two (or three) sets of trade arrangements within one region, i.e. one maintaining non-reciprocal preferences, while the other engaging in EPAs, could be a setback for regional integration in CARICOM. The maintenance of an autonomous regional integration process is important for CARICOM. Assurance is therefore needed that CARICOM members can continue to honour the full range of commitments, obligations and undertakings in Protocols II to IX and this will depend on the outcomes of these negotiations.

According to Art. 36.1 of the Cotonou Agreement, the ACP and European Union agreed “to conclude new World Trade Organization (WTO) compatible trading arrangements”. This implies that by the end of 2007 or any other agreed time, the ACP and European Union must conclude trading arrangements that must be compatible with whatever changes may have taken place in the WTO.

Under Article XXIV of the WTO, free trade area agreements are a permitted exception to the basic principle of most-favoured nation treatment. Article XXIV allows for a degree of asymmetry in liberalisation in the formation of FTAs. In particular, to be WTO compatible, FTAs must fully liberalise “substantially all trade” between the signatories, i.e. there should not be too many sensitive products excluded from the agreement. Also this liberalisation must take place “within a reasonable period of time,” now defined in the WTO as a period that “should exceed ten years only in exceptional cases.”

WTO compatibility remains controversial since both conditions are subject to a certain degree of interpretation. The interpretation of the “substantially-all-trade” requirement continues to be a contentious issue. Discussions in GATT working parties reflect two basic positions. Some understand the “substantially-all-trade” requirement in qualitative terms, that is, free trade areas cannot exclude major *sectors* from intra-regional liberalization. Others give the requirement a quantitative perspective. They demand that a substantial *percentage* of intra-regional trade must be covered by the free trade area agreement, rather than substantially all products or sectors. Recently in the EU/South Africa Agreement the latter quantitative criterion was used. It established the framework for a reciprocal, but asymmetrical FTA, that will cover 90% of bilateral trade by value over a reference period (1994-1996).

The ACP countries have expressed concern with the limited flexibility under Art. XXIV and the uncertainty surrounding the legal interpretation of its provisions. They would wish to see more flexibility introduced on a sounder legal basis in terms of transition periods and the exclusion of sensitive sectors, particularly for the least developed, small and landlocked countries. In the DOHA WTO Ministerial Declaration,

they managed to obtain agreement for negotiations aimed at “clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements”. The latter talks will be crucial for CARICOM in its search for more flexibility under Art. XXIV.

There are also several implications for Free Trade Area of the Americas (FTAA) negotiations some of which are, like those for post-Cotonou, tied up in the WTO. A major one is the scope for manoeuvre with the trade regime and the recognition that whatever is decided in the FTAA or post-Cotonou context must respect the principle of non-discrimination in tariff treatment by the Caribbean ACPs between the European Union and North America. Different timetables in FTAA, WTO and ACP/European Union tend to compound the difficulties. At present, the FTAA is carded for completion by December 2004. Any agreement that is not favourable to small economies and is less than the outcomes of WTO and ACP/EU deliberations on S&D and small countries could be damaging for CARICOM countries.

The task therefore, for CARICOM states is to find the optimum sequencing and timing of negotiating events that would ensure maximization of interests across all three forum. It is a difficult one for such small states that largely do not control the negotiating timetables and agendas.

Conclusion

The Caribbean countries have been preoccupied with certain trends in the international environment that are perceived as having a negative impact on small economies. They tend to underscore the erosion of trade preferences under special trading arrangements such as the CBI, Cotonou, GSP and CARIBCAN as a result of universal and regional liberalization; reciprocity in trade between developed and developing countries; difficulties for small countries to attract investment outside the natural resource sector since small market size if not offset by substantial geographical advantages in skill, infrastructure, low wage cost, etc. is not conducive to attracting investment; intense competition to attract foreign investors leading to more and more incentives and greater resources for investment promotion; and the concentration of international investment in a few countries as evidenced by the increasing attractiveness of trade blocks for investment.

CARICOM is particularly concerned that the negative effects of such world integration will produce the marginalization of the region in the globalization process. Caribbean countries see themselves as having to integrate too fast into the world economy and make significant policy changes at the macro-economic and structural levels in order to reap benefits from the liberalization of trade either at the multilateral and /or regional level. Such policy changes involve high adjustment costs in the short run. Efforts at diversification and adaptation to the above changes have not been facilitated by the above trends in investment.

The above poses a challenge to EU/Caribbean relations in the future. The task is to ensure that developments arising from globalisation do not aggravate or create inequalities in societies and between regions. It is to that end that a new partnership with the European Union must address itself.

Unlike Mexico, MERCOSUR and Chile which have opted for a Free Trade Area (FTA) with the European Union, CARICOM is still weighing its trade integration options with the European Union. Its concern is whether a WTO-compatible EPA will allow the desired flexibility and would take sufficient account of the effects of vulnerability. A WTO-compatible EPA is therefore seen as beyond their reach unless Art. XXIV is substantially reformed and/or flexibly interpreted.

The commitments, obligations and undertakings within the CSME are being developed in the context of a multilateral environment in which member states have increasingly binding obligations and commitments; an increasing number of bilateral and multilateral agreements with binding commitments; and regional agreements being subjected to rigorous WTO scrutiny and rules. A major challenge to CARICOM therefore, is to ensure that treatment in agreements with third parties such as the European Union does not undermine the desirable margin of preference for CARICOM producers, and at worst, is not more favourable than the treatment given in the CSME. The granting of reciprocity will no doubt lower the ability to give preferential treatment to CARICOM nationals but in the context of open regionalism, the granting of protection and incentives, especially in a small integration movement, should be tempered with moderation and a concern to introduce international competition without excessive delay.

Finally, reconciling the preferences to the European Union with those under the FTAA and vice versa is problematic. It involves timing and sequencing of negotiations in such a way as to ensure minimal costs and maximum benefits in the granting of trade concessions. The over-arching role of the WTO will no doubt set the framework and must enter into the equation from the outset. The search for WTO compatibility and consistency across agreements will be therefore, taxing.

APPENDIX

Abbreviations

ACP- African, Pacific and Caribbean
ACS- Association of Caribbean States
ALADI- Latin American Integration Association (LAIA- English Acronym)
CARICOM- Caribbean Community
CARIFTA- Caribbean Free Trade Association
CBI- Caribbean Basin Initiative
CET- Common External Tariff
CSME- CARICOM Single Market and Economy
DR- Dominican Republic
EBA- Everything-But-Arms
EPA- Economic Partnership Agreement
EU- European Union
FTA- Free Trade Area or Free Trade Agreement
FTAA- Free Trade Area of the Americas
GATS- General Agreement on Trade in Services
GATT- General Agreement on Tariff and Trade
GSP- Generalized Scheme of Preferences
IDB- Inter-American Development Bank
LDC- Less Developed Country
LLDC- Least Developed Country
MDC- More Developed Country
MERCOSUR- Southern Cone Common Market
MFN- Most Favoured Nation
NAFTA- North American free Trade Area
OAS- Organization of American States
OECS- Organization of Eastern Caribbean States
OSM- OECS Single Market
RNM- Regional Negotiating Machinery
WTO- World Trade Organization
UWI-University of the West Indies

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