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MONITORING THE IMPLEMENTATION & RESULTS OF THE CARIFORUM–EU EPA AGREEMENT

Final Report

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Monitoring the Implementation & Results of the CARIFORUM – EU EPA AGREEMENT

(EUROPEAID/129783/C/SER/multi - Lot 1: Studies and Technical
assistance in all sectors)

Project Implemented by

B & S Europe and Linpico

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This study on the implementation and impact of the CARIFORUM-EU Economic Partnership Agreement proved to be particularly challenging given its scope and complexity. The Agreement covers not only traditional trade policy and trade-related issues, but also newer-generation issues such as competition policy, public procurement, and commitments linking trade with sustainable development (including good environmental practices and stronger labour standards).

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For & on behalf of the Study Team

*Ranjit H Singh
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Acronyms

ACE		Architects' Council of Europe
ACP		Africa, the Caribbean and the Pacific
ACSAC		Association of Commonwealth Societies of Architects in the Caribbean
AMSP		Accompanying Measures for Sugar Protocol
APD		Air Passenger Duty
APP		Agriculture Policy Programme
ASEAN		Association of South East Asian Nations
AVE		<i>Ad Valorem</i> Equivalent
BAM		Banana Accompanying Measures
BOP		Balance of Payments
CAMRAC		Caribbean Architects Mutual Recognition Agreement Committee
CAFEIN		CARIFORUM EPA Implementation Network
CAHFSA		Caribbean Agricultural Health and Food Safety Agency
CARICOM		Caribbean Community
CARDI		Caribbean Agricultural Research & Development Institute
CARIFORUM		CARICOM + Dominican Republic
CARTAC		Caribbean Regional Technical Assistance Centre
CARTFund		Caribbean Aid for Trade and Regional Integration Trust Fund
CCS		CARICOM Secretariat
CDB		Caribbean Development Bank
CDE		Centre for the Development of Enterprise
CEPII		Centre d'Etudes Prospectives et d'Informations Internationales
CES		Constant Elasticity of Substitution
CET		Common External Tariff
CF		CARIFORUM
CF-EU EPA		CARIFORUM-EU Economic Partnership Agreement
CGE		Computable General Equilibrium
COMTRADE		UN Commodity Trade Database
CRIP		CARIFORUM Regional Indicative Programme
CROSQ		CARICOM Regional Organisation for Standards and Quality
CSME		Caribbean Single Market and Economy
CSP		Country Strategy Paper
CSS		Contractual Services Supplier
CTA		Centre for the Development of Agriculture
DFID		Department for International Development
DFQF		Duty-free and Quota-free
DG		Directorate General
DR		Dominican Republic
DR-CAFTA		Dominican Republic – Central American Free Trade Agreement
EBA		Everything but Arms
EBOPS		Extended Balance of Payments Services Classification
EC		European Commission
ECCB		Eastern Caribbean Central Bank
ECJ		European Court of Justice
ECOWAS		Economic Community of West African States
ECTEL		The Eastern Caribbean Telecommunications Authority
EDF		European Development Fund
EIB		European Investment Bank
EPA		Economic Partnership Agreement

EU		European Union
ExporTT		Export Facilitating Organisation of Trinidad & Tobago
FAO		Food and Agriculture Organisation
FCOR		French Caribbean Outermost Region
FDI		Foreign Direct Investment
FTA		Free Trade Agreement
GATS		General Agreement on Trade in Services
GDP		Gross Domestic Product
GI		Geographical Indication
GIZ		Gesellschaft für Internationale Zusammenarbeit
GSIM		Global Simulation Analysis of Industry-Level Trade Policy
GSP		Generalised System of Preferences
GTAP		Global Trade Analysis Project
HDI		Human Development Index
HIPCAR		Harmonisation of ICT Policies in the ACP Countries
HS		Harmonised System
IF		Investment Facility
ILO		International Labour Organisation
IICA		Inter-American Institute for Cooperation on Agriculture
IMF		International Monetary Fund
IP (1)		Intellectual Property
IP (2)		Independent Professional
ISDS		Investor State Dispute Settlement
ITC		International Trade Centre
LDC		Less Developed Country
LNG		Liquefied Natural Gas
MDC		Medium Developed Country
MERCOSUR		Common Market of the South
MFN		Most Favoured Nation
MOU		Memorandum of Understanding
MRA		Mutual Recognition Agreement
MTS		Multilateral Trading System
NAO		National Authorising Officer
NGO		Non-Governmental Organisation
NIP		National Indicative Programme
OAS		Organisation of American States
OCT		Overseas Country and Territory
ODC		Other Duties and Charges
ODI		Overseas Development Institute
OECD		Organisation for Economic Cooperation and Development
OECS		Organisation of Eastern Caribbean States
OTN		Office of Trade Negotiations
PMU		Project Management Unit
RoW		Rest of the World
RPSDP		Regional Private Sector Development Programme
RPTF		Regional Preparatory Task Force
RTC		Revised Treaty of Chaguaramas
RTP		Regional Transformation Programme
SCCCTF		Special Committee on Customs Cooperation and Trade Facilitation
SIA		Sustainability Impact Assessment
SMART		Single Market Partial Equilibrium Tool
SME		Small and Medium Enterprise

SPA		Special Programme of Assistance
SPS		Sanitary and Phyto-sanitary Measures
SSC		Services Sector Component
TBT		Technical Barriers to Trade
TDC		Trade and Development Committee
TF		Trade Facilitation
TOR		Terms of Reference
TPR		(WTO) Trade Policy Review
TRI		Trade Related Issues
TRIMs		Trade Related Investment Measures
TRIST		Tariff Reform Impact Simulation Tool
UK		United Kingdom
UN		United Nations
UNCTAD		United Nations Conference on Trade and Development
UNCPC		United National Central Products Classification List
UNDP		United Nations Development Programme
UN-ECLAC		UN Economic Commission for Latin America and the Caribbean
UNEP		UN Environment Programme
US or USA		United States (of America)
USD		United States Dollar
USTR		United States Trade Representative
VAT		Value Added Tax
VCLT		Vienna Convention on Law of Treaties
WIRSPA		West Indies Rum and Spirits Producers' Association
WIPO		World Intellectual Property Organisation
WITS		(World Bank) World Integrated Trade Solution
WTO		World Trade Organisation
WTO I-TIPS		WTO Integrated Trade Intelligence Portal Services

*The Implementation & Impact of the CARIFORUM - EU
EPA: The First Five Years: Background*

Background: Reviewing the CARIFORUM-EU EPA, Five Years On

The negotiation and finalisation of the CARIFORUM-EU Economic Partnership Agreement text in 2008 represents a major and complex milestone. In the early hours of the morning, CARIFORUM and EU negotiators initialled the agreed text of the Economic Partnership Agreement (hereinafter referred to as “the CF-EU EPA, or “the Agreement”) following an intense four-phase negotiation. The bi-regional negotiations – whose background, history, aims and objectives have been the subject of multiple papers and books¹ – involved 42 different countries (15 on the CARIFORUM side² and, at the time, 27 on the EU side³), each with relatively distinct economic profiles and trading relationships. The agreed CF-EU EPA text comprises 250 articles, three protocols, declarations/statements (joint and individual) and seven annexes – with the goods schedules alone covering more than 5,000 tariff lines, coming to a total of nearly one thousand pages.

The official signature of the CF-EU EPA in October 2008 and its provisional entry into force two months later marked a major milestone in four decades of a trade and development relationship between Europe and CARIFORUM. It is a trade relationship that is relatively unique in North-South relations in that it combines trade provisions and development cooperation. The CF-EU EPA replaced the trade provisions of the Cotonou Agreement – based in part on unilateral, duty-free preferences for exports from the African, Caribbean and Pacific (ACP) Group of countries – with much broader and deeper commitments: a significant increase in development cooperation; reciprocal market access in goods; commitments with regard to regional integration; the inclusion of new WTO areas (e.g. services, labour, SPS/TBT) and WTO-plus areas (e.g. labour, competition, investment); and new joint institutions and channels for regional and bi-regional dialogue.

Apart from the technical complexity of the CF-EU EPA, within the CARIFORUM context the Agreement raised difficult (and in some cases, long-postponed) issues. These included regional integration commitments taken within the context of the Caribbean Single Market and Economy (CSME); the political and trading relationship between the CSME core and Bahamas, the Dominican Republic and Haiti; the role of development cooperation in fostering trade in non-goods sectors; and in a wider sense, the future of Caribbean exports (to the EU and beyond) after years of focus on traditional commodity exports such as sugar, rum, bananas and rice.

The focus of CF-EU EPA efforts has now turned to implementation, which is a far greater challenge than negotiations and which recognises that the Agreement is much more than the textual provisions. These efforts, as will be detailed in this study, are meant to involve, *inter alia*, wide-ranging changes to national legislation, the allocation and disbursement of new EU funds and the implementation of projects ranging from awareness-raising seminars and training workshops to institutional capacity-building/cooperation and Caribbean-EU trade missions. For many EPA observers consulted for this study, both sides were keenly aware that – as difficult as they were at times – the challenge of *negotiating* the CF-EU EPA would pale in comparison to the challenge of *implementing* its provisions.

At its core the CF-EU EPA comprises a complex set of treaty obligations. The Agreement’s many provisions, protocols and annexes contain a range of commitments: from mandatory to

¹ For an excellent overview, see the individual contributions in Zampetti and Lodge (2011).

² CARIFORUM consists of Antigua & Barbuda, Belize, The Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname, and Trinidad & Tobago.

³ The current 28 Member States of the European Union consist of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, and Lithuania. Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

“best endeavour”; from highly specific to broad exhortations and statements of principle; from time-bound (some of which fall under the 2008-2013 period under review) to open-ended over the indefinite duration of the Agreement. Many commitments (particularly on the CARIFORUM side) kick in gradually – in recognition of the vast differences in capacity between the Parties⁴, and in theory to allow for a period where development cooperation measures can strengthen regulatory, institutional and firm-level capacity.

The CF-EU EPA is much more than its legal provisions set down on paper. The CF-EU EPA is also a set of institutions: some of which flow from the Agreement directly, others set up on the initiative of one or both Parties; some established to facilitate dialogue and others serving as channels of cooperation funding. Perhaps more importantly, the CF-EU EPA provisions and institutions are linked in a process: aside from the bi-regional and bilateral dialogues that existed well before the Agreement (e.g. the EDF programming processes and other ACP-EU cooperation mechanisms), the Agreement also commits the Parties to a schedule of additional meetings and dialogues (in an already packed regional calendar) to support and further implementation efforts.

All three elements of the CF-EU EPA – obligations, institutions and processes – will be the focus of this study.

This study assesses both the level of implementation and the impact of the CF-EU EPA from 2008 to 2013. Under Article 5, CARIFORUM and the EU “undertake to monitor continuously the operation of the Agreement through their respective participative processes and institutions, as well as those set up under this Agreement, in order to ensure that the objectives of the Agreement are realised”. This commitment is further clarified under the Joint Declaration On the Signing of the Economic Partnership Agreement, which provides for “comprehensive review of the Agreement [to] be undertaken not later than five (5) years after the date of signature and at subsequent five-yearly intervals, in order to determine the impact of the Agreement, including the costs and consequences of implementation and we undertake to amend its provisions and adjust their application as necessary”.

Following from this commitment and the study’s Terms of Reference (**Annex I**), the four-person team⁵ sought to answer three key questions over the first five years (2008-2013) of CF-EU EPA implementation:

- **First**, to what degree have the provisions of the CF-EU EPA been complied with, both on the CARIFORUM and EU side? (Part I)
- **Second**, drawing from available data and economic modelling, has the CF-EU EPA resulted in any measurable impact (quantitative or qualitative) on the trade and development indicators that capture – albeit indirectly or at times imperfectly – the principles and objectives of the Agreement? How does the impact compare with both (a) expectations at the time of the signature of the Agreement, and (b) the impact of other external and internal factors? (Part II); and
- **Third**, what are the key issues that should inform the agenda of the Five-Year Review, and thus increase the implementation and impact of the Agreement? (Conclusions following Part II)

⁴ The review team is aware of the legal difficulties in defining the “Parties” in the context of a bi-regional agreement, particularly one that takes great pains to note (in Article 233) that there are instances where CARIFORUM agrees to act collectively and where the individual CARIFORUM States undertake commitments for individual action. In this review, the term “Parties” or “sides” to the Agreement is used as shorthand for both situations.

⁵ Paul Hare (Economic Modelling & Statistics), Sacha Peter Silva (Report Lead Author / Development Economist), Ranjit Singh (Team Leader / Trade Economist) and Keisha-Ann Thompson (Investment and Services Specialist).

The study is based on both extensive research and in-depth consultation in the Caribbean and Europe. During 2013 and 2014, the team met in person with CARIFORUM and EU stakeholders in Brussels, Dominica, Guyana, Barbados, Trinidad & Tobago, Jamaica, Belize, Suriname, Antigua & Barbuda, St Lucia and the Dominican Republic. Extensive phone and email contacts were made with stakeholders in other CARIFORUM States as well as a wide network of trade experts familiar with both CARIFORUM and the CF-EU EPA. In addition, data and information was sought through formal questionnaires in an effort to fill data gaps. The consultations covered public, private and civil society representatives, including officials from key national and regional organisations involved in CF-EU EPA implementation. A list of persons interviewed can be found in **Annex II**.

Given the breadth and depth of the CF-EU EPA, the analysis emphasises – but is certainly not limited to – certain chapters, themes and sectors. Both the Agreement and this study are highly complex undertakings, with many provisions taking the EU-CARIFORUM relationship into new and challenging waters. The scope and the breadth of the CF-EU EPA (shown in Box 1) brings in a wide spectrum of sectors, stakeholders and variables – economic, social and political – that are nearly impossible to separate clearly, particularly in a context of two highly diverse economic integration initiatives (the EU and CARIFORUM), and a time period which saw significant upheaval at the global, regional and national level.

Box 1: Contents of the CARIFORUM-EU EPA

<p>Part I: Trade Partnership for Sustainable development (art. 1 – 8) <i>Objectives, principles, sustainable development, regional integration, monitoring, cooperation in international fora, development cooperation, cooperation priorities</i></p> <p>Part II: Trade and Trade related Matters (art. 9 – 201) I. Trade in goods (art. 9 – 59) <i>Customs duties, trade defence instruments, non-tariff measures, customs and trade facilitation, agriculture and fisheries, technical barriers to trade, sanitary and phyto-sanitary measures</i> II. Investment, trade in services, e-commerce (art. 60 - 121) III. Current payments and capital movement (art. 122 - 124) IV. Trade related issues (art. 125-201) 1. <i>Competition</i> 2. <i>Innovation and Intellectual Property</i> 3. <i>Public Procurement</i> 4. <i>Environment</i> 5. <i>Social Aspects</i> 6. <i>Protection of personal data</i></p> <p>Part III: Dispute Avoidance and Settlement (art. 202 – 223) <i>Consultation and mediation, dispute settlement procedures</i></p> <p>Part IV: General Exceptions (art. 224-226)</p> <p>Part V: Institutional Provisions (art. 227-232) <i>Joint CARIFORUM-EC Council, CARIFORUM-EC Trade and Development Committee, CARIFORUM-EC Parliamentary Committee, CARIFORUM-EC Consultative Committee</i></p> <p>Part VI: General and Final Provisions art. (233-250)</p> <p>Protocol I: Concerning the Definition of the Concept of “Originating Products” and Methods of Administrative Cooperation Protocol II: On Mutual Administrative Assistance in Customs Matters Protocol III: On Cultural Cooperation</p>

Source: CARIFORUM-EU EPA text.

Any single Part, Chapter or even provision of the Agreement can and has been the subject of extensive stand-alone studies. Perhaps most importantly, the CF-EU EPA is but one part of a much larger trade and development toolbox available to EU and CARIFORUM policymakers. This study can thus only provide a limited perspective on the Agreement and its potential impact.

The aim of the expert team, as guided by the study's Terms of Reference, is to "*identify economic (and social and institutional) results in key categories relevant to the Agreement*" (emphasis added). The study covers virtually all areas of the Agreement. However, inevitably not all provisions are addressed in the same depth and/or level of detail. The analysis in this study – mirroring the "priority-setting" approach used by the 2004 Sustainability Impact Assessment (SIA) on the CF-EU EPA prepared for the European Commission⁶ – focuses on significant sectors from an economic, environmental and/or social perspective where changes can be expected from the implementation of the CF-EU EPA, particularly those areas of the Agreement that marked clear departures from the pre-2008 status quo. Priority was also given to commitments and sectors that were emphasised by either Party during the actual negotiations or during the consultations held for this study. To provide clarity in its findings, the study – particularly on the implementation side – generally avoids analysis of very broad statements of principle or objectives or reaffirmations of both sides' commitment to a given issue that is normally found in the first or second provision in every Chapter of the CF-EU EPA. The study also draws on two background technical reports (included as separate annexes to this study) on, respectively, services and investment⁷, and partial-equilibrium trade modelling⁸.

The study attempts, insofar as possible, to recommend ways to address implementation deficits. Throughout the text, the experts have identified areas where implementation has been lacking or where progress has stalled, in addition to constraints to implementation efforts – whether time, financial resources, human resources, priorities, or a combination of all four – that CARIFORUM and EU stakeholders have identified. Many of the key roadblocks to CF-EU EPA implementation have been extensively discussed both at the technical and political levels throughout the review period. Where possible, the expert team has suggested ways forward for CARIFORUM and the EU on contentious issues. In other areas, the study notes the progress made (or lack thereof), as reflected in the minutes of the relevant meetings and/or the views of CARIFORUM and EU stakeholders.

While Haiti is part of CARIFORUM, it is not yet applying the Agreement, and thus is not part of this study. Haiti has not notified either its ratification or provisional application of the CF-EU EPA. By agreement of both CARIFORUM and the EU at the First Meeting of the Trade and Development Committee (TDC), Haiti will be treated as an *ad hoc* observer until such time as it ratifies or provisionally applies the Agreement.

⁶ CEPII/CIREM (2008).

⁷ Keisha-Ann Thompson, "A Qualitative Analysis of Regulatory issues in the EPA", background paper to the Five-Year Review of the EPA, July 2014.

⁸ Paul Hare, "Technical Report on Partial-Equilibrium Trade Modelling", background paper to the EPA 5-Year Review, July 2014.

Part I: The Implementation of the EPA

1 The Foundations of Implementation

Despite significant work during the review period, there are still important deficits to be addressed in some of the basic institutional and strategic foundations of implementation.

While this exercise constitutes the first comprehensive review of CF-EU EPA implementation – i.e. one covering both CARIFORUM and the EU (at both the national and regional levels) and looking at the whole suite of specific provisions – there have been a number of studies from 2008 onwards⁹ which point to significant gaps in some of the basic foundations of implementation.

Among their conclusions, the studies found that – despite enthusiasm among some regional bodies, Member States and firms in the private sector – CARIFORUM “*has truly struggled to move forward with any urgency or real coordination with respect to EPA implementation... the challenges are political, communication-related, philosophical, cultural, institutional, financial, technical, capacity-related and more*”¹⁰. The authors’ analysis – in part reflected by the consultations held for this study, and discussed in turn – were particularly evident with respect to:

- The key legislative steps to activate the provisions of the CF-EU EPA, including ratification of the Agreement;
- The institutions created within the region to support CF-EU EPA implementation, particularly the national and regional EPA Implementation Units;
- The national and regional strategic plans, frameworks and roadmaps for implementation;
- Information and communication with stakeholders on their rights and responsibilities under the Agreement;
- Monitoring the impact and implementation of the Agreement (of which this study forms only one aspect);
- The link between implementation and development cooperation; and
- Intra-Caribbean integration, including regional preference and CARIFORUM trade with the EU’s outermost regions.

While this study will generally address implementation issues in the order in which they appear in the CF-EU EPA text, it is worth addressing some of these foundational matters first. Some of them are addressed within the text of the Agreement (e.g. ratification) while some do not appear at all (e.g. the establishment of national and regional EPA Roadmaps). Key to the identification of relevant issues has been intensive stakeholder consultation as well as questionnaire responses provided by CARIFORUM States. The consultation and questionnaire responses have made it possible to gain a critical understanding of the implementation experience five years after signing and any of the underlying causes for both successes and shortfalls.

1.1 Ratification

In what is arguably one of the most basic signals of implementation – ratification of the Agreement – there is, according to the official repository, still only around 50% compliance in both regions (Article 243). While the CF-EU EPA text does not set a deadline for ratification, under Article 234(3), the Agreement does set a deadline of 31 October 2008 for provisional application. In certain CARIFORUM States (e.g. Antigua and Barbuda, Dominican

⁹ These include Humphrey and Cossy (2011), various contributions in Zampetti and Lodge (2011) – particularly Richard L. Bernal, “The Challenge of Sustainable Implementation”, GIZ (2012), Biyers and de Roquefeuil (2012) and presentations on EPA implementation by the GIZ EPA Support Programme.

¹⁰ Humphrey and Cossy (2011)

Republic and Suriname) whose legal systems did not allow for provisional application, the October 2008 deadline constituted a *de facto* deadline for ratification.¹¹ There is no threshold for the Agreement's entry into force in terms of number of countries that need to ratify it: Article 234(1) simply states that the CF-EU EPA "shall enter into force the first day of the month following that in which the Parties have notified each other of the completion of the procedures necessary for this purpose".

As of May 2014, according to the General Secretary of the Council of the European Union (the official depository of the Agreement under Article 243), less than half of CARIFORUM Member States (seven out of fifteen) and slightly more than half of EU Member States (sixteen out of twenty-eight) – have submitted official notification of their ratification of the Agreement (Table 1) and the CF-EU EPA is still being provisionally applied. While Trinidad & Tobago indicated during consultations that it has ratified the Agreement¹², that ratification has not yet been notified to the depository.

Table 1: CF-EU EPA Ratification (as at August 2014)

CARIFORUM States	EU Member States
Dominican Republic – 29 October 2008	United Kingdom – 25 January 2010
Antigua and Barbuda – 19 December 2008	Sweden – 29 January 2010
Dominica – 30 October 2009	Spain – 11 March 2010
Belize – 31 May 2011	Slovakia – 13 April 2010
Guyana – 14 June 2012	Malta – 7 May 2010
Saint Lucia – 25 September 2012	Denmark – 21 September 2011
St Vincent and the Grenadines – 22 November 2012	Greece – 29 December 2011
	Finland – 25 November 2011
	Italy – 25 January 2012
	Lithuania – 26 January 2012
	Bulgaria – 2 August 2012
	France – 4 March 2013
	Netherlands – 12 April 2013
	Portugal – 8 July 2013
	Belgium – 30 April 2014
	Cyprus – March 27 2014

Source: Council of Europe, accessed online at <http://www.consilium.europa.eu>.

Ratification is not strictly necessary for some of the benefits of the Agreement to flow – some countries (e.g. The Bahamas and Jamaica) have yet to ratify the CF-EU EPA but have given effect to the tariff reductions under Article 16. However, there are certain actions required of the CARIFORUM States that are triggered by entry into force of the Agreement (e.g. the submission of a list of prospective GIs) and certain flexibilities enjoyed by CARIFORUM that will expire after a certain period after entry into force of the Agreement (e.g. infant industry safeguards). Ratification may also send an important psychological signal to investors of CARIFORUM and EU governments' seriousness in engaging with the commitments under – and reaping the benefits of – the Agreement.

CARIFORUM stakeholders have provided a range of reasons for not ratifying the Agreement. Some CARIFORUM States have indicated that they had delayed ratification pending agreement by both Parties on the correction of perceived errors in certain areas of the Agreement – particularly the tariff reductions listed in Annex III – based on the assumption that such changes would be more onerous after ratification. In other States, officials noted that the legal instruments for ratification had been prepared for some time but full discussion in Cabinet and/or Parliament was continually postponed particularly when the scope and impact of the post-2008 global financial crisis became clearer.

¹¹ Suriname has indicated that it has provisionally applied the agreement as of 2009, and that the ratification of the agreement is still in process at the National Assembly.

¹²Parliament record: July 17 2013: Act No 9 of 2013

Other stakeholders felt that, since the benefits under the Agreement (particularly development cooperation and duty-free, quota-free access to the EU market) could be secured without ratification, there was little priority placed on ratification but rather on targeted measures to give effect to specific provisions – in the words of one stakeholder, “*there is no need to ratify, as long as we implement*”.

While Haiti enjoys some of the benefits of the Agreement, it remains an observer in the CF-EU EPA joint bodies. Haiti has neither ratified nor notified its provisional application of the CF-EU EPA. Haiti is, however, the sole CARIFORUM beneficiary of duty-free, quota-free access to the EU market under Everything But Arms (EBA) and is still able to access EPA funding through the regional envelope of the EDF.

1.2 Institutions and Strategies (i): The EPA Units

While all CARIFORUM countries have designated national EPA Coordinators, the effectiveness of national EPA Units varies across the region – with resources being a major concern (Article 234). As with many foundational elements of EPA implementation, the establishment of national EPA Implementation Units (hereinafter referred to as “EPA Units”) is not explicitly mentioned in the CF-EU EPA: Article 234 refers to a “Coordinator” whose role is to “*facilitate communication and to ensure the effective implementation of the Agreement*”. All CARIFORUM countries have established an EPA coordinator and the EU has notified its Coordinator.

There is a diversity of institutional mechanisms coordinating EPA implementation within CARIFORUM States. While some States have elected to have National EPA Implementation Units (e.g. Barbados, Antigua & Barbuda and Grenada), others maintain what are broadly Trade Implementation Units – where oversight of EPA implementation is only one of several mandates (e.g. Jamaica and the Dominican Republic) – while still others maintain EPA-related focal points (e.g. Suriname and Guyana).

Many stakeholders see the EPA Units as a key player in achieving the objectives of the Agreement: on one hand raising awareness of the obligations and opportunities under the CF-EU EPA, and on the other, coordinating and measuring implementation efforts – not only by various line ministries but also by the regional and bilateral organisations involved in the broad CF-EU EPA themes as well as private sector and civil society stakeholders. This two-pronged function is reflected in, for example, the mandate of the Barbados EPA Unit (shown in Box 2).

Many EPA Units, where they have been established, have been able to undertake a range of activities that have laid some of the groundwork for EPA implementation. The activities thus far undertaken have tended to focus primarily on:

- Preparing the national roadmaps and monitoring matrices for implementation;
- Disseminating publications and holding cross-sector seminars on awareness-raising and training, including on resource mobilisation (e.g. proposal-writing workshops); and/or
- Establishing links (either informal or formal, e.g. through Memoranda of Understanding (MoUs) with selected Business Support Organisations (BSOs) on priority export sectors.

Box 2: The Mandate of the Barbados EPA Implementation Unit

The mandate of the Barbados EPA Unit includes:

- On-going liaison and interaction with public and private sector institutions to identify EPA-related needs and possible sources of development assistance to address those needs.
- Developing and executing a sensitization and information outreach programme to inform stakeholders about EPA-related benefits and opportunities.
- Working with Government Ministries and other agencies in developing or strengthening Barbados' regulatory and enabling environment in order to facilitate the exploitation of EPA-related opportunities by the private sector.
- Working with private sector institutions in organizing workshops and other interactive sessions to inform economic operators about market access opportunities in the EU and how to take advantage of those opportunities.
- Liaising and interacting with EU-associated institutions, which are responsible for providing funding and various forms of technical assistance to support development and growth in ACP countries.
- Interfacing with regional and locally based institutions involved in managing and/or disbursing resources, which could be used for EPA-related projects.
- Developing an appropriate set of indicators and benchmarks to facilitate the monitoring of EPA Implementation in Barbados.

Source: Barbados EPA Unit website, accessed online at <http://www.foreign.gov.bb>.

With respect to the capacity of the national EPA Units, this varies widely in practice. The most successful EPA Units are those with strong political support and a good working relationship with other parts of government (e.g. Barbados) and/or a long head start on FTA implementation (e.g. Dominican Republic). Others, despite their smaller size, have been able to show a strong leadership role on EPA issues (e.g. Antigua & Barbuda and Grenada).¹³ Staffing levels range from two persons (Grenada) to forty (Dominican Republic) while resource levels also vary. Surveys conducted by GIZ in 2010 and 2014 show that two thirds of the EPA Units rely on government budgets for funding, which in turn make them susceptible to budget constraints and the level of political priority afforded to EPA implementation – both of which have been significantly impacted by the post-2008 global recession. Consultations indicate that resource problems in some CARIFORUM States have even necessitated a re-think of whether a separate EPA Unit is financially sustainable in the longer term or whether its functions should be re-absorbed into the Trade Ministry.

The DfID-funded CARTFUND and the GIZ-funded EPA Implementation Support Programme have played a critical role both in providing start-up funds to establish the Units (i.e. operational funds apart from specific *ad hoc* workshops and missions) and in coordinating the activities of the EPA units (e.g. through GIZ's CARIFORUM EPA Implementation Network and its constituent working groups¹⁴). Based on stakeholder consultations, however, the level of resources is perceived to be inadequate to the challenge of implementation: the same 2010/2014 GIZ surveys found that only 11% of EPA Units considered their funding to be "adequate" in 2014. Moreover, reliance on donor funding has made the EPA Units vulnerable to delays in aid programming, which in turn limits their effectiveness. Stakeholders expect that further resources may become available as the 10th EDF comes on stream, particularly the €3.5 million EPA and CSME Standby Facilities managed by the Caribbean Development Bank.

Like its national counterparts, the regional EPA Unit has faced resource constraints. The regional EPA Implementation Unit was established in 2009 within the CARICOM Secretariat as an initiative of the CARICOM Secretary-General. In 2011, the Unit came under the umbrella of the CARIFORUM Directorate, thereby expanding the role of the Directorate (which had previously been limited to development cooperation). The experts based in the Regional Unit provide technical guidance and assistance to CARIFORUM States to both comply with and

¹³ GIZ (2012)

¹⁴ The working groups cover SPS and TBT, Implementation Planning, Development Cooperation, Legislative Frameworks, Communication, Market Intelligence, and Monitoring. (Source: CAFEIN Website, accessed online at <http://cafein-online.net>)

enjoy the benefits of the CF-EU EPA. These experts are supported in part by funds provided under a grant agreement with the Caribbean Development Bank (as the administrator of CARTFUND) and in part by CARICOM. This support has ranged from legislative drafting and the organisation of consultations to support on specific issues (e.g. mutual recognition in services) and the drafting of strategic plans for priority sectors. The Regional EPA Unit has also played a key role in coordinating the meetings of EPA institutions established under the Agreement, including the TDC, the Joint Council, Parliamentary Committee and CARIFORUM inputs into the Consultative Committee.

Like its national counterparts, the Regional Unit has faced resource constraints with respect to the range of issues and sectors it has been tasked with supporting. The Unit does not have a dedicated resource envelope from which to carry out its activities and often has to search for individual donors and funds for *ad hoc* activities.

1.3 Institutions and Strategies (ii): Matrices and Roadmaps

The formulation and use of key strategic documents to guide national implementation efforts varies significantly across the region. While the creation and frequent use of strategy documents is an element that is not explicitly mentioned anywhere in the Agreement, it is arguably as important as the establishment of the actual bricks-and-mortar EPA Units. This includes, implementation Plans and Matrices that serve as management tools and guideposts on efforts to comply with (and reap the benefits under) the Agreement, and Annual Work Plans to guide the activities of the national and regional Units, as well as secure funding.

As above, the picture is not uniform across the region (Table 2), with some countries (e.g. Dominican Republic, Grenada, Antigua & Barbuda) having and using both documents; other countries are either still elaborating key documents (largely with CARTFUND or GIZ support) or do not have efforts underway.

Table 2: Elaboration of CARIFORUM Country Implementation Matrices and EPA Unit Annual Work Plans (as at May 2014)

	Country Implementation Matrix	Annual Work Plan
Antigua & Barb.	Completed & in use	Yes
Bahamas	Under development	Under development
Barbados	Completed & in use	Yes
Belize	Under development	
Dominica	Completed	
Dom. Republic	Completed & in use	Yes
Grenada	Completed & in use	Yes
Guyana	None	None
Jamaica	Completed, not in use	Under development
St Lucia	Under development	Yes
St Vincent & Gren.	Under development	Yes
Suriname	None	None
T&T	None	Yes

Source: Engels (2014). Information for St Kitts & Nevis not available.

At the CARIFORUM level, a Regional Roadmap has been developed but it is not clear how much it has guided implementation efforts “on the ground”. In 2009, the regional EPA Unit formulated a “Reworked Roadmap for Implementation of the CARIFORUM–EC Economic Partnership Agreement In Chronological Order”, drawing directly from the provisions of the Agreement and (as suggested by its title) laying out a chronological timeline of CARIFORUM’s commitments under the Agreement.

The Roadmap has been used as a reference point for the national EPA Units in drawing up their own national Implementation Plans and Matrices and it has been used by outside organisations as a yardstick against which to evaluate the activities of the Regional Unit. The perception

among some stakeholders, however, is that, rather than being *the* regularly-referenced yardstick for CF-EU EPA implementation, the Regional Roadmap is considered to be a background document whose usefulness has largely been overtaken by efforts “on the ground”, which are considered to be in the hands of the national EPA Units. Additionally, many national plans note the need for resources to clearly identify and define the actions needed to address the relevant provisions of the Agreement.

1.4 Institutions and Strategies (iii): The Joint EPA Institutions

The CF-EU EPA Committees and Councils have yet to fulfil their role in supporting the “Partnership” aspect of the Agreement. One of the many unique aspects of the CF-EU EPA – and one that distinguishes the wider ACP-EU Cotonou relationship from most other North-South trading relationships – is its emphasis, as noted in the preamble to the Agreement, on the Parties’ desire to “*establish... a regular dialogue with a view of improving mutual knowledge and understanding*”. A key value-added of the Agreement arguably rests on the idea that “cooperation” has both financial and non-financial aspects; that (echoing the Agreement’s objectives) “*support[ing] a new trading dynamic between the Parties*” requires joint institutions that are as dynamic as the trade and investment that they seek to unlock.

Aside from the constraints facing the CARIFORUM institutions tasked with implementation, consultations held for this study suggest that the scope and quality of discussions held in the joint committees and councils created under the CF-EU EPA could be improved.

The Trade and Development Committee (TDC) is a particular concern as it is arguably the key channel for dialogue at the technical level on CF-EU EPA implementation and a key link between the trade and aid aspects of the Agreement (Article 230). During the CF-EU EPA negotiations, the Regional Preparatory Task Force (RPTF) was established through the mutually agreed EC-CARIFORUM Plan and Schedule of Negotiations, which envisioned a joint body to “cement the strategic link” between the CF-EU EPA negotiations and development cooperation.¹⁵ While not a formal part of the negotiating structure, the RPTF was meant to formulate studies on specific areas of the CF-EU EPA negotiations – as those negotiations were progressing – to act as a sort of rolling needs assessment; i.e. to ensure that once the Parties wished to action the support under the relevant cooperation provisions, the RPTF would have already laid the foundation. The RPTF’s “early warning” system was particularly important in the context of EU programming cycles, where priorities need to be formulated well in advance of actual implementation.

The RPTF agreed to focus on eleven areas of work¹⁶, which produced thirteen studies in specific areas of the CF-EU EPA negotiations – ranging from procurement and customs cooperation to SPS and TBT – some of which are reflected in the design of the regional envelope of the 10th EDF. On one hand, based on stakeholder consultations, there was only partial reflection of the RPTF studies in the 10th EDF – reflecting in part the fact that the resource needs identified in the studies (in excess of €500 million)¹⁷ far exceeded available resources under the 10th EDF regional envelope. On the other hand, the RPTF studies strongly informed key areas of the EPA component under the 10th EDF – such as SPS and TBT – suggesting that the exercise was useful over its limited lifespan.

¹⁵ The mandate of the RPTF, as defined in its Terms of Reference, is to “*translate needs for support, identified in the course of the negotiations, into operational ideas for trade-related and other development assistance, and to work out these ideas up to the level of pre-identification of fundable actions.*” (“Speaking Notes Of H.E. Edwin W. Carrington Secretary-General Of CARIFORUM/CARICOM At The 5th Regional Preparatory Task Force Meeting”, 28 September 2006, Georgetown, Guyana, accessed online at www.caricom.org.)

¹⁶ TBT, SPS, trade facilitation / risk analysis, investment promotion, investment statistics, incentives for services sectors, financial services, taxation, competition policy, IPR and government procurement.

¹⁷ EuroConsult et al (2012)

The RPTF was meant to be temporary until the close of the CF-EU EPA negotiations, at which stage the Trade and Development Committee (TDC) would take over some of its functions: among its many other tasks, the TDC would develop a joint strategy for how needs assessments related to CF-EU EPA implementation would be conducted and funded, as seen in the description of the TDC's functions under Article 230 (the TDC's development cooperation functions are excerpted in Box 3). The First TDC agreed on a Technical Sub-Committee on Development Cooperation. However, the sub-committee has not yet met, nor have its Terms of Reference been jointly agreed.

Both stakeholder consultations and a review of the TDC minutes reveal a primary focus either on trade and CARIFORUM-EU governance issues rather than the development cooperation aspect. The latter remains the *de facto* purview of the CARICOM Secretariat and CARIFORUM Directorate (given their central role on determining priorities for EDF programming) or the regional bodies tasked with the actual implementation of specific EDF-funded projects.

Box 3: Excerpt of the Functions of the Trade and Development Committee (Article 230)

3. The CARIFORUM-EC Trade and Development Committee shall have, in particular, the following functions: [...]

(b) In the area of development:

- (i) to assist the Joint CARIFORUM-EC Council in the performance of its functions regarding development cooperation related matters falling under this Agreement;
- (ii) to monitor the implementation of the cooperation provisions laid down in this Agreement and to coordinate such action with third party donors;
- (iii) to make recommendations on trade-related cooperation between the Parties;
- (iv) to keep under periodic review the cooperation priorities set out in this Agreement, and to make recommendations on the inclusion of new priorities, as appropriate; and
- (v) to review and discuss cooperation issues pertaining to regional integration and implementation of this Agreement.

Source: CF-EU EPA text.

Other institutions have had some success in promoting dialogue related to CF-EU EPA implementation but convening the Consultative Committee should be a priority (Articles 231 and 232). The Consultative Committee – created under Article 232 and meant to bring civil society into discussions on CF-EU EPA implementation – has yet to meet. While the EU has notified its slate of participants, CARIFORUM has run into difficulties in composing a full slate, in part due to concerns over the extent of private sector participation (although this does not prevent the Consultative Committee from being convened).

The Parliamentary Committee created under Article 231 is intended to bring together EU and CARIFORUM Parliamentarians to discuss implementation of the Agreement. The Committee has met once in the Caribbean and twice in the EU. While the expert team for this study did not interview Committee members, publicly available documents suggest that discussions have been somewhat closer to the spirit of the Agreement – covering not only substantive discussions on EU market barriers (e.g. on temporary movement) but also touching on related developments of interest to both CARIFORUM and the EU (e.g. EU differentiation in the EDF).

While the Joint Declaration on Development Cooperation envisaged a regional development fund to channel EPA support, there have, as yet, been no substantive discussions on setting it up. The Agreement envisions a regional development fund¹⁸ to

¹⁸ The Joint Declaration on Development Cooperation states that “the Parties agree on the benefits of regional development mechanisms, including a regional development fund, accessible to all CARIFORUM States, to mobilize and channel Economic Partnership Agreement related development resources from the European Union and other potential donors. In this respect, the European Commission and the Member States of the European Union will consider the necessary arrangements with the CARICOM Development Fund, once established, with a view to providing to the Fund resources to support the execution of programmes related to the implementation of this Agreement, as well as to

channel resources for implementation, further cementing the link between the aid and trade aspects of the Agreement. Consultations indicate that there have been no intensive discussions (either between CARIFORUM and the EU or within CARIFORUM) to establish such a fund; the Joint Declaration mentions a possible role for the CARICOM Development Fund.

1.5 Institutions and Strategies (iv): CARIFORUM Governance

While some of the larger governance issues at the CARIFORUM level were resolved during the review period, others remain outstanding. While concerns about the governance structure and procedures within CARIFORUM pre-dated the signature of the CF-EU EPA, the negotiation and implementation of the Agreement heightened intra-regional tensions as the scope of CARIFORUM activities expanded from development cooperation to the wider task of CF-EU EPA trade and aid implementation.

The current arrangements reflect the outcome of years of discussions – in particular between the Dominican Republic and CARICOM – in which CARIFORUM is not an institution *per se* but a coordinating forum. It does not have a separate legal personality based on a treaty arrangement but rather an agreed Rules of Procedure. CARIFORUM does not have a Secretariat of its own or a formally agreed mandate or a formally agreed delineation of its activities. CARIFORUM is dependent on EU regional funding (for the majority of its resources) and the CARICOM Secretariat in Georgetown (for office space and resources). In 2011, the role of the CARIFORUM Director-General was created, who also serves as the EPA’s Regional Coordinator.

While some of the governance issues have been resolved, there are larger questions about the future of CARIFORUM that remain open. As noted above, the CARIFORUM Directorate largely depends on EU regional funds for its operations. In a context where some CARIFORUM governments are facing revenue fluctuations and shortfalls – and where these national difficulties are reflected in financing and cash flow problems in regional bodies, including the CARICOM Secretariat¹⁹ – this raises concerns about the sustainability of the regional structures supporting CARIFORUM (and by extension the implementation of the CF-EU EPA) and how future EU-CARIFORUM aid programming exercises will impact the shape and effectiveness of the Directorate.

1.6 Information and Awareness-Raising

Despite dissemination efforts made by national and regional bodies, there is a perception of an “information deficit” with respect to the rights and responsibilities under the Agreement, particularly among the private sector. Stakeholder consultations held for this study echo the findings of a 2012 ECDPM study on implementation challenges and bottlenecks²⁰: i.e., that one of the biggest obstacles in the way of implementation appears to be a perceived information deficit: namely, a gap between the familiarity with the Agreement of relevant public sector officials (e.g. officials in ministries of trade), and that of the business community which is meant to reap the economic benefits under the Agreement.

This gap appears to exist despite numerous stakeholder awareness-raising seminars held at the national and regional levels both on the general elements of the CF-EU EPA and sector-specific commitments and opportunities. These efforts have been undertaken by both the national/regional EPA Focal Points as well as some of the partner institutions that have responsibility for EPA-related projects under the 10th EDF. While stakeholder opinions vary

support related adjustment measures and economic reforms. The EU contribution would complement the contribution that will have been made by the Caribbean States and other donors”.

¹⁹ For a discussion of these and other issues related to CARICOM, see Stoneman et al (2012), “Turning Around CARICOM: Proposals to Restructure the Secretariat”, Landel Mills, January 2012.

²⁰ Humphrey and Cossy (2011)

significantly on the sources of this gap, it points to a need for continued awareness-raising efforts and a need for renewed effort by the target stakeholders themselves to make use of the information already made available by regional bodies managing EPA programmes (some of which is listed, for purposes of illustration and reference, in Box 4).

Box 4: A Partial Survey of CF-EU EPA Information & Awareness Raising Efforts

The **Regional EPA Unit** (based at the CARIFORUM Directorate) has published a series of *EPA Implementation Bulletins*, regular press releases on implementation and a series of *Fact Sheets* on various issues related to the Agreement, including rules of origin, professional services, tariff reduction and civil society, all available online at the Unit's Digital Library.²¹ The Regional EPA Unit has also participated in national EPA consultations with public, private and civil society stakeholders and held workshops with regional media (including the state-owned media in 2011 and private media in 2011 and 2012).

Several **national EPA Units and Focal Points** have also undertaken awareness-raising efforts. The Barbados EPA Unit, for example, has – in addition to making presentations at national EPA consultations – published six EPA information booklets on the link between the Agreement and, *inter alia*, tourism, innovation, business services and investment. In 2013, the Unit hosted a GIZ-funded “Business EPA Opportunities Seminar” with approximately 100 participants from the public and private sectors. The Grenada Unit has held national consultations on trade in goods, trade in services and trade-related issues with public, private and civil society stakeholders.

The German-funded **CARIFORUM EPA Implementation Network (CAFEIN)** has funded and organised a range of EPA awareness workshops, including twice-yearly technical meetings for EPA Units, yearly Regional Media Workshops and national EPA consultations (with varying frequency, but normally two per year).

Other regional institutions tasked with managing EPA funds have also held workshops to highlight EPA rights and responsibilities in their particular area of focus. Caribbean Export has hosted a range of EPA awareness workshops in collaboration with the CARIFORUM Directorate, GIZ, EU and other regional and international partners; Caribbean Export has also produced “Business Briefs” on various issues related to the EPA, including rules of origin. EPA awareness efforts have also been undertaken at workshops held by agencies such as CROSQ, CARTAC and IICA.

This information deficit has, in part, fuelled misunderstandings about the CF-EU EPA, placing further obstacles in the way of implementation. Both during and following the signature of the CF-EU EPA, a number of regional observers published critical analyses of the Agreement, alleging, *inter alia*, that the CF-EU EPA would undermine (or that the negotiators had not been faithful to) the CSME process and the realisation of CARICOM's Single Development Vision.²² Stakeholder consultations for this study confirm that lingering doubts continue to exist in key public, private and civil society institutions about the value of CF-EU EPA implementation – a view echoed in the 2012 ECDM paper:

There is a saying that “the greatest fear is fear of the unknown”. This statement might accurately describe the relationship between most of the region's private sector and the EPA. They don't know much about it and they are unwilling to seek even readily available information. The private sector seems almost afraid of the Agreement, as though it represented some unknown and potentially destructive force, which they are reluctant to awaken.

Whereas some segments of the NGO community and certain regional academics have been vocal in their criticisms of the EPA, regional governments have been reluctant to enter the debate and explain the potential benefits to be derived from the Agreement. This has given the EPA the face of an unwanted trade agreement. The strident voices of the “naysayers” have tended to overwhelm the reasoned rebuttals of those who see the EPA as offering opportunities that the region is not exploiting.²³

1.7 Monitoring & Oversight

The EU and CARIFORUM have yet to agree on a mechanism to monitor CF-EU EPA implementation (Article 5). While there is no monitoring mechanism *per se* established in the Agreement, under Article 5, CARIFORUM and the EU commit to “*monitor continuously the operation of the Agreement through their respective participative processes and institutions, as*

²¹ http://www.caricom.org/jsp/community_organisations/epa_unit/epa_publications_digital_library.jsp

²² The debate is summarised in Bishop et al (2012), “Caribbean development alternatives and the CARIFORUM-European Union economic partnership agreement”, *Journal of International Relations and Development*, (1-29). A number of critical contributions can be accessed online at <http://www.normangirvan.info/economic-partnership-agreement-epa>.

²³ Humphrey and Cossy (2011)

well as those set up under this Agreement, in order to ensure that the objectives of the Agreement are realised". As of May 2014, the Parties have been unable to agree on a regional, systematic and harmonised mechanism to monitor progress and compliance under the Agreement. The lack of a monitoring mechanism is a key consideration for this study in particular, which is meant in part to inform those efforts.

Bilateral discussions on monitoring have been held at the TDC and the issue has benefited from outside analysis offering potential solutions²⁴ given that monitoring had been flagged as a priority item well before the original 2008 deadline for the conclusion of the EPA negotiations. At the First TDC, both Parties agreed to set up a Joint Working Group to discuss proposals by both sides, based on an EU non-paper tabled at both the First and Second TDCs and a concept paper to be developed by CARIFORUM that would account for, *inter alia*, national and regional requirements and the existing capacity in CARIFORUM to carry out effective monitoring of the Agreement.

At the national level, the EPA Implementation Matrices are meant to serve as one of many possible bases for monitoring efforts – yet they have only been fully evaluated in two countries (Barbados and Dominican Republic). Several national EPA Units include monitoring of the CF-EU EPA as part of their mandate, although (as noted earlier) resource shortfalls often place limitations on their ability to carry out that mandate.

The lack of a monitoring mechanism is a key consideration for this study, which is meant in part to inform those monitoring efforts. Given the strong emphasis placed by both EU and CARIFORUM officials on the development of a monitoring mechanism, the issue is discussed in further detail in the final section of the Conclusions to this study.

1.8 Intra-Caribbean Integration

For intra-CARIFORUM trade, the non-application of the regional preference obligation is arguably one of the most significant implementation shortfalls (Article 238). The regional preference clause obliges CARIFORUM States to extend to each other “any more favourable treatment and advantage” granted under the Agreement – notably, all of its provisions, not simply those related to tariff liberalisation. The Agreement provides for (now-expired) deadlines for implementation by both the CARICOM MDCs²⁵ and the CARICOM LDCs²⁶ and the Dominican Republic.

Consultations held for this review suggest that only The Bahamas provides for regional preference under the Second Schedule of its 2013 Tariff Act. This is notable as The Bahamas is the sole CARIFORUM State without a pre-existing FTA and thus has the greatest scope for market opening under Article 238.

The sense of frustration over regional preference is widespread, but particularly acute in the Dominican Republic. In several instances during consultations held for this review, stakeholders expressed frustration at the lack of implementation of the obligation under Article 238, not the least for its poor reflection of the fundamental CF-EU EPA principle of regional integration enshrined at the outset of the Agreement in Article 4 and reiterated in virtually every subsequent chapter of the Agreement.

In the DR, there has been a strong political push to enact regional preference under the CF-EU EPA, including through on-going discussions to deepen the CARICOM-Dominican Republic bilateral FTA. While consultations indicate that the interest lies across all exporting sectors, there is a particularly strong impetus from the food, apparel, construction and plastics sectors.

²⁴ Biyers and de Roquefeuil (2012)

²⁵ The Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad & Tobago.

²⁶ Belize plus the six OECS Member States.

Despite (or perhaps in reaction to) the delays in the implementation, some firms in the Dominican Republic have sought to acquire assets in CARICOM instead, including the purchase of manufacturers of beer in the OECS, steel in Trinidad & Tobago, and fertilisers in Jamaica. Nonetheless, both public and private stakeholders continue to insist on CARICOM honouring of the regional preference obligation.

On the CARICOM side, some Member States have cited disagreements over the appropriate avenue for regional preference to be implemented – i.e. within the context of CARIFORUM or within the discussion over deepening the CARICOM-DR FTA given that CARIFORUM is a coordinating body and not a regional integration organisation – as well as concerns over revenue and production impacts that, some argue, were not foreseen before the global financial crisis.

For trade between CARIFORUM and the EU French Outermost Regions (FCORs), the post-2008 discussions under the EPA have highlighted the trading opportunities – and the trade barriers – to closer integration in the Caribbean Sea (Article 239). Most CARIFORUM member states, particularly OECS countries, have an interest in increasing trade in goods and services with the FCORs. This interest has heightened with the coming into force of the CF-EU EPA 2008 and the offer of duty free access to the EU market. Several factors account for this interest including – the close proximity of many CARIFORUM countries to the FCORs, the relatively small market in the FCORs which appears to be a better match for SMEs in CARIFORUM member states and the perception by some firms that it is easier to penetrate FCORs markets than those of mainland EU. Additionally, some firms that wish to access mainland EU markets to exploit opportunities under the EPA consider entry into the FCORs as an important first step in making the adjustment towards meeting EU regulatory requirements as well as developing a better understanding of the commercial operation of markets.

Under Article 239 of the CF-EU EPA, the Parties “endeavour to specifically facilitate cooperation in all areas covered by the present Agreement as well as facilitate trade in goods and services, promote investment and encourage transport and communication links between the outermost regions and the CARIFORUM States”. Under the 10th EDF, approximately €6.5 million has been allocated for trade and economic cooperation with the “Wider CARIFORUM” countries and territories, including the FCORs. Caribbean Export is the lead agency for this component of the 10th EDF, with initiatives ranging from CARIFORUM-FCOR trade missions and working groups to MoUs with Regional Councils in Guadeloupe and Martinique – with the latter resulting in the €1.5 million INVEST KARAIB project, co-financed by the EDF and European Regional Development Funds.

Both Caribbean Export and CARTFund have also commissioned studies and follow-up presentations to identify opportunities and barriers in the FCORs²⁷. Based on stakeholder consultations, the studies have proved instructive in highlighting some of the practical trade and business related issues that prospective exporters need to address to penetrate the FCOR markets. These issues (summarised in Box 5 below) include the multiple regulatory requirements for exports into Martinique and Guadeloupe (including stringent SPS and TBT standards), high border charges (including the *octroi de mer*), cultural and linguistic barriers and low levels of market intelligence.

²⁷ These studies are (a) CEDA, “Opportunities for Doing Business Between CARIFORUM & the FCORs - Volumes I & II”, by A-Z Information, Jam Ltd, November 2010; (b) ExporTT, “Report on the Market Penetration Mission to the FCORs” by A-Z Information Jam Ltd, August 2013 (study funded by CARTFund); (c) Presentation to ExporTT, “Perspectives on the FCORs – Doing Business” by Aaron Parke, A-Z Information Ltd, November 2013; and (d) Presentation to ExporTT, “Legal Aspects of the Octroi de Mer” by Aaron Parke, A-Z Information Ltd, November 2013.

Box 5: Barriers to Trade into the French Caribbean Outermost Regions

The Caribbean Export and CARTFund studies identified a number of barriers to key goods exports into the FCOR market:

SPS and TBT standards: The studies noted that standards and certification – particularly in the French language – constituted one of the biggest hurdles to penetrating the FCOR markets. The studies cited a wide range of required export documentation – e.g. a commercial invoice, certificate of origin, airways bill, EUR 1 circulation certificate, phytosanitary certificate (where required), and transit documentation (where required), as well as labelling requirements – indicating *inter alia* origin, language, product designation, certification and bar code. The market penetration missions suggested that, in some cases, the FCORs apply standards that are somewhat higher than those of mainland EU – particularly for processed foods, chemicals, cosmetics and personal care products, construction products and packaging.

Border charges, including the *octroi de mer*: For CARIFORUM exporters, the *octroi de mer* has been highlighted as a major source of concern since many expected their products to enter the market relatively free. On one hand, the market studies indicate that (a) the *octroi de mer* is a non-discriminatory charge applicable to imports from all countries including France; (b) that the *octroi de mer* is applicable to only a limited number of products; and that (c) the process of establishing the rates for imports is transparent, with information posted on official websites, and that periodic adjustments in the rates generally tend to be downward.

On the other hand, the studies suggest that many potential exports from CARIFORUM member states to the FCORs attract significant levels of charges on entry. The table below, from the ExportTT Market Penetration Study, suggests relatively high charges for a sample of products that were of interest to the firms from Trinidad & Tobago that participated in the study missions. The total charges on entry for the selected products ranged from 18 to 31% of the c.i.f. value. The reports also note that the *octroi de mer* ranges from 0-70 % of the c.i.f. value – with an average rate of 15% but as high as 70% in the case of tobacco products – with revenue targeted towards financial support to municipalities. Additionally, there is a charge of 2.5% (*Octroi de Mer Regional* or OMR) intended to providing financing to the Regional Council.

Table: Market Entry Charges for Exports to the FCORs for a Sample of Products (%)

Product	HS Code	EU Tariff	EPA Tariff	Octroi de Mer	OMR	VAT	Total (Non EPA)	Total (EPA)
Bleach	2815.11	5.50	0.00	7.00	2.50	8.50	23.50	18.00
Plastic bags	3923.10	6.50	0.00	20.00	2.50	8.50	37.50	31.00
Confectionery	1704.90.00	13.40	0.00	10.00	2.50	8.50	34.40	21.00
Electric cables	8544.70	0.00	0.00	7.00	2.50	8.50	18.00	18.00
Packaging	4911.92	0.00	0.00	20.00	2.50	8.50	31.00	31.00
Cosmetics	3304.10	0.00	0.00	15.00	2.50	8.50	26.00	26.00
Furniture	9403.10	0.00	0.00	15.00	2.50	8.50	26.00	26.00

Source: "Exporting to the FCORs – Conducting Successful Trade Missions" by A-Z information Ltd, Jan 2014

Language, market intelligence and business culture: The studies noted the challenges of building long-term business relationships that were key to contesting markets within the FCORs and to understanding the unique aspects of their business culture, particularly given the potential language barriers when attempting to communicate with FCOR officials and firms. The studies suggested that another key hurdle was the financial cost of repeat visits to the FCORs to sustain face-to-face contact, a limited knowledge of existing market opportunities and the potential cost of recruiting a local agent or consultant to smooth entry.

Visa requirements: Since December 2009, several CARIFORUM countries have been granted a short-period visa waiver (up to 90 days) to the FCORs. However, the studies suggest that travellers from CARICOM still encounter problems entering Martinique even when they have a visa or where there are no visa requirements – for example, where a letter of invitation and proof of accommodation (effective payment) are required.

Limited availability and high cost of maritime/air transport: While the geographically proximate Eastern Caribbean islands are arguably better placed to export to the FCORs, a number of stakeholders – particularly in the Dominican Republic – cited high transport costs and irregular transport links as a major barrier to trade, although the study commissioned by Caribbean Export suggests that "the availability of transportation may be less of a barrier to trade than many think".

2 Development Cooperation (i): Commitments, Challenges & Channels

2.1 Background & Commitments

Development cooperation is a key plank of the “development dimension” of the Agreement. The so-called “development dimension” of the CF-EU EPA was a key negotiating demand on the CARIFORUM side – a means to smooth the transition towards a new reciprocal liberalisation regime; a positive and additional deliverable aside from the mere avoidance of a negative scenario (i.e. the loss of preferences). For CARIFORUM States – with small and shallow markets and small firms facing high cost constraints to trading inter-regionally, let alone to a large and complex market such as the EU – the technical assistance and capacity building that could potentially flow from an EPA was a major attraction.

Stakeholder consultations held for this study indicate overwhelming interest as to whether the sought-after development cooperation has indeed been stimulated by the EPA in its initial stage of implementation and what gaps potentially remain. Development cooperation is also the first part of the Agreement to be substantively treated, with key priorities set out in its first Chapter. For this reason, the study first tackles the implementation of development cooperation commitments before all other commitments in the CF-EU EPA, mindful of the fact that development cooperation is but one of the many interlocking elements of the Agreement.

The development cooperation commitments are spread throughout the CF-EU EPA text. Reflecting the importance of development cooperation within the Agreement, the first Joint Declaration (reproduced in full in Box 6 below) lays out a number of key parameters, including the sole mention of any quantitative amount of cooperation funds:

- First, the explicit recognition (echoed elsewhere in the Agreement) that implementation will pose adjustment challenges and noting the regional response that may be required to overcome them;
- The indication of the €165 million earmarked for the 10th EDF Caribbean Regional Indicative Programme, programmed from 2008 to 2013 (i.e. the period under review);
- The indication that EDF funding for EPA implementation will be supported by initiatives by individual EU Member States; and
- The acknowledgement of regional instruments (including a regional development fund) as a channel for EPA assistance.

Box 6: CF-EU EPA Joint Declaration on Development Cooperation

The Parties recognise the important adjustment challenges that the implementation of this Agreement will pose, in particular to smaller economies among the CARIFORUM States. The Parties agree that an important number of commitments undertaken in this Agreement will require the rapid start of reforms. The Parties also recognize regional infrastructure as an important tool to enable the CARIFORUM States to take full advantage of the opportunities offered by this Agreement.

The Parties reaffirm the importance of ensuring the most efficient use of development finance resources, in order to meet the objectives of this Agreement, to maximize its potential and support its proper implementation, as well as to support the CARICOM Development Vision.

The Parties note the availability of EUR 165 Million for financing the 10th EDF Caribbean Regional Indicative Programme (CRIP) and recall that under the Revised Cotonou Agreement, a successor to the current Financial Protocol will be agreed for the period 2014 – 2020. The Parties further recognize that the funds allocated to the Caribbean Regional Indicative Programme (CRIP) in the 10th EDF are to be complemented by Aid for Trade contributions by Member States of the European Union (EU).

Pursuant to both the EU Aid for Trade Strategy adopted in October 2007 and the funding instruments enumerated in Article 7 of Part I of this Agreement, the Member States of the European Union confirm their intention to ensure that an

equitable share of Member States' Aid for Trade commitments will benefit the Caribbean ACP States, including for funding programmes related to the implementation of this Agreement.

The Parties agree on the benefits of regional development mechanisms, including a regional development fund, accessible to all CARIFORUM States, to mobilize and channel Economic Partnership Agreement related development resources from the European Union and other potential donors. In this respect, the European Commission and the Member States of the European Union will consider the necessary arrangements with the CARICOM Development Fund, once established, with a view to providing to the Fund resources to support the execution of programmes related to the implementation of this Agreement, as well as to support related adjustment measures and economic reforms. The EU contribution would complement the contribution that will have been made by the Caribbean States and other donors.

Source: CF-EU EPA Agreement.

The main body of the CF-EU EPA text elaborates on the specific themes/priorities for EU-CARIFORUM cooperation: Article 8 (Development cooperation) provides a list of seven 'primary focus' cooperation priorities (ranging from institutional capacity and tax reform to innovation and infrastructure). Subsequent chapters of the Agreement either reaffirm the broad areas under Article 7 or provide further details under specific sectors and themes.

2.2 The Challenges of Measuring Compliance

There is no simple metric that captures the degree to which development cooperation commitments under the CF-EU EPA have been honoured. During the CF-EU EPA negotiations, CARIFORUM was keen not only to establish the so-called "additionality" of development cooperation but also to establish clear markers for the additional funding – including binding and time-bound allocations – within the text of the Agreement. The EU, however, remained firm that the EPA and Cotonou processes were distinct: that is, the EPA replaced Cotonou Part II (i.e. the trade provisions) but that the Cotonou Agreement remained the sole legal instrument governing EU development cooperation with CARIFORUM.²⁸

There is no mention within the Agreement – apart from the €165 million indicated in the first Joint Declaration – of any quantitative amount of funding specifically tied to EPA implementation (or meant to compensate for the potential impact of the Agreement) or any commitment from the EU with respect to the timing of commitments or disbursements. While the €165 million under the 10th EDF represents a three-fold increase in regionally programmed funds vis-à-vis its 9th EDF predecessor – an increase (according to the EU) "*largely due to the desire to provide additional support to the region in the wake of [the EPAs]*"²⁹ – the Agreement (which is of indefinite duration) is silent on allocations under future EDF cycles.

Furthermore, Article 37 of the Cotonou Agreement specifies an eight-year "preparatory period" prior to January 1st 2008, to be used "*for capacity building in the public and private sectors of ACP countries, including measures to enhance competitiveness, for strengthening of regional organisations and for support to regional trade integration initiatives, where appropriate with assistance to budgetary adjustment and fiscal reform, as well as for infrastructure upgrading and development, and for investment promotion*".³⁰ In a context of time lags between commitment and disbursement in donor funding – in which initiatives under one EDF cycle are sometimes implemented in a later five-year period or left as unspent balances – this creates a potentially very wide-ranging list of candidates for EU-funded projects supporting EPA implementation.

²⁸ Lodge in Lodge and Zampetti (2010)

²⁹ "Regional Cooperation" website of the Delegation of the European Union to Guyana, Suriname, Trinidad and Tobago and for the Dutch Overseas Countries and Territories, accessed online at http://eeas.europa.eu/delegations/guyana/index_en.htm.

³⁰ Cotonou Agreement, Article 37(3)

Further complicating matters, there are no markers within most EU funding instruments on an “EPA component”: while some are explicitly linked to the CF-EU EPA (e.g. through the project title or stated objectives), others merely fall within the very broad umbrella of the CF-EU EPA objectives or thematic areas, with some formulated even prior to the signature of the Cotonou Agreement. While Article 7 notes that development cooperation should be “primarily focused” on the seven listed areas, there is no mention of any sequencing – in contrast to the time-bound commitments in some non-cooperation areas (e.g. bilateral tariff reduction or the negotiation of a system of protection of geographical indications) – or clear priority areas.

The study team has focused on whether cooperation programmes (either current or planned) match both the coverage of EPA themes and sectors and the types of initiatives promised under the Agreement, without speaking to specific amounts. A full review of *all* EU aid to CARIFORUM, however strongly or tenuously linked to CF-EU EPA objectives, is outside the scope of this study. In evaluating the lengthy list of EU cooperation initiatives in the region, the study team has focused its attention on projects that:

- Are specifically labelled as, or tied to, EPA support;
- Were implemented within CARIFORUM countries or the wider Caribbean (e.g. the FCORs);
- Could be characterised – either by project title, content or beneficiaries – as having a strong trade component or impact;
- Were committed, disbursed or still under implementation during the preparatory period (e.g. 2000-2008) or the review period (2008-2013) – i.e. a primary (although not exclusive) focus on programmes under the 9th and 10th EDFs; and/or
- Targeted (or were channelled through) pan-CARIFORUM institutions such as the CARIFORUM Directorate or the Caribbean Export Development Agency.³¹

From this list of EU-funded activities, the study team has sought to match individual initiatives with specific cooperation provisions within the CF-EU EPA text (listed in more detail in Chapter 3).

2.3 An Overview of Main Channels & Partners for EPA Support

2.3.1 The European Development Fund (EDF)

Two key sources of EPA development cooperation over the review period were the Regional and National Indicative Programmes which are financed by the European Development Fund. By way of general background, cooperation projects from the European Union – i.e. distinct from EU Member States’ own initiatives/programmes – can originate from one of two sources (although both ultimately originate from a wider EDF agreement):

- Assistance to each CARIFORUM country based on a specific National Indicative Programme (NIP) – as agreed between the CARIFORUM government and the EU delegation – in turn based on a Country Strategy Paper (CSP);
- Assistance to CARIFORUM as a group under the Caribbean Regional Indicative Programme (CRIP), managed by the CARIFORUM Directorate, and implemented by either the two regional secretariats (i.e. for CARICOM and the OECS) or by a number of regional bodies such as Caribbean Export and the Caribbean Development Bank.

While NIPs are not focused on EPA implementation *per se*, there have been major programmes at the national level linked to key objectives and themes under the

³¹ Hereinafter referred to as “Caribbean Export”.

Agreement. The collective NIP allocations for CARIFORUM States are much larger than the funding provided at the regional level – under the 10th EDF, approximately €736 million is being made available for programming at the CARIFORUM country level, nearly five times the size of the regional envelope.

Under the NIP-CSP framework, aid is allocated into one of two envelopes – “A” for programmable funds and “B” for unforeseen needs – with the “A” envelope sub-divided into focal sectors, non-focal sectors and general budget support. A review of the fourteen CSPs (Table 3) shows that there is no NIP that is explicitly focused on implementation of the CF-EU EPA *per se*. Instead, the focal areas tend to fall under social or infrastructure priorities. To a certain degree, this is deliberate: a number of stakeholders felt that the demands of EPA compliance were additional to the many other development challenges facing the region and thus that NIP allocations should not be used strictly for EPA implementation, but rather regional funding under the CRIP.

This study does not limit itself only to those funds with a clear “EPA” tag and nearly all the CARIFORUM States’ NIPs make reference to the challenge of EPA implementation. A number of NIP focal sectors (intended to account for 85-90% of the overall allocation) speak to EPA priority areas – e.g. competitiveness (DR), fiscal modernisation (Antigua & Barbuda), governance (DR, Jamaica), skills development (Barbados), infrastructure (Guyana), private sector development (St Lucia) and economic transition (Trinidad & Tobago) – as well as general budget support, which may or may not also be spent on EPA priority areas. Projects funded from the NIP allocations also include major economy-wide, cross-sector initiatives whose individual initiatives, in some cases, directly support the objectives of the CF-EU EPA.

Table 3: “A” Envelope Allocations and Focal Sectors in CARIFORUM National Indicative Programmes

Country	“A” NIP Allocation	Focal Sector(s)
Antigua & Barb.	3.4	Fiscal & public sector modernisation
Bahamas	4.7	Capacity-building in the Family Islands
Barbados	9.8	Skills development
Belize	11.8	Poverty reduction through integrated rural development
Dominica	5.7	General budget support
Dominican Rep.	179	Governance (esp. public administration reform), competitiveness (inc. energy sector) and general budget support for MDGs
Grenada	6	Human settlement
Guyana	51	Infrastructure (esp. sea defence) and budget support
Jamaica	110	Macro/budgetary support and governance (esp. security/justice)
St Kitts & Nevis	4.5	Safety and security
St Lucia	8.1	Private sector development
St Vin. & Gren.	7.8	Health sector modernisation
Suriname	19.8	Transport
Trin. & Tobago	25.5	Economic transition (e.g. knowledge-based industries, SMEs and ‘innovation culture’)

Source: European Commission, accessed online at http://eeas.europa.eu/sp/index_en.htm.

While the Caribbean regional envelope under the 10th EDF is primarily focused on the CF-EU EPA, only one quarter of funds have been paid, and most projects only began substantive operations within the latter half of the review period. Under the broader €165 million CRIP envelope under the 10th EDF, the vast majority – approximately €143 million, or 85-90% of the total allocation – is allocated to “*Regional Economic Integration/Cooperation and EPA priority areas including Capacity Building*”, with the remaining share allocated to “*addressing vulnerabilities and social issues*”. Within this largest focal area of the CRIP – whose major themes, funding commitments and payments as of May 2013 are shown in Table 4 – EU support is sub-divided into six areas of intervention. Of these six areas– all of which are, in theory, linked to the CF-EU EPA objectives – the largest share (nearly half) is dedicated to the

10th EDF EPA Capacity Building Programme (item E in Table 4)³², totalling €46.5 million and further subdivided into seven programme components, ranging from fiscal reform to support to the rum sector.

As shown in the last three columns of Table 4, the implementation of most programmes under the EPA Capacity Building Programme only began in the Summer of 2012 (apart from the Regional Private Sector Development Programme managed by Caribbean Export, where implementation began in March 2011). For the entire focal area on regional integration and the EPA, contracted amounts and payments (as of May 2013) stand at 65% and 24% respectively of the budgeted amounts; for the €46.5 million for projects under item E (EPA Implementation), the figures for contracted amounts and payments are even lower (56% and 14%). It is important to note, however, that the totals in the table below are likely to improve over time, as implementation progresses and further project funds are disbursed.

Table 4: Commitments & Payments Under the “Regional Economic Integration and Cooperation” Focal Area of the 10th EDF CRIP

Area of Intervention – Implementing Agency (date of signature of Financing Agreement)	Budget €M	Implementation Start Date	Amount Contracted €M	Payments €M
A. Economic Integration and Trade of OECS – OECS Secretariat (March 2012)	12.6	March 2012	6.033	2.778
Sub total	12.6		6.033	2.778
B. CSME and Economic Integration (March 2012)				
1. CSME regional & sectoral policies – <i>CARICOM</i>	20.15	December 2012	18.025	4.5
2. Belize – CSME activities – <i>Belize NAO</i>	0.97	March 2012	0.43	0.43
3. Haiti – CSME activities – <i>Haiti NAO</i>	1.93	March 2012	1.00	0.09
4. Standby facility for CSME – <i>CDB</i>	3.45	December 2012	3.45	0.46
Audit & evaluation	0.5			
Contingencies	0.5			
Sub-total	27.5		22.02	5.43
C. Intra-CARIFORUM				
1. Haiti/DR Bi-national – <i>DR NAO</i>	22.5	Multiple	9.21	3.4
2. Intra-CARIFORUM Communications – <i>CRITI</i>	2	November 2012	0.8	0.67
Sub-total	24.5		12.36	3.4
D. "Wider CARIFORUM" CARIFORUM/DOM/OCT/EU/LAC Economic Cooperation & Trade – Various	6.59			
Sub Total	6.59		-	-
E. EPA Implementation (March 2012)				
1. Fiscal Reform and Adjustment – <i>IMF/CARTAC</i>			3.5	3.15
1.1: CARICOM	3.5	December 2012	3.5	3.15
1.2: Dominican Republic	0.5	June 2014		1.62
2. Statistics in the Dominican Republic – <i>UNDP</i>	0.5	June 2014	-	0.312-
3. Sanitary & Phyto-Sanitary Programme – <i>IICA</i>	11.7	October 2013	-	2.4
4. Technical Barriers to Trade – <i>CROSQ</i>	7.7	June 2012	7.7	3.04
5. Services sector – <i>Caribbean Export</i>	3.2	December 2013	-	1.247
6. Rum sector – <i>WIRSPA</i>	7.7	August 2012	6.95	0.42
7. Institutional & implementation capacity:	10.8			
7.1: EPA focal points / Standby Facility – <i>CDB</i>	(3.5)	December 2012	3.5	0.496
7.2: CARIFORUM & Joint Parliamentary Assembly & Consultative Committee – <i>CARIFORUM Directorate</i>	(4.2)	July 2012	4.2	1.0
7.3: Training	(3.1)	Expected 2 nd quarter of 2014	-	-
Evaluation	0.4		-	-
Contingencies	0.4		-	-
Sub-total	46.5		25.95	6.65
10. Regional Private Sector Development Programme – <i>Caribbean Export</i> (December 2010)	28.3	March 2011	28.13	20.063

³² Specific programme details can be found online at http://www.caricom.org/jsp/community_organs/epa_unit/10edf-epa_unit.jsp.

Area of Intervention – Implementing Agency (date of signature of Financing Agreement)	Budget €M	Implementation Start Date	Amount Contracted €M	Payments €M
Subtotal (EPA & Private Sector)	74.8		54.08	23.85
F. Human Resource Development/ Capacity Building				
1. Regional Public Health – CARPHA	1.51	Nov 2012	0.46	0.386
Sub-total	1.51		1.51	-
Total – A through F	147.5		92.13	33.91
<i>Percentage committed/paid</i>			65%	24%

Source: European Commission.

A number of cross-sector regional projects under the 9th EDF also fall under the broad CF-EU EPA objectives, with many projects under implementation during the review period. As with its 10th EDF successor, the 9th EDF (2000-2007, covering the CF-EU EPA preparatory period) had a strong focus on the CF-EU EPA priority areas of trade and regional integration. Of the total €57 million of regional allocation, approximately 90% of commitments were linked to trade and integration, including funds for the conduct of the CF-EU EPA negotiations. Unlike the 10th EDF, there was no specific breakout of EPA priority areas.

The 9th EDF had a number of major programmes and projects relevant to specific EPA themes, including €40.5 million for the Caribbean Integration Support Programme (CISP) – mostly executed after the conclusion of the CF-EU EPA negotiations in 2008 - which included a CSME Work Programme and capacity-building within key Caribbean institutions such as the Caribbean Regional Negotiating Machinery (now the CARICOM Office of Trade Negotiations), the CARICOM Secretariat, CROSQ and the OECS Secretariat.

CARIFORUM has also benefited from funding through intra-ACP programmes and various short-term financial instruments, although these were not explicitly tied to the EPA. During the review period, CARIFORUM beneficiaries received funding and technical assistance from a number of initiatives open to all ACP countries. While some funded activities directly related to the CF-EU EPA, none explicitly managed EPA funding or originated under the Agreement. These funds include:

- Various “shock absorbing” funds, such as STABEX, the FLEX Mechanism (to assist with fluctuations in export earnings) and Vulnerability FLEX (or VFLEX, to assist with the impact of the global recession)³³;
- Stand-alone ACP-EU Project Management Units (PMUs) such as Trade.Com, the ACP MTS Programme³⁴ and BizClim;
- Sector-specific all-ACP funds for, *inter alia*, ICT, science and technology, fisheries and the cultural industries; and
- Specialised technical assistance centres such as the Centre for Development of Enterprise (CDE, which managed the PROINVEST fund) and the Centre for the Development of Agriculture (CTA).

The European Investment Bank (EIB) manages an additional funding envelope through the ACP Investment Facility, although its support and visibility within the region could be strengthened. The EIB is another potential key player in the EPA support picture. While not mentioned in the text of the CF-EU EPA, the EIB manages €1.5 billion under its Investment Facility (IF), which is targeted at all ACP countries. EIB operations under the IF are generally

³³ “Study on shock absorbing schemes in ACP countries – FLEX Study”, Overseas Development Institute, London, May 2011.

³⁴ While the ACP MTS Programme was largely focused on WTO issues, it did address some EPA issues indirectly, including support to the CARIFORUM Directorate on the WTO notification of the CF-EU EPA.

limited to credit lines and financing products as well as projects in the energy sector. While IF investments are largely focused on African regions, there have been non-negligible levels of support to some CARIFORUM states during both the preparatory and post-2008 CF-EU EPA period. This has provided the region with approximately \$1.83 billion worth of loans since the start of IF operations³⁵.

2.3.2 Bilateral Initiatives

The United Kingdom and Germany have played a key role in pushing forward CF-EU EPA implementation and objectives. In several instances during the consultations held for this study, stakeholders pointed to the crucial role of the United Kingdom (through its Department for International Development or DfID) and Germany (through its (Deutsche Gesellschaft für Internationale Zusammenarbeit or GIZ) in supporting CF-EU EPA implementation – not so much in terms of sheer volumes of funding but by quickly mobilising resources in the critical initial periods of implementation when projects under the EDF were still in the formulation/approval stage.

- DfID's Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund), which is administered by the CDB, is specifically designed to further EPA implementation and support regional integration (both at the CSME and OECS sub-regional levels). CARTFund – launched in 2009 with £5 million of resources, increased to £10 million in 2010 – has been vitally important in, *inter alia*, providing funding for the establishment of national EPA Implementation Units, particularly within the OECS. DfID is also a major contributor to the US\$40 million Compete Caribbean programme, providing technical assistance grants and investment funding to the SME sector.
- GIZ's Implementation Support Project is scheduled to run from 2010 to 2014, funded with €4 million of support from the German government, with the possibility of an additional €1 million extension to 2015. Like CARTFund, GIZ provided timely support in the establishment of the national EPA Units. GIZ has also focused on coordinating the activities of the EPA Units (through its CARIFORUM EPA Implementation Network or CAFEIN website)³⁶ and funding a range of Caribbean Export private sector initiatives to support, *inter alia*, the regional fashion and design industries, SME development and the formation of private sector coalitions.

Other bilateral partners have not been nearly as active in supporting EPA implementation. In the words of a seasoned observer of CARIFORUM-EU relations “*there is universal disappointment across the Caribbean over the paucity and type of Aid-for-Trade resources made available to the region since the signing of the EPA*”³⁷. In the Joint Declaration on Development Cooperation cited earlier, the EU Member States committed to providing “an equitable share” of their bilateral aid for trade initiatives in CARIFORUM, including those related to the CF-EU EPA. While it may be unrealistic – based in part on differential historical ties – to expect all (currently) 28 EU Member States to be equally actively involved in Aid-for-Trade activities within the region, the shortfall of most EU Member States in actively supporting EPA implementation is particularly unfortunate given that the UK and Germany have shown, during the review period, how bilateral funding can fill the need for more timely, readily accessible and EPA-focused support than that available under the traditional EDF sources.

³⁵ “European Investment Bank Moves Caribbean Office to Dominican Republic”, *Caribbean Journal*, accessed online at <http://www.caribjournal.com>.

³⁶ Accessed online at <http://cafein-online.net>.

³⁷ Humphrey and Cossy (2011)

2.3.3 The Role of Regional Agencies

Caribbean Export has played a leading role in channelling support aimed at furthering CF-EU EPA objectives. Given the focus of the Agreement on private sector and export development, Caribbean Export – as the only regional trade and promotion investment agency within the ACP, the only major regional organisation with a presence in both CARICOM and the Dominican Republic and the only CARIFORUM institution with legal personality – has been a lead implementing agency for many projects targeted at the CF-EU EPA.

As demonstrated in the sector-specific analysis below, Caribbean Export is arguably the most active agency under the 10th EDF, managing a range of programmes related to, *inter alia*, private sector development, trade in services, Haiti/DR relations, investment promotion and entrepreneurship. The agency noted that, during the initial stages of implementation of the 10th EDF Programme (2011-2013), their programmes served more than four thousand beneficiaries from 2,027 CARIFORUM firms.

While stakeholders generally praised Caribbean Export's private sector focus, concerns were expressed at the lack of a mechanism – either within the organisation or elsewhere in CARIFORUM – to estimate the impact and overall cost/benefit ratio of its undertakings. Stakeholders also expressed concerns that – in part due to the wide number of sectors falling under its mandate – Caribbean Export was not able to provide the full spectrum of support over time needed by individual firms or clusters, focusing instead on time-bound, highly focused and *ad hoc* programmes. In response, Caribbean Export has developed, under the 10th EDF, a “Helix Model” to serve as a diagnostic tool to identify the strengths and weaknesses of individual Caribbean firms (in areas such as management, access to finance, production and marketing) and then target specific Caribbean Export programmes to remedy those weaknesses.

Other regional agencies, banks and secretariats are involved in EPA support as channels of EPA funding. The sector-specific analysis below also shows the wide range of regional bodies which, under the 10th EDF, are charged with managing specific projects in their areas of expertise: the IMF's Caribbean Regional Technical Assistance Centre (CARTAC) and the UNDP on, respectively, fiscal reform and statistics; IICA and CROSO on SPS and TBT issues; the CDB on institutional strengthening (i.e. through the EPA and CSME Standby Facilities) and financial services; and the West Indies Rum and Spirits Producers' Association (WIRSPA) on the rum sector.

3 Development Cooperation (ii): Specific Commitments

3.1 Cooperation to Build Human, Legal and Institutional Capacity

The EU has supported capacity-building efforts both at the regional and national level, but more needs to be done, particularly on the implementation of trade agreements and clearing legislative bottlenecks (Article 8(1)(i)). Capacity-building is arguably the most consistently highlighted financing need found among the many provisions on development cooperation in the CF-EU EPA: whether of the institutions charged with regulation and oversight, or of specific trading firms and industry representatives. Reflecting this critical theme, the EU has supported several capacity-building initiatives either directly or indirectly aimed at CF-EU EPA implementation. Most initiatives will be detailed under sector/theme-specific headings below. With respect to general gaps, however, the consultations for this study noted that:

- First, there is a lack of comprehensive capacity-building programmes at the national level to address EPA implementation (or the implementation of any other trade

agreement). The notable exception is the €6 million Institutional Support Programme for Regional Integration (ISPRI) in the Dominican Republic, which included policy analysis, training, implementation planning and promotion directly related to, *inter alia*, commitments under the CF-EU EPA.

- **Second**, legislative capacity is a key bottleneck to CF-EU EPA implementation, highlighted numerous times during the consultations held for this study. Officials have noted that, between the normal work of government, unforeseen demands and the programme requirements of donors and multilateral financial agencies, there is little spare capacity to draft new and/or amend existing legislation to comply with CF-EU EPA obligations. The CARIFORUM Directorate has provided legislative drafting support in discrete areas and facilitated legislative reviews and inventories to highlight areas where gaps exist with respect to commitments under the Agreement. However, stakeholders indicate that cooperation efforts in this area are still lagging far behind implementation schedules and the situation is exacerbated due to existing backlogs/delays within national Parliaments and Cabinets.

3.2 Cooperation on Fiscal & Tax Reform

Support from the EU for fiscal/tax reform has been channelled both through the national and regional envelopes (Articles 8.1(ii) & 22). Cooperation on fiscal reform is the second area of “primary focus” under the opening chapter of the CF-EU EPA, reflecting the importance of CARIFORUM efforts to “*strengthen tax administration and improve the collection of tax revenues with a view to shifting dependence from tariffs and other duties and charges to other forms of indirect taxation*”. Fiscal reform (particularly on tax reform, customs administration and public financial management) is particularly critical within the CARIFORUM context, given (a) the CF-EU EPA commitments on tariff reduction and elimination of other duties and (b) the challenge of VAT implementation within the region, with four CARIFORUM countries in the post-2008 period – Grenada, St Kitts & Nevis, St Lucia and The Bahamas – either implementing VAT or taking initial steps towards its implementation.

At the regional level, CARTAC has taken a lead role in providing technical assistance on fiscal reform, including on tax and public and financial management issues. CARTAC’s efforts – which have been highly rated by independent evaluations³⁸ – are funded by a range of donors, including the EU, which is providing €3.5 million under the 10th EDF EPA Support Programme. At the national level, the EU has also provided budget support to individual CARIFORUM States for fiscal reform issues, for example in the context of Jamaica’s Debt Management & Growth Enhancement Programme.

3.3 Cooperation on Private Sector Development & Export Promotion/Diversification

While support for private sector and export development has increased markedly in recent years, many programmes are only now coming on stream (Articles 8.1(iii) and (iv)). Third and fourth in line in the areas of “primary focus” for development cooperation at the outset of the Agreement are measures aimed at

(iii) ... promoting private sector and enterprise development, in particular small economic operators, and enhancing the international competitiveness of CARIFORUM firms and diversification of the CARIFORUM economies; [and]

(iv) The diversification of CARIFORUM exports of goods and services through new investment and the development of new sectors.

³⁸ “CARTAC – Independent External Evaluation”, Global Partnerships, February 2010.

Caribbean Export – already a leading agency within CARIFORUM on private sector support – has significantly increased its technical assistance activities in the region with support from the 10th EDF. The scope of its activities – covering a range of sectors, particularly in the area of trade in services – and a general overview of the beneficiaries impacted by its support under the 10th EDF, can be found in Box 7 below.

Box 7: Caribbean Export Support Programmes to the CARIFORUM Private Sector Under the 10th EDF

During the review period, the main channel for 10th EDF support to the CARIFORUM private sector has been the Regional Private Sector Development Programme (RPSDP, 2011-2015), which builds on support through the 9th EDF Caribbean Trade and Private Sector Development Programme (CTPSDP, 2008-2010). Through the RPSDP, Caribbean Export has rolled out a range of private sector support programmes, including:

- The Direct Access Grant Scheme (DAGS), which provides direct financial assistance (through grant contracts), with a particular focus on exports to CARICOM, ACP and other markets opened through CARIFORUM's various FTAs. During the review period, the DAGS awarded €5.7 million in grant contracts to 278 CARIFORUM firms and BSOs under the 10th EDF RPSDP;
- Training and certification support to 2,336 beneficiaries within the region through a range of training programmes – from investment promotion and grant proposal writing to export marketing and management of IP rights;
- The ProNet training programme on export marketing, conducted by certified trainers;
- Trade missions and study tours, including the (a) London Engage initiative that used the 2012 Summer Olympics as a platform for linking CARIFORUM firms – 64 firms in all, from all 15 States, and covering three sectors (agro-processing, creative industries and professional services) – with business opportunities in the UK and beyond; (b) Study tours to the UK covering 45 firms in agro-processing and cultural industries; and (c) study tours to the EU on investment promotion for 20 Members of the Caribbean Association of Investment Promotion Agencies;
- A number of “showcase” platforms for specific sectors, including Caribbean Architectural Design Showcase (architecture – three firms), Caribbean Essence Showcase (fashion – eleven firms), Caribbean Soul Fusion (music – twenty firms), Caribbean Kitchen (cuisine/catering – eleven firms), and World Music Expo (music – thirty firms)
- Forums and Symposiums, including (a) the CARIFORUM-EU Business Forum focused on EPA implementation (153 firms), and (b) a dedicated symposium on Management Consulting (128 firms); and
- The “Break Point” reality TV series, focused on 30 CARIFORUM entrepreneurs (across eight sectors, particularly in agro-processing and light manufacturing), vying for 12 spots to pitch to European investors.

Compete Caribbean is another major donor-supported fund aimed at private sector development within the Caribbean, with approximately 100 projects aimed at SMEs either in execution or in the pipeline, on issues ranging from investment promotion to access to finance. The United Kingdom is the second largest donor to the \$40 million initiative.

Both the wide range of Caribbean Export programmes and the Compete Caribbean initiative represent a significant increase in funding available for the private sector and both mark a clear emphasis on key CF-EU EPA objectives such as competitiveness and private sector development. However, both sets of activities only began substantive implementation in the middle of the review period. Other major Caribbean Export activities related to the CF-EU EPA (e.g. the Services Sector Component) came on stream in 2013.

There have been major EU-funded private sector development programmes at the national level. Since 2006, the EU has funded a number of private sector development projects in Jamaica under two successive EPA Capacity Building projects (EPA-I and EPA-II), totalling

some €24.2 million. The PROEMPRESA programme in the Dominican Republic, funded in part by €9.8 million of EU support, provided support to more than 2,000 SMEs in the run-up to the signature of the CF-EU EPA (2000-2008). In order to maximise outreach efforts to individual firms, some stakeholders suggested establishing dedicated desks within individual Member States, aimed at providing trade and business development support to the priority industry clusters that have an interest in the EU market.

3.4 Cooperation on Customs and Trade Facilitation

Support on Customs and Trade Facilitation (TF) issues has been largely targeted at the national level although there is still a need to mobilise support for regional initiatives (Article 35). Under the CF-EU EPA, the Parties commit to providing cooperation on “*the application of modern customs techniques, including risk assessment, advance binding rulings, simplified procedures for entry and release of goods, post release controls and company audit methods*”, reflecting insofar as possible international best practice.

While the RPTF process produced a comprehensive study on Customs/TF issues to inform the programming of the 10th EDF, support for the sector – despite its importance to the regional integration objectives of the Agreement – was not explicitly included under the 10th EDF EPA Implementation focal area. A review of NIP documents also suggests that EU funding has not been extensively used to support Customs and Trade Facilitation measures. This gap will be partially filled by a €3.1 million technical assistance & training project funded from the 10th EDF, focused in part on capacity-building in the area of Customs and Trade Facilitation.

3.5 Cooperation on Agriculture and Fisheries

Cooperation funds for agriculture have been a traditional bedrock of EU assistance to CARIFORUM (Article 43), although many pre-date or are not directly tied to developments under the CF-EU EPA. Under the CF-EU EPA, the Parties commit to providing cooperation in a range of areas, including competitiveness, export marketing, standards and public/private investment. The EU has been a primary source of funding for the agriculture and fisheries sector in CARIFORUM, both before and during the review period. Many of these interventions (particularly those in sugar, rum and bananas) have benefited from extensive research and analysis, none of which requires detailed replication for the purposes of this study.

From 2008 to 2013, the major on-going or planned programmes in agriculture and fisheries included the “big four” exports subject to special ACP-EU Commodity Protocols. These include:

- In the rice sector, the EU funded a €24 million programme to “Support the competitiveness of the rice sector in the Caribbean”, which established a revolving fund in operation from 2006-2011 largely aimed at improving the competitiveness of producers in Guyana and Suriname.
- In the banana sector, the EU supported three major programmes: the Special Programme of Assistance (launched in 1994), its successor the 10-year Special Framework of Assistance (SFA, launched in 1999) and the more recent Banana Accompanying Measures (BAMs) adopted by the EC in 2010. None of the three EU support programmes originated with the CF-EU EPA but rather came about because of changes arising from changes to the EU’s internal regime on bananas and related disputes at the WTO. The final tranches of SFA funding have overlapped with the review period (see Table 5) while the funding available under the BAMs has only recently (2013 onwards) become available to ACP producers.
- In the sugar sector, the EU provided funds in relation to the end of the Sugar Protocol. Funding largely came on stream within CARIFORUM in 2010-11 (see Table 5), with

assistance based on country-specific adaptation strategies. EU support to sugar was also provided through the TradeCom Programme for a) analysis on proposed changes to the EU's sugar regime, and b) a fair trade certification label for sugar exports from the CARIFORUM Region. As with the banana sector, the Accompanying Measures for Sugar Protocol Countries (AMSP) did not originate with the CF-EU EPA but rather came about in response to changes to the EU's internal sugar regime and related market access arrangements. At the Third TDC, CARIFORUM stressed the importance of extending the period for the AMSP to facilitate unused assistance in light of the potential damage from the impending expiration of the EU quota system on sugar in 2017.

Table 5: EU Support to the Caribbean Sugar and Banana Industries, 2008-2013 (€ million)

	Sugar		Bananas
	2008-10	2011-13	2011-13
Barbados	31.4	26.2	
Belize	46.9	22.1	11.2
Dominica			15.4
Dominican Republic			16.3
Guyana	88.4	72.1	
Jamaica	81.4	60.0	4.8
St Kitts and Nevis	43.6	25.1	
St Lucia			10.4
St Vincent and the Grenadines			10.0
Suriname			9.3
Trinidad & Tobago	43.3	31.7	
Total	335.0	237.3	77.3

Source: European Commission. The amounts in the last column do not include SFA banana funds although some of these were disbursed during the review period.

- In the rum sector, the original €70 million Rum Programme, implemented in partnership with the West Indies Rum and Spirits Producers Association (WIRSPA), was agreed as a response to the 1997 “zero for zero” EU-US agreement, with implementation beginning in 2002 – well before the signature of the EPA – and concluded in 2010. Follow-up efforts to promote the Authentic Caribbean Rum marque are being supported by €7.7 million of EPA-related funds available under the 10th EDF EPA Capacity-Building Programme, with implementation having only recently begun in 2012.

The EU has also supported a number of cross-country/cross-sector agricultural programmes during the preparatory and post-2008 period, although many have been plagued by a lack of follow-up. The Agriculture Policy Programme (APP) is a major support initiative under the CF-EU EPA Agreement – with an allocation of €8.6 million over 48 months, beginning in 2013 – following in the footsteps of other large EU-supported policy and institutional activities, including the Regional Transformation Programme (RTP) for agriculture, the Agribusiness Development Programme and the Jagdeo Initiative. The objective of the APP is to strengthen the capacity of regional agricultural development organisations in addressing the needs of smallholder agriculture and comprises three components – policy, technology and enterprise and market development. The Inter American Institute for Cooperation in Agriculture (IICA) is the implementing agency for the APP; CARICOM Secretariat and the Caribbean Agricultural Research & Development Institute (CARDI) are responsible for specific components.

While implementation of activities under the component led by IICA has commenced, activities under the components being implemented by the CARICOM Secretariat and CARDI are yet to commence. This delay is related to the preparation and finalisation of Service Agreements between IICA and the two partner institutions, which began in March 2013 but was not completed until May 2014. With the conclusion of the service agreements, both the CCS and

CARDI were to recruit personnel for the project. However, discussions the IICA office in Trinidad in August 2014 indicated that both institutions were still in the process of recruiting staff.

Caribbean Export has provided EU-funded technical assistance to the agriculture and food sector. Caribbean Export has channelled EU funds to target firms involved in agriculture and processed food production. For example, of the 142 firms receiving assistance under the Direct Assistance Grant Scheme, 35% were involved in agriculture/aquaculture and agro-processing. SMEs in the agriculture and food sector also benefited from support through ProNet as well as exposure to the international food market through the “Caribbean Kitchen” initiative. Caribbean Export has also established an online “Food Portal”³⁹ with a comprehensive manual with step-by-step instructions on exporting foodstuffs to Europe, ranging from labelling and food safety to distribution and financing options.

Support to the fisheries sector has come from intra-ACP EDF funds and national programmes. The ACP Fish II Programme (“Strengthening Fisheries Management in ACP Countries”) is funded from the 9th EDF, and supports a number of activities throughout the region, including the operations of the Caribbean Regional Fisheries Mechanism and the development of policy documents such as national fisheries plans and a CARICOM Common Fisheries Policy.

3.6 Cooperation on SPS and TBT

Thanks in part to groundwork laid under the RPTF, cooperation projects to address SPS and TBT barriers enjoy prominent support under the 10th EDF (Articles 8(1)(v), 51, and 59). Alongside private sector development, capacity-building and tax reform, the fifth area of development cooperation’s “primary focus” is “*enhancing the technological and research capabilities of the CARIFORUM States so as to facilitate development of, and compliance with, internationally recognised [SPS and TBT] standards*”. These commitments are expanded and clarified in development cooperation provisions under the respective chapters on SPS and TBT, focusing on, *inter alia*, training for SPS/TBT authorities, developing centres of expertise for the assessment of standards compliance and the development of harmonised standards across CARIFORUM.

Benefiting in large measure from the background studies prepared under the RPTF, SPS and TBT issues are given high profile under the 10th EDF, with programme allocations of €11.7 million (managed by IICA)⁴⁰ and €7.8 million (managed in part by CROSQ)⁴¹ respectively. Both programmes began implementation only in the latter half of the review period (2013 for the SPS programme, and 2012 for the TBT programme). Consultations indicate that, at present, both programmes are still in the very early stages of implementation. Implementation of the TBT project in particular has been delayed due to procurement delays, delayed responses from national standards boards and additional time required to fill in gaps left from the background needs assessment phase. This EU support at the regional level under the 10th EDF builds on previous initiatives under the 9th EDF, targeted in particular at CROSQ.

The 10th EDF also supports the establishment of the Caribbean Agricultural Health and Food Safety Agency (CAHFSA), with a view to establishing a regional SPS regime.⁴² The Bahamas is exploring funding opportunities to support the further development of The Bahamas Standards

³⁹ <http://www.caribfoodexport.com>.

⁴⁰ IICA is implementing the SPS project in collaboration with three other institutions: the Caribbean Regional Fisheries Mechanism (CRFM), the CARICOM Secretariat and the SPS Committee of the Dominican Republic (CNMSF).

⁴¹ The TBT project is being implemented by CROSQ in partnership with INDOCAL, the Dominican institute for quality and PTB, the German Metrology Institute. PTB also provides project management services for the project.

⁴² “The Establishment of the Caribbean Agricultural Health and Food Safety Agency (CAHFSA) and a Regional SPS Regime”, OECD / WTO Aid-for-Trade Case Study, Paris / Geneva.

Bureau (expected to be established by the end of 2104) and the establishment of a comprehensive SPS regime, with support from the Food and Agriculture Organisation (FAO).

At the all-ACP level, the Dominican Republic has also benefited from support under the TBT Programme⁴³, expected to begin in late 2014. This all-ACP support to CARIFORUM was preceded by efforts under the All ACP Pesticides Initiative (2002-2010), focused on EU requirements from traceability to EurepGap.

Reflecting the importance of SPS and TBT issues, the EU has also supported programmes at the national level. In Jamaica, funding under the EPA Capacity-Building programmes has focused in part on SPS and TBT issues. This includes support for the Bureau of Standards, the Ministry of Agriculture and JAMAC for standards development, certification of exports and support for laboratories to meet international food safety requirements and standards.

3.7 Cooperation on Services & Investment

Given the importance of services trade to CARIFORUM, there is a surprisingly small share of development cooperation dedicated to the sector, albeit spread over many sectors (Articles 8(1)(iv), 85, 117 and 121). Under the CF-EU EPA, the Parties commit, under Article 121, to supporting a range of activities related to trade in services, ranging from capacity building of services suppliers to the development of regulatory regimes. Tourism-specific cooperation provisions under Article 117 range from the development of tourism statistics to language training. Under Article 85, the Parties commit to encouraging Mutual Recognition Agreements (MRAs) – a key element in services trade – with a focus on accounting, architecture, engineering and tourism.

Under the 10th EDF, €3.2 million is dedicated to regional cooperation on trade in services – a relatively small share of the overall €46.5 million dedicated to EPA activities, particularly given the importance of services trade to CARIFORUM – although programmes (e.g. the RPSDP) are likely to target services sector firms and policymakers as well.

As with private sector development, Caribbean Export is taking a leading role on the services side. In the earlier analysis on general support to the private sector, Box 6 outlined a range of Caribbean Export programmes operating within CARIFORUM and supported by funding from the 10th EDF. To narrow the list only to the services sector (with the other major beneficiary being the agro-processing sector), flagship Caribbean Export programmes include:

- The DAGS programme providing firm-level direct financial grants, with 75 service sector firms in 13 CARIFORUM States benefiting during the review period, totalling some €1.6 million, and largely focusing on the professional services, creative industries and tourism services sectors;
- Training and certification programmes, benefiting 256 firms from all 15 CARIFORUM States, largely in the creative industries, professional services, health/wellness and tourism sectors as well as various service sector BSOs; and
- Trade missions, platforms, study tours and symposiums, benefiting 276 firms largely in the professional services and creative industries.

Caribbean Export has also supported initial efforts to negotiate MRAs for architects and engineers, building on earlier EU-funded work through Trade.Com, focused both on the EU-CARIFORUM and intra-CARIFORUM markets.

⁴³ TBT Programme website accessed online at <http://www.acp-eu-tbt.org>.

CARIFORUM has also benefited from targeted support under all-ACP funds and programmes. The CARIFORUM services sector has benefited from a handful of projects under all-ACP funds. The TradeCom programme, for example, provided support for Haiti in the preparation of its CF-EU EPA services schedule. It also funded, among other projects, some studies on various aspects of the EU market for professional services and entertainment from the Barbados, a study and interactions between architects and engineers regarding mutual recognition of qualifications and a market survey and trade mission from Trinidad and Tobago to several EU countries. A number of CARIFORUM States have also received support under the ACP Cultures+ programme⁴⁴, building on previous assistance in a key area of comparative advantage for the region.

3.8 Cooperation on Trade-Related Issues (TRI)

Cooperation under the Trade-Related Issues Chapters of the CF-EU EPA appears to be less pronounced than in other areas of the Agreement despite the importance of some key sectors to CARIFORUM exports. In some areas of Title IV of the CF-EU EPA dealing with trade-related issues, consultations with former negotiators suggest that a clear link was made during the negotiations between, on the one hand, CARIFORUM's implementation of what were relatively new trade issues of cooperation provisions, and on the other hand, the EU's provision of development cooperation. In some key areas, however that development pre-condition is largely missing: for example, in government procurement ([Article 182](#)) – where an RPTF study was prepared outlining sector needs in some detail – and personal data protection ([Article 201](#)).

Arguably the most notable gap lies in geographical indications (GIs, [Article 164](#)), whereby EU-supported projects were meant to inform both the establishment of a system of protection of GIs and the subsequent launch of EU-CARIFORUM negotiations on GI protection (due in January 2014 under [Article 145](#)). Consultations indicate that there is a proposal under the 11th EDF for funding related to IP commitments under the CF-EU EPA but these funds are unlikely to be accessible until 2015.

In other TRI areas, EU support has been more visible. In the area of competition ([Article 30](#)), for example, the EU supported the establishment of the CARICOM Competition Commission under the 9th EDF. NIP funds were also used to establish the Competition Commission in the Dominican Republic under the €28 million Competitiveness Budget Support Programme. In the area of science and technology ([Article 30](#)), the EU has supported projects under the ACP Science and Technology Programme in several CARIFORUM States.

In the ICT sector ([Article 137](#)), the ITU-EC-ACP Project on Harmonisation of ICT Policies in the ACP Countries (HIPCAR) has funded a range of technical assistance projects in the region, ranging from model legislation to the funding of regional workshops. The DfID-funded Compete Caribbean programme has commissioned research to support renewable energy ([Article 138](#)) projects and reduce reliance on fossil fuels.

The gaps under some TRI cooperation provisions will be partially filled by a €3.1 million technical assistance & training project funded from the 10th EDF, focused on capacity-building, *inter alia* in the areas of competition and government procurement.

⁴⁴ This support includes 3D Distribution Project (Barbados, €274,096), Pan! L'Odysée Africaine (Trinidad & Tobago, € 75,000), Caribbean Film Mart and Virtual Market Place (Trinidad and Tobago, €339,301), and a programme aimed at "Improving Exports through acquisition of market-driven business skills and strategies by Cultural Entrepreneurs" (Jamaica, €500,000).

4 Trade in Goods

4.1 Rules of Origin, Tariffs, Other Duties & Charges

There has been no review of the rules of origin, particularly on key CARIFORUM export interests (Article 10). Under the Agreement, the parties committed to review the rules of origin found in Protocol I within the first five years of entry into force. Under Article 43 of Protocol I (Review), the Parties also commit to reviewing (with a view towards reducing) the list of products found in Annex X, which addresses restrictions on cumulation for sugar and sugar-containing products.

These reviews have not yet taken place. On the one hand, stakeholders noted that the review is essentially moot given the fact that most CARIFORUM countries have only very recently implemented the tariff reductions. On the other hand, stakeholder consultations in several CARIFORUM countries did not indicate any major difficulties to date with the rules under Protocol I. Some countries simply stated that they were familiar with the rules of origin under the EPA and had the proper administrative arrangements in place to handle them correctly. Elsewhere, some instances were cited where the UK Customs authorities had queried whether the rules of origin had been complied with in regard to certain transactions but the relevant CARIFORUM authorities were able to supply the correct documentation to verify compliance.

Likewise, a review of the TDC agenda also failed to highlight major problems with rules of origin. The only bilateral discussions on specific modifications of the Protocol have focused on (a) the “tolerance rule” for textiles and textile products and (b) the approach to transport requirements, both discussed at the First (and thus far only) Meeting of the Special Committee on Customs Cooperation and Trade Facilitation (SCCCTF).

The review imperative is arguably strongest for sugar-containing products listed under **Annex X to Protocol I**. For these goods, CARIFORUM States cannot cumulate⁴⁵ until October 2015. Article 43 of Protocol I provides for a review of the list three years after signature of the Agreement (i.e. January 2011) to determine whether the prohibition should remain in place. This review has not taken place despite the potential impact on CARIFORUM sugar producers.

There are concerns about whether some CARIFORUM fees and charges conform to the CF-EU EPA (Article 13). While there has been no challenge from the EU under Article 13, research commissioned by the OAS suggests that the use of certain *ad valorem* border charges within some CARIFORUM States may not comply with the Article 13 prohibition against such charges exceeding the cost of services rendered (particularly with respect to high-value/luxury items).⁴⁶

Not all CARIFORUM States have complied with commitments to eliminate their customs duties on exports (Article 14 and Annex I). Under the CF-EU EPA, the Parties commit to the non-application of export duties, with existing rates in Annex I of the Agreement (showing only duties applied by Guyana and Suriname) due to be eliminated within three years of signature (i.e. by 2011). While Guyana removed its scheduled export duties in 2012⁴⁷, Suriname has yet to comply with this commitment.

The reduction/elimination of customs duties has been fully implemented by the EC. Compliance by CARIFORUM has been relatively more recent and is still incomplete (Articles 15 & 16(1), Annexes II and III). The EU has implemented the duty-free, quota-free access for all goods (aside from the weapons in Chapter 93) as per its commitments under

⁴⁵ Conversely, origin will only be conferred if they are produced in a single CARIFORUM State

⁴⁶ On the case of Belize, see Brown (2010).

⁴⁷ Order No. 179 of 2012 dated September 1, 2012 issued under the Customs Act Cap.82:01.

Article 15 and Annex II, including the elimination of duties and quotas on rice and sugar that had been staggered during the review period. The special surveillance mechanism under paragraph 7 of Annex II for sugar-containing products remains in place as do the restrictions on trade with the OCTs and DOMs under paragraph 9.

On the CARIFORUM side, most countries have only recently begun. At the second TDC (September 2012), the EU expressed its concern that only six CARIFORUM States had implemented the first tranche of tariff cuts scheduled for 1st January 2011. The picture since then has slightly improved as twelve States have implemented the 2011 reductions (shown in Table 6). Of those twelve, another ten have indicated their implementation of the 2013 reductions. Consultations held for this review indicate that the delays stem from, *inter alia*, concerns about impacts on revenues (particularly in light of the global recession) and legislative bottlenecks with respect to the preparation and passage of the requisite legal instruments – with implementation in some countries relying on administrative orders.

Table 6: CARIFORUM States Indicating Application of CF-EU EPA Tariff Reductions (Per Year)

2011	2013
The Bahamas	The Bahamas
Barbados (administratively)	Barbados (administratively)
Belize	Belize*
Dominica (administratively)	Dominican Republic
Dominican Republic	Grenada
Grenada	Guyana
Guyana	Jamaica (administratively)
Jamaica (administratively)	St Vincent & the Grenadines
St. Kitts-Nevis	Suriname
St Vincent & the Grenadines	Trinidad and Tobago
Suriname	
Trinidad and Tobago	

Source: CARIFORUM Directorate, except *Belize 2013 tariff cuts indicated by Belize EPA Unit.

The lack of movement on tariff reduction has in part been due to on-going discussions on modifications and revisions to the tariff reduction schedule. The discussions have centred on three areas of revisions sought by CARIFORUM, including:

- On motor vehicles and parts, with discussions touching on the scope of the product category (i.e. the number of tariff lines), the treatment agreed during the negotiations and the optimal way to allow for the agreed treatment in the Annex III tariff reduction schedules. As of 2014, both Parties had agreed to have the matter addressed within an Informal Working Group, which would confirm the nature and number of lines where the errors exist and make recommendations to the TDC.
- On tariffs applied on cut paper into Trinidad & Tobago, with no agreed way forward as of 2014; and
- The modalities for conversion of the goods schedules to future versions of the Harmonized System, with discussions including a proposal by the European Union for a template to simplify the conversion process.

The CF-EU EPA also commits CARIFORUM to the phased reduction of other duties and charges (ODCs), although these are still within a seven-year grace period (Article 16(1) – 16(5)). The Agreement allows for a phased reduction of other duties and charges, with a seven-year grace period that is due to expire in 2015. The elimination of ODCs is to be accompanied by development cooperation measures on fiscal reform (Article 22). The CF-EU EPA also commits CARIFORUM States to a prompt notification of their ODCs, which was complied with at the First Meeting of the TDC (shown in Table 7).

Table 7: Other Duties and Charges Notified by CARIFORUM States at First TDC

Antigua & Barb.	Environment Protection Levy
Barbados	None
Bahamas	None
Belize	Revenue Replacement Duty; Environment Levy
Dominica	Environment Surcharge
Dom Rep.	None
Grenada	None
Guyana	Stamp Duty; Environmental Tax; VAT where applicable on imports only
Jamaica	Consulting on its notification
St Kitts & Nev.	Environmental Levy; Bottle Levy
Saint Lucia	Environmental Levy
St Vin. & Gren.	Trade (Bottle Deposit) Levy
Suriname	Statistics Fee; Consent fee
Trin. & Tob.	None

Source: Minutes of the First Trade and Development Committee.

No CARIFORUM country has sought to activate the provisions that allow for modification of tariff commitments (Article 16.6 and 17). The lack of take-up on the CARIFORUM side extends to both the CARIFORUM-wide facility under Article 16.6 or the CARICOM LDC-specific facility under Article 17. While some CARIFORUM States have experienced severe fiscal difficulties during the global recession, the need for modification of tariff commitments under the Agreement has been arguably lessened by the delay in (or absence of) CARIFORUM application of the tariff reductions in Annex III. It is important to note, however, that, in the period from 2008 to 2012, work was undertaken to review the implementation of Article 164 of the Revised Treaty of Chaguaramas – providing for special and differential treatment for CARICOM LDCs – and that this review might have lessened the incentive for Belize or the OECS to invoke the LDC modification clause under the CF-EU EPA.

The MFN Clause – the subject of much post-2008 debate – has yet to be triggered by either Party (Article 19). The MFN Clause commits CARIFORUM and the EU to “accord... any more favourable treatment applicable as a result of... becoming party to a free trade agreement with any major trading economy after the signature of this Agreement”⁴⁸. This provision, agreed at the very final stages of the negotiations, excited a great deal of debate immediately following the signature of the CF-EU EPA, including charges by Brazil (among others) that the MFN Clause inhibited South-South trade and thus violated the spirit of the Enabling Clause⁴⁹.

The MFN Clause has not yet been activated by either Party. On the CARIFORUM side, consultations suggest that there has not been an active monitoring of EU trade agreements for “more favourable” treatment – while the CF-EU EPA allows for DFQF access, the scope of the MFN obligation as laid out at the outset of Article 19 (“With respect to matters covered by this Chapter”, i.e. including rules of origin, ODCs and administrative cooperation) suggest a wider application beyond DFQF.

On the EC side, while CARIFORUM as a group has yet to start negotiations with a “major trading economy”, CARICOM has begun negotiations with Canada (still in progress), and MERCOSUR has expressed interest in a bi-regional negotiation. In 2011, St Kitts & Nevis acceded to Partial Scope Agreement between Brazil (itself a “major trading economy”) and Guyana.

⁴⁸ The Agreement goes on to define a “major trading economy” as “any developed country, or any country or territory accounting for a share of world merchandise exports above one (1) per cent in the year before the entry into force of the free trade agreement referred to in paragraph 2, or any group of countries acting individually, collectively or through an free trade agreement accounting collectively for a share of world merchandise exports above one and a half (1.5) per cent in the year before the entry into force of the free trade agreement referred to in paragraph 2”

⁴⁹ For a summary of the critical perspective, see Dieye and Hanson (2008), “MFN provisions in EPAs: A Threat to South-South Trade?”, *Trade Negotiations Insights*, 7[2], March 2008.

Neither Party has sought to activate provisions dealing with administrative cooperation (Articles 20-21). The CF-EU EPA sets out provisions dealing with the scope and procedural aspects of administrative cooperation to combat irregularities and fraud in customs and related areas. As with many other contingent measures in the Agreement (e.g. on trade defence, safeguards and dispute settlement), the CF-EU EPA provisions on administrative cooperation do not contain any positive obligations *per se* that required implementation during the review period – although legislative action may be required to facilitate implementation in accordance with the rules laid out under the Agreement.

4.2 Trade Defence

Neither side has sought to activate the trade defence measures under the CF-EU EPA, and the sole positive obligation has not been complied with (Articles 23-25). The CF-EU EPA allows for the use of WTO-compatible anti-dumping and countervailing duty measures as well as safeguard measures applying non-preferential rules of origin. As with the provisions on administrative cooperation and dispute settlement, the trade defence provisions largely establish a contingency mechanism – in keeping with applicable WTO disciplines – with little or no obligations beyond those already agreed to at the multilateral level.

Not all CARIFORUM countries have the requisite regulatory and institutional framework to act effectively under the relevant provisions. Most CARICOM countries do not have a national trade defence authority, and given capacity constraints, some are looking towards CARICOM for the development of a regional approach to the implementation of trade remedies.⁵⁰ It is noteworthy that the special safeguard regime under the CF-EU EPA in particular is an area of significant asymmetry and deviation from WTO norms yet national trade remedy frameworks have not taken this into account.

The only positive obligation under the trade defence provisions is a review clause of the multilateral safeguards under Article 24.3, “*in the light of the development needs of the CARIFORUM States, with a view to determining whether to extend their application for a further period*”. Stakeholders have indicated that nothing under the Agreement has occurred to trigger the need for a review although some argue in favour of extending their application.

4.3 Non-Tariff Measures

While there have been no challenges under the CF-EU EPA with respect to quantitative restrictions or national treatment (Articles 26 and 27). The CF-EU EPA largely reiterates standard WTO language prohibiting the use of quantitative restrictions and committing the Parties to ensure national treatment (i.e. non-discrimination) between domestic and imported goods.

On agricultural export subsidies, the EU has notified its compliance with the phasing-out requirement on goods liberalised by CARIFORUM (Article 28). Under the Agreement, both sides commit not to introduce any new export subsidies and not to increase existing export subsidies on agriculture – albeit with significant flexibility under footnote 4 to increase them based on “*variations in market conditions*”.

The EU has notified its compliance with its commitments under Article 28(2), arguing that (a) recent reform of the Common Agricultural Policy included a more limited role for export refunds and revised rules were being drafted, (b) all EU export refunds were currently set at zero and therefore (c) the EU had no need to apply the phasing out process foreseen in Article 28. While CARIFORUM has welcomed this development (subject to reviewing the revised regulations),

⁵⁰ Brown (2010).

consultations indicate that some Member States may not be overly concerned about export subsidies due to domestic cost-of-living concerns.

4.4 Customs Cooperation and Trade Facilitation

The arguably weak level of commitment in key provisions governing Customs Cooperation and Trade Facilitation has been the subject of only one bilateral meeting, but without major developments (Articles 29-36). While both Parties have complied with their obligation under Article 36 to meet as the SCCCTF, the Special Committee has only met once (in December 2011), and there has been limited follow-up of the specific provisions.

Despite the importance of reducing the cost of trading to the objectives of the Agreement, the language of key provisions on Customs Cooperation and Trade Facilitation – particularly those under Article 31 – is very much a best endeavour commitment, whereby both Parties agree that their relevant legislation and procedures “*shall be based upon the need to*” (emphasis added) achieve certain best practices. With respect to specific issues:

- On a single administrative document (Article 31(2)(c)) – in keeping with a commitment to review its application within three years of entry into force – the EU has emphasised the importance of its implementation in CARIFORUM and CARIFORUM in turn has highlighted on-going efforts.
- On binding rulings (Article 31(2)(f)), both sides have agreed to put in place relevant systems, particularly on tariff classification and rules of origin. CARIFORUM has highlighted systems already in place in certain States (i.e. Dominican Republic and Trinidad & Tobago) and the EU has emphasised the importance of the issue – while acknowledging the practical difficulties at the regional level.
- On the licensing of customs brokers (Article 31(2)(i)), CARIFORUM has argued that relevant legislation within the region is non-discriminatory and transparent.
- On mandatory pre-shipment inspection (Article 31(2)(j)), CARIFORUM has confirmed its use in only one State (Haiti).
- On the conversion of Protocol I to future versions of the HS, progress has been impeded by the same impasse relating to the conversion of the goods schedules (discussed earlier).

On the issue of administrative cooperation (Article 31), the minutes of the First Meeting of the SCCCTF indicate that the EU has provided a list of contact points but only two CARIFORUM States have notified theirs.

There have been no discussions on a key issue for the private sector – i.e. relations with the business community (Article 32). The CF-EU EPA contains clear commitments on an issue flagged by several private sector stakeholders – both in CARIFORUM and the EU: the need for transparency, public-private dialogue (including advance notice) and adherence to international best practice with respect to Customs legislation and procedures. Despite the importance of this issue in reducing trading costs at the border, there have been no bilateral discussions under the CF-EU EPA institutions during the review period.

5 Agriculture and Fisheries

While both Parties have complied with the letter of some commitments on exchange of information and consultation, more work needs to be done to comply with the spirit of the obligation (Article 41). At each TDC, the EU has presented a short graphical summary of

developments in agriculture, showing annual imports into the EU of key CARIFORUM exports. While this arguably satisfies the first commitment under Article 41(2)(a), the remaining commitments suggest that the scope of Article 41 is much wider, committing both sides to dialogue related to⁵¹:

(b) Promotion of investment in CARIFORUM agricultural, food and fisheries sectors, including small-scale activities;

(c) Exchange of information on agriculture, rural development and fisheries policies, laws and regulations;

(d) Discussion of policy and institutional changes needed to underpin the transformation of the agricultural and fisheries sectors as well as the formulation and implementation of regional policies on agriculture, food, rural development and fisheries in pursuit of regional integration;

(e) Exchange of views on new technologies as well as policies and measures related to quality.

There is no indication within the TDC minutes of any in-depth discussions on these key issues – a deficit linked to wider concerns about the effectiveness of the TDC (raised earlier in the context of development cooperation) in serving as a platform for dialogue on key issues under the Agreement.

CARIFORUM has consistently reiterated serious concerns relating to changes in the EU market that affect traditional agricultural products (Article 42). Under the CF-EU EPA, both Parties commit to consultations on any developments that may affect traditional agricultural products (e.g. rice, rum, bananas and sugar) followed by an EU best-endeavour commitment to “*maintain significant preferential access within the multilateral trading system for these products originating in the CARIFORUM States for as long as is feasible and to ensure that any unavoidable reduction in preference is phased in over as long a period as possible.*”

The review period has seen major developments with respect to goods covered under the ACP-EU Commodity Protocols. In 2009, the EU and several Latin American exporters signed the Geneva Banana Agreement to end their long-running legal dispute at the WTO and committing the EU to reduce tariffs from €176/tonne to €114/tonne within eight years – a development met with disappointment in some CARIFORUM States despite the subsequent agreement on a new batch of EU adjustment funds⁵². The review period also saw the continuation of reforms (signalled long before the signature of the CF-EU EPA) to the EU sugar regime (2006) and rice (2003), both accompanied by dedicated funds for CARIFORUM.

CARIFORUM's concerns over the review period and discussions at the TDC have focused on rum. CARIFORUM has raised concerns over the potential threat to its interests via (a) the negotiation of new bilateral arrangements (particularly with Central America, Peru and Colombia, which are producers that use different certification processes for aged rums) and (b) on-going negotiations at the WTO, both of which could result in serious preference erosion for Caribbean producers.

⁵¹ Admittedly, there is no hard commitment to the scope of discussion under Article 41(2)(a)-(e) as the provisions state that “*Parties agree that dialogue would be particularly useful*” (emphasis added) in the listed areas.

⁵² See, as an example, “Bitter banana trade war brought to an end”, *Barbados Advocate*, 11 December 2012, accessed online at <http://www.barbadosadvocate.com>.

6 SPS and TBT

The CF-EU EPA chapters on SPS and TBT essentially reaffirm commitments already made at the WTO (Articles 44-59). Consultations held under this review suggest that, for CARIFORUM, the main value of the SPS and TBT chapters in the Agreement lay in development cooperation – a value now being realised through the relevant allocations for SPS and TBT under the 10th EDF, which would also address, in part, the commitment under Articles 47 and 56 to promote regional integration on SPS and TBT issues.

Aside from development cooperation, arguably one of the key provisions in both chapters – on transparency (Article 48 for TBT and Article 57 for SPS), whereby both sides commit to “*inform each other at the early stage of proposals to modify or introduce*” new legislation – is only a best endeavour commitment. While both sides commit under Article 49 to designating contact points on TBT issues, there is no record of such notification at the TDC.

7 Services, Investment and Cultural Cooperation⁵³

7.1 Overall Approach

This review focuses on certain services and sub-sectors. Apart from the implementation of cross-sector commitments (e.g. on future liberalisation), this study will focus on certain aspects of trade in services, grouped under five broad headings under the CPC and all subject to commitments under the CF-EU EPA:

- Certain business services (i.e. architecture, engineering and management consultancy);
- Certain communication services (i.e. telecommunication services and courier services);
- Certain entertainment services (i.e. musicians and bands);
- Tourism and travel-related services; and
- Maritime transport services (excluding cabotage).

The analysis in this chapter draws from a background paper prepared in the context of this review⁵⁴.

Many key issues on implementation remain unanswered, in part because few service providers appear to have actually attempted to penetrate the EU or CARIFORUM markets using the Agreement. The commitments under the CF-EU EPA have been reflected in the relevant schedules, subject to those limitations on both market access and national treatment set out in the relevant country schedules. The key question – to what degree does the CF-EU EPA reflect the status quo or represent genuinely additional market liberalisation – still remains unanswered in many sectors. Some sectors in CARIFORUM still do not have specific regulations and, given the importance of the regulatory framework for determining market access in services, a detailed assessment would have to be done to determine treatment on the ground. While some regulatory surveys provide a part of the implementation picture – for example, regulatory gap analyses undertaken by the CARIFORUM Regional EPA Unit – the expert team was not able to access the full suite of documents during the preparation of this study.

Perhaps more importantly, consultations indicate that – despite awareness-raising efforts by national and regional organisations on the CF-EU EPA provisions on trade in services – few

⁵³ Cultural cooperation is not covered by the services part of the Agreement, but rather under a separate Protocol.

⁵⁴ Keisha-Ann Thompson, “A Qualitative Analysis of Regulatory issues in the EPA”, background paper to the Five-Year Review of the EPA, July 2014.

CARIFORUM services suppliers have actually attempted to enter the EU market under the access provided for under the Agreement. Thus, during the review period, consultations did not indicate a clear picture of where, in practice, regulatory barriers continue to exist in either the EU or CARIFORUM.

7.2 Future Liberalisation, The Bahamas/Haiti and the MFN Clauses

Negotiations on future liberalisation have yet to commence (Article 62). The CF-EU EPA commits both sides to enter into negotiations within five years of its entry into force “*with the aim of enhancing the overall commitments*” undertaken on trade in services. Due in part to the fact that the Agreement has yet to enter into force, no relevant discussions have taken place in the TDC.

While The Bahamas’ services commitments have been incorporated into the Agreement, those of Haiti remain outstanding (Article 63). At their Second Meeting of the Joint Council in October 2012, CARIFORUM and EU ministers adopted a Decision to incorporate The Bahamas’ services commitments under the Agreement. While Trade.Com has provided support to Haiti for the scheduling of its services commitments, these commitments have neither been finalised nor incorporated into Annex IV of the Agreement.

There has been no discussion or activation of the MFN Clauses applicable to either commercial presence or cross-border trade in services (Articles 70 and 79). As on the trade in goods side, the MFN Clause – despite the controversy it provoked post-signature – has been a largely silent issue during the review period. With respect to CARIFORUM’s MFN obligation, only one post-2008 negotiation (between CARICOM and Canada) covers trade in services and consultations suggest that CARICOM has been careful to adhere to the liberalisation “floor” created by the States’ CF-EU EPA commitments. With respect to the EC’s obligations, consultations suggest that there has been some CARIFORUM analysis done on the implications of the EU-Korea FTA. The review team is not aware of similar scrutiny of other commitments agreed to by the EU after 2008 (e.g. with Central America, Colombia and Peru) nor of the scope of on-going EU negotiations (e.g. with ASEAN, Canada and India).

7.3 Commercial Presence

Investment commitments in the CF-EU EPA are tied specifically to commercial presence (Articles 65-69). This is a significant improvement on the GATS framework, since it is defined not only in relation to services and service suppliers, but also extends to some non-service sectors, save for those excluded under Article 66⁵⁵ and any limitations on market access and national treatment contained in the schedule of specific commitments. The type of restrictions mainly related to requirements for joint ventures in some instances, forms of commercial presence, licenses for land for commercial use as well as requirements for employment of nationals, for architectural firms and engineers, relevant licensing and registration to use a particular designation (e.g. “architect”) in that jurisdiction.

As the commitments under commercial presence largely captured the status quo on both sides, reflecting limitations on national treatment and market access, stakeholders indicated that there was no need for any significant changes to regulatory regimes, and thus no changes were found linked directly to the EPA. A comprehensive analysis of the

⁵⁵ Under Article 66, Chapter 2 (Commercial Presence) of Title II applies to measures by the Parties or by the Signatory CARIFORUM States affecting commercial presence in all economic activities with the exception of: (a) mining, manufacturing and processing of nuclear materials; (b) production of or trade in arms, munitions and war material; (c) audio-visual services; (d) national maritime cabotage; and (e) national and international air transport services, whether scheduled or nonscheduled, and services directly related to the exercise of traffic rights, other than: (i) aircraft repair and maintenance services during which an aircraft is withdrawn from service; (ii) the selling and marketing of air transport services; (iii) computer reservation system (CRS) services; (iv) other ancillary services that facilitate the operation of air carriers, such as ground handling services, rental services of aircraft with crew, and airport management services.

commitments undertaken by both sides is beyond the scope of this review.⁵⁶ Consultations indicate that the EPA – while going beyond a mere reaffirmation of GATS commitments – largely formalised the degree of openness on both sides. Based on information available from relevant government websites as well as WTO notifications, no specific legislative changes post-2008 relevant to commercial presence could be identified related to the specific sectors under consideration. While some countries' requirements for company registration were changed during the review period, for the most part these rules remained the same as prior to the signing of the EPA. In other instances, changes were made to specific procedures⁵⁷.

There is inadequate information to assess compliance with commitments on the behaviour of investors and the maintenance of standards (Articles 72 and 73). Under the CF-EU EPA, both sides agree to (a) take measures to both prevent corruption/bribery, (b) ensure that investors act in accordance with obligations under core labour and environmental obligations, and (c) avoid attracting FDI through a lowering or relaxing of environmental, health and safety regulations. These provisions represent a significant departure from the GATS and, although investor protection is not substantively addressed within the Agreement, they represent a comprehensive framework for addressing investment issues and concerns.

As the review will discuss later in the context of the CF-EU EPA obligations on labour and the environment (Section 8.2), while all CARIFORUM countries indicated that they conduct an Environmental Impact Assessment and have labour laws in place, these frameworks have not been comprehensively reviewed in light of the specific commitment in the EPA that refers to “core” standards. Moreover, conformity with these standards would only partially meet the commitment, as investor behaviour is dynamic and meeting the substantive provision requires an examination of how the CF-EU EPA Parties conform to the relevant requirement as contained in law or in respect of how they operate (not directly observable in some instances), as well as how the investor responds.

7.4 Cross-Border Supply

The CF-EU EPA provided for no substantial new market opening on cross-border supply, largely locking in the status quo (Articles 75-78). Consultations indicate that neither Party had any significant restrictions on Mode 1 (cross-border supply) and Mode 2 (consumption abroad)⁵⁸, and that no significant regulatory changes either were implied by or were made in response to the CF-EU EPA. The main issues identified during the consultations related to the need to facilitate such cross-border supply, particularly with respect to regulatory issues such as anti-competitive practices (discussed below), as well as e-commerce.

⁵⁶ This detailed analysis can be found in, *inter alia*, Sauv e and Ward (2009).

⁵⁷ Changes that were identified include: (a) Antigua and Barbuda – Changes to the Architect Registration Act to allow for reciprocity, and a change to the Labour Code to remove the work permit requirement for Caricom Skilled Nationals. (b) Barbados – Update of the Shipping Incentives Act of 2009. (c) Dominican Republic - Law No. 108-10, as amended, covers incentives provided by Law No. 108-10, as amended in 2010 (the " Film Law ") aimed at the film industry. Also changes in 2012 to Law 188-07 dated August 2007, regarding company registration with the National Treasury. (d) Jamaica – Omnibus Incentive Act, which provides incentives replaces pre-existing sector based incentive legislation, it importantly provides for tax incentives in services sectors, such as tourism and the creative industries. Also in Jamaica, effective January 2013, all foreign firms residing or transacting business from overseas are required to have a Taxpayer registration number. Amendments to Jamaica's Company Act 2004 made significant changes to registration, reducing the number of documents required and foreign ownership of land requirements. Only a single document, the articles of incorporation, is now required to constitute a company, as the Companies Act, 2004 abolished the doctrine of ultra vires, companies now have the same legal capacity as individuals, there is no need to set out the company's objectives in its memorandum of association. (e) Trinidad and Tobago, St. Lucia and St. Vincent and the Grenadines – the changes related to procedures rather than laws it seemed changes to procedures rather than specific company registration laws were made.

⁵⁸ Somewhat confusingly, the CF-EU EPA uses the term “cross-border supply” – the standard GATS language for Mode 1 – to refer to both Modes 1 and 2, reflecting the close relationship between them.

7.5 Temporary Movement

Temporary movement was considered to be one of the key elements under the CF-EU EPA (Article 80-84). Within the larger quantum shift in ACP-EU trade relations represented by the inclusion of trade in services under the CF-EU EPA, the provisions related to temporary movement – many going far beyond the EU's GATS commitments – were a key achievement for the CARIFORUM side during the negotiations.

The relevant provisions, which have been the subject of extensive review and analysis⁵⁹, provide access for certain categories of service suppliers:

- “Key personnel”, i.e. those responsible for setting up or the proper control/administration/operation of a commercial presence, further sub-divided into “business visitors” and “intra-corporate transfers”⁶⁰;
- “Graduate trainees”;
- “Business services sellers”, i.e. representatives of a service supplier seeking temporary entry to negotiate the sale of services or entering into agreements to sell services; and
- “Contractual Services Suppliers” and “Independent Professionals” (CSS and IP), i.e. nationals employed by a legal entity or self-employed, with no commercial presence in the other territory, have concluded a *bona fide* contract that requires temporary presence.

For the categories of services examined in this review, market access related mainly to architects, engineers and entertainers. For most CF countries this remained unbound (i.e. no commitment made) and only in the case of certain professional services did a few CARIFORUM partners allow for access for CSS and IP in their individual schedules. For the EU members that noted reservations, these related mainly to economic needs tests as well as requirements for contracts or experience of certain duration.

While the CF-EU EPA does not address visa issues, anecdotal evidence suggests that – despite recent improvements – access to the EU by CARIFORUM business persons is frustrated by the requirements and challenges involved in obtaining Schengen visas. Although CARIFORUM countries have not formally introduced administrative mechanisms for the specific categories of persons provided for in the EPA, CARIFORUM States allow visa-free entry for citizens of most EU Member States. This is not the case for service suppliers (or citizens) from the Caribbean that wish to enter EU Member States for business purposes, where consultations indicate that Schengen visa requirements (and the tendency to grant single entry visas for very short periods of time) have frustrated Caribbean business persons in their pursuit of market interests in the EU.

Stakeholder cited numerous examples of these difficulties. For instance, on a five-country trade mission funded by DFID in late 2012, one participant could not leave the Netherlands to attend a major event in London (part of the overall trade mission) because he would not be able to re-enter the Schengen zone. In another study tour/trade mission in 2012 involving artists and entertainers from across the Caribbean, several persons were unable to participate because they were not able to get Schengen visas on time. Consultations suggested that even trade officials travelling on official diplomatic passports from Caribbean countries to attend official meetings in Europe were granted only single entry visas that expire a few days after the event.

Stakeholders noted that in many instances skilled categories of professionals recognised under the CF-EU EPA still faced difficulty in obtaining visas, and this was even more problematic in

⁵⁹ See, for example, Sauv  and Ward (2009).

⁶⁰ The category of “intra-corporate transfers” are further sub-divided into “managers” and “specialists”.

CARIFORUM countries that did not have consular representation⁶¹. For entertainers – a key CARIFORUM services export sector that did indicate some level of exposure and knowledge of the EU market – the difficulties encountered may be remedied, should the EC proposals of 2014 for a special “touring visa”⁶² be adopted.

Since May 2009, four CARIFORUM States – Antigua & Barbuda, The Bahamas, Barbados and St Kitts & Nevis – are exempted from a visa obligation to enter the EU Schengen countries for short stays. In 2014, Dominica, Trinidad & Tobago, Grenada, St Vincent & the Grenadines, and St Lucia were transferred also from list of countries subject to visa obligation to the list of those under the visa exemption. The exemption from the visa requirement will apply from the date of entry into force of an agreement to be concluded by each of these countries with the European Union. Another positive development to facilitate movement is the European Parliament and Council Regulation No 509/2014⁶³, which formalised and enlarged the traditional list of criteria (adding foreign trade) that determine third countries whose nationals are subject to (or exempt from) the visa obligation.

The visa waiver programme, however, does not extend to non-nationals working within CARIFORUM firms, placing some limitations on the potential impact for services firms within the Caribbean. Moreover, the waiver only applies to short stays. For longer stays (longer than three months) and/or stays to take up gainful employment – including the supply of services – national visas are still required⁶⁴, with exception of intra-corporate transferees where the newly adopted Directive of the European Parliament and of the Council⁶⁵ will apply. CARIFORUM stakeholders wished to signal, within the context of this review, the need for further discussions on guaranteed market access under the CF-EU EPA for trade in professional services – particularly for business visitors, who, as noted above, may or may not be CARIFORUM nationals – including the possibility of a negotiated and agreed Protocol on transparent, guaranteed short term business visas.

There are also concerns that many current regimes in individual EU Member States do not allow CARIFORUM service suppliers to enjoy the full benefits of the Agreement. Most of the publicly available information on official websites refer to “migration”, “employment” or “migrants” or “permanent employment” or “workers” without reference to the short-term movement of service suppliers as envisaged in the CF-EU EPA. The immigration and labour regulations in EU Member States focus on natural persons from other EU Member States or third countries (i.e., non-European Economic Area), without seeming to provide for entry by persons from CARIFORUM countries as a result of the trade-related obligations under the CF-EU EPA.

For example, one CARIFORUM stakeholder noted that he had made a series of enquiries in August 2011 to officials in several EU Member States with the explicit aim of clarifying the procedures for CSS under the CF-EU EPA, and more specifically whether they require work permits. In Germany, for example, officials from the Ministry of Labour and Social Affairs indicated that

⁶¹ The issue of consular representation was also raised during consultations, as per EU requirements this makes the process of acquiring a visa for those CARIFORUM partners who do not have Consular representation more burdensome, so that it does alter the conditions of competition against them. However, it should note that as at April 1, this year, recommendations have come from the EC for additional changes to the visa code, as well as for the introduction of a “touring visa”.

⁶² “Proposal for a Regulation Of The European Parliament And Of The Council establishing a touring visa and amending the Convention implementing the Schengen Agreement and Regulations (EC) No 562/2006 and (EC) No 767/2008”, European Commission, Brussels, 01.04.2014.

⁶³ OJ L 149, 20.05.2014, p. 67

⁶⁴ ECDPM (2011)

⁶⁵ OJ L 157, 27.05.2014, p.1

*In a one-stop government procedure, third-country nationals apply for a visa to enter Germany for the purpose of taking up employment. The visa is issued by the German embassy abroad. The embassy directs the query to the local competent foreigners authority which verifies the general legal residency requirements and then sends the application to the Federal Employment Agency to obtain the approval for employment. The application has to contain the assignment description and the employment agency verifies if the working conditions are comparable to those for national employees. This is the procedure which since 2009 is valid for obtaining a residence permit for the purpose of employment. As the CARIFORUM EPA hasn't been ratified so far, there are up to now no specific indications for the agreement under the contract.*⁶⁶ [emphasis added]

This response raised the concern that, if a lack of ratification had delayed explicit recognition of the categories of temporary movement in the CF-EU EPA, then there may be no special consideration (in the EU's largest economy) of CARIFORUM service suppliers under the Agreement compared to any other foreign natural person seeking employment in EU Member States. A review of publicly available information on the websites of other EU Member States (i.e. Netherlands and Sweden) raised similar concerns, whereby immigration and labour regimes appear to assume that the applicant is seeking to join the labour market rather than supply services under the temporary presence / Mode 4 provisions of the CF-EU EPA.

Even in the United Kingdom – a key potential market for CARIFORUM service suppliers – it is potentially unlikely that CARIFORUM service suppliers will be able to contest the market as envisaged under the EPA. A review of EU Member States' websites suggests that the only country that refers to trade obligations in its immigration or work permit brochures or publications is the United Kingdom, which is a key potential market for CARIFORUM based on its size and historical links.

This is demonstrated by a published table showing the sectors in which applications by sponsors (British firms) for permission to “bring a contractual service supplier or independent professional to the UK” can be entertained under four listed trade agreements, including the CF-EU EPA⁶⁷. Since the scheme requires a sponsor, however, it is potentially unlikely that Caribbean service suppliers will be able to contest the market in the UK as envisaged under the CF-EU EPA. The Agreement conceives of firms that send their employees overseas as CSS in order to supply services to clients and access “final consumers” overseas⁶⁸ – arguably different than the UK work permit and immigration regulations which make reference to their (UK) firms bringing workers or migrants into their jurisdiction. Furthermore, publicly available information indicates that sponsors must be UK-based and must be licensed with the UK Border Agency for the purposes of issuing a Certificate of Sponsorship to the natural person seeking admission in any of the sectors in which the UK undertook market access commitments in the EPA.

Similar concerns arise regarding the Independent Professionals category under the CF-EU EPA, similarly defined as CSS except that they are self-employed and not employees of a company. Whereas in both instances both the CSS and IP categories are not envisioned under the CF-EU EPA as a migrant or seeking permanent entry in the local labour market in the EU, the *Code of Practice for Skilled Workers* published by the UK Visas and Immigration Department refers to “migrant workers” and not service suppliers as provided for in the EPA.⁶⁹

⁶⁶ Communication from Daniela Kuck-Schneemelcher, from the Bundesministerium für Arbeit und Soziales on August 3, 2011.

⁶⁷ See *Tier 2 and Tier 5 of the Points Based System – Sponsor Guidance (Appendix F, Version 04/2013)* released by the UK's Home Office.

⁶⁸ Under Article 80(2)(d) of the CF-EU EPA, “Contractual services suppliers” are defined as “natural persons of the EC Party or of the Signatory CARIFORUM States employed by a juridical person of that EC Party or Signatory CARIFORUM State which has no commercial presence in the territory of the other Party and which has concluded a bona fide contract (other than through an agency as defined by CPC 872) to supply services with a final consumer in the latter Party requiring the presence on a temporary basis of its employees in that Party in order to fulfil the contract to provide services”.

⁶⁹ See UK Visas & Immigration, *Codes of Practice for Skilled Workers: Standard Occupational Classification (SOC) Codes*, 6 April 2014, page 3.

Another key concern for CARIFORUM service suppliers in the UK market arises in the specific context of entertainers. Given the high global profile of Caribbean entertainers, the inclusion of this sector was a key CARIFORUM demand in the negotiations and all EU Member States except Belgium granted access for CSS in Entertainment Services (albeit with some conditions). In the case of the United Kingdom, the regime for sports persons and entertainers was changed just before the EPA negotiations were concluded in 2007 and the previous rules were replaced by a points-based sponsorship system. Under the Tier 5 category of the UK system (skilled workers to be employed on a temporary basis), there is a Creative and Sporting sub-category which is described as being “for migrants who want to come to the United Kingdom to work as sports people for up to 12 months or to perform as entertainers or creative artists for up to 24 months”.

But, as indicated above, this temporary access requires sponsorship, raising concerns about whether Caribbean entertainers will be able to benefit as intended under the CF-EU EPA. Furthermore, sponsors must operate according to certain Codes of Practice, but there appear to be codes only for some activities – i.e. ballet, dancers (other than ballet), theatre or opera performers and film and television performers – and none for musicians or entertainers who provide live music through song and dance (a key interest of CARIFORUM). And finally, to be eligible for the creative category under the current UK rules, a number of eligibility requirements further restrict access for Caribbean entertainers, particularly those at the smaller/start-up end of the scale – ranging from “mak[ing] a unique contribution to the UK labour market, e.g., you are internationally renowned or are required for continuity”, to being paid the minimum wage as set by various UK unions to having a specified amount of pound sterling in a savings account 90 days before the application is made⁷⁰.

7.6 Regulatory Commitments

7.6.1 Mutual Recognition

Arguably the most progress during the review period as regards the implementation of services commitments has occurred in the area of mutual recognition (Article 85). The CF-EU EPA commits both parties to encourage the relevant professional bodies in their respective territories to (a) jointly develop and provide recommendations on mutual recognition, and (b) start negotiations within three years after its entry into force on mutual recognition in accounting, architecture, engineering and tourism. Consultations indicate that the three-year window was inserted into the Agreement to allow adequate time for the development and agreement of a regional framework for mutual recognition, which is still being discussed within CARICOM⁷¹.

Drawing from the biannual reviews of mutual recognition at the First and Third TDCs as stipulated under Article 87(7), the main areas of progress have been related to architects and engineers, drawing on support from the TradeCom programme and Caribbean Export. Bilateral efforts have resulted in an MoU between the Architects’ Council of Europe (ACE) and the architects within CARIFORUM, represented by a number of regional bodies: The Association of Commonwealth Societies of Architects in the Caribbean (ACSAC), the Federation of Caribbean Association of Architects Association (FCAA), and from the Dominican Republic CEDARQ-FUNGLODE. MRA preparatory work is being coordinated by the Caribbean Architects Mutual Recognition Agreement Committee (CAMRAC), which has representatives from each body. While efforts on the engineering side have not progressed as far, engineering representative

⁷⁰ <https://www.gov.uk/tier-5-temporary-worker-creative-and-sporting-visa/eligibility>.

⁷¹ Francis and Ullrich (2008)

bodies on both sides met in 2011 to discuss further collaboration and have signed Joint Declarations on Cooperation⁷².

7.6.2 Transparency

While enquiry points are listed in the CF-EU EPA, these do not appear to be actively used by either Party, and there are concerns about their effectiveness (Article 86). All countries have notified the relevant enquiry points and these are listed in Annex V of the Agreement. Based on consultations undertaken in the context of this review, it is mainly the Ministry of Trade, Investment Promotion Offices and relevant services coalitions that are designated in practice to be the repositories of the information that would be required to field such a request – and if not designated as the enquiry point, to transfer such information to the relevant enquiry point for dissemination.

Some CARIFORUM stakeholders that have attempted to contact the EU enquiry points listed in the Agreement (in the following Member States – Belgium, Germany, France, the Netherlands and the United Kingdom) have stated that they are either non-functional for technical reasons (email addresses do not work, change of personnel, etc.) and there appears to be no real point of contact for the EPA at the national level (i.e. EU Member States). For example, in the context of a November 2011 small market research project for Barbadian service suppliers, out of the five above-listed EU Member states contacted, only two of the original enquiry points were functioning⁷³. Enquiries made in the context of this study – by way of questionnaires, requests to the EU help desk for advice as well as listed enquiry points – suggested that the nature of the requests were novel, in the sense that they did not receive many such requests for service sectors. In some cases, consultations within CARIFORUM suggested that requests had been sent to the EU Export Helpdesk rather than the enquiry points listed in the Agreement. In other cases the web portals established to field such requests did not deliver responses – a problem not limited to the EU, as requests to the Jamaican Coalition of Services Industries website went unanswered. Many CARIFORUM stakeholders indicated that more needed to be done to allow the relevant enquiry point to be operational, including additional resources and a frequent “refreshing” of the list of enquiry points.

7.6.3 Courier Services

There is no clear picture of implementation of key provisions on courier services, in part due to regulatory gaps at the national level (Articles 89-93). Courier services are mainly supplied through mode 3; the so-called, “integrators” – large international operators which have become specialised in international parcel services – dominate international delivery. Existing limitations related to the mode of supply – whether related to company registration, licenses for land acquisition or other issues – have generally been inscribed in individual schedules. Consultations did not identify any specific legislation in place for the relevant sector. A key consideration is, therefore, any regulatory changes that would impact on entry or operation in respect of mode 3 to provide this service activity, such as company registration or the regulation of competition. Article 90 commits the EU and CF to introduce measures aimed at preventing anti-competitive behaviour. Within CARIFORUM, only six countries – the Dominican Republic, The Bahamas, Jamaica, Trinidad & Tobago, Guyana and Barbados – have a regulatory

⁷² On the CARIFORUM side, the declarations have been signed by Caribbean Council of Engineering Organisations (CCEO) which serves the Caribbean Commonwealth States; the Colegio Dominicano de Ingenieros, Arquitectos y Agrimensores (CODIA) (College of Engineers, Architects and Surveyors of the Dominican Republic) and the Orde van Raadgevende Ingenieurs in Suriname (ORIS). The EU counterparts are European Federation of National Engineering Associations (FEANI) and European Network for Accreditation of Engineering Education (ENAE), and another with the European Society for Engineering Education (SEFI).

⁷³ WYG International, “Assistance to the Barbados Foreign Affairs Ministry/Foreign Trade Division to Improve Access into the EU Market for Services Exports of Barbados under the CARIFORUM-EC EPA. Addendum to Final Project Report: Regulatory and Market Access Issues for Selected Services in Belgium, France, Germany, the Netherlands and the United Kingdom.” (TradeCom Project 9.ACP.RPR.007), June 2011.

authority in place, and there are significant variations in the existence and quality of regulatory frameworks that govern competition. In the EU, The Postal Directive includes the relevant provisions on anti-competitive practices required by Article 90.

7.6.4 Telecommunications Services

The as yet unclear picture of implementation on telecommunications services suggests a partial level of compliance (Articles 94-102). The regulatory disciplines in the CF-EU EPA largely reflect the GATS Telecommunications Reference Paper by including provisions on competitive safeguards, interconnection, the independence of regulatory authorities and the allocation/use of scarce resources⁷⁴. The commitments that countries have made in respect of market access and national treatment that are of most relevance in this area are in respect of mode 3.

The commitment to ensure that telecoms regulators are “*legally distinct and functionally independent*” from services suppliers (Article 95) is likely to be the most significant regulatory change that CARIFORUM countries would be required to make. A survey of six CARIFORUM States (Barbados, Dominican Republic, Grenada, Jamaica, St Lucia and St Vincent & the Grenadines) suggests that at least those six States have established national regulatory commissions – albeit not in response to the CF-EU EPA – and have implemented legislation addressing the relevant CF-EU EPA disciplines⁷⁵. With respect to Universal Service provisions, those countries that do have relevant legislation also have provisions in place to address the issue. Consultations indicate however that these laws may need to be amended and reviewed.

With respect to competitive safeguards (Article 97), not all CARIFORUM countries have implemented competition laws or set up relevant institutions. For those Member States that have, issues of effective implementation of the relevant laws remain.

7.6.5 International Maritime Transport Services

The CF-EU EPA commitments on maritime services appear to reaffirm an open market status quo and there are no indications of regulatory changes to accommodate the Agreement (Article 110). The CF-EU EPA provisions provide for the “*principle of unrestricted access... on a commercial and non-discriminatory basis*” – prohibiting certain practices such as cargo-sharing – albeit “*in view of the existing levels of liberalisation between the Parties*”. This last sentence suggests that the commitments largely reaffirm existing policies rather than create a new set of obligations⁷⁶. Consultations do not indicate any regulatory changes on either side related to the CF-EU EPA.

7.6.6 Tourism services

There is only a partial picture of implementation with respect to the regulatory aspects of tourism services (Articles 111-116). The tourism provisions under the CF-EU EPA are entirely “GATS plus”, and as such – along with temporary movement – have attracted significant research interest⁷⁷. Apart from a reference to the provisions on mutual recognition already discussed under Article 85, CF-EU EPA provisions on tourism services cover, *inter alia*:

- The prevention of anti-competitive practices (Article 111), echoing provisions on courier services;
- The facilitation of access to technology by the CARIFORUM States (Article 112);
- The establishment of tourism satellite accounts;

⁷⁴ Francis and Ullrich (2008)

⁷⁵ Francis and Ullrich (2008)

⁷⁶ Schloemann and Pitschas (2008).

⁷⁷ Schloemann and Pitschas (2008).

- Increased participation of small and medium-sized enterprises within the tourism sector (Article 113); and
- Ensuring that tourism activities are in compliance with environmental standards and contribute to sustainable development.

Regarding the first element on anti-competitive practices, it is worth noting that, while the other sectoral mechanisms (e.g. in financial, telecoms, courier and maritime services) are originally based on standard EU proposals, the agreement on a regulatory framework for tourism came about on the insistence of the CARIFORUM side, reflecting the region's significant interests in the sector⁷⁸. Unfortunately – as with other parts of the Agreement dealing with competition issues – the picture of compliance in CARIFORUM (whose tourism market is the obvious concern) is not clear as few countries (e.g. Jamaica, Trinidad & Tobago, Guyana, Dominican Republic, The Bahamas and Barbados) have competition authorities or national frameworks and there is insufficient information on the actual practice as it relates to tourism operators.

There have been extensive discussions related to the exchange of information requirements under the Agreement (Article 118). Both Parties have committed to develop modalities for dialogue on tourism matters. At the First TDC, CARIFORUM and EU representatives agreed on the relevant modalities, ranging from biannual exchanges on tourism issues and notification of projects to joint CARIFORUM missions to attend tourism trade fairs in Europe.

7.7 Cultural Cooperation

Like the provisions on tourism services, the Agreement's provisions on cultural cooperation – while not part of the CF-EU EPA services commitments in Title II – represent a major innovation in North-South FTA practice (Protocol III). Before the CF-EU EPA, the EU had never before included cultural services – a significant area of comparative advantage for CARIFORUM – into a trade agreement. This was due to its high level of protection and domestic sensitivity. As with its counterpart in tourism, the provisions on cultural cooperation in the Agreement have attracted considerable attention from researchers⁷⁹. As noted at the outset of this Chapter, cultural cooperation is not covered by the chapter on services and investment but rather under a separate Protocol.

Modalities for dialogue have been established, and there have been initial efforts at discussions on cultural cooperation (Article III.2). The CF-EU EPA commits both parties to an on-going dialogue aimed at a “*common understanding and enhanced exchange of information on cultural and audio-visual matters..., as well as on good practices in the field of Intellectual Property Rights protection*”. Modalities for discussions were established at the First TDC; at the same TDC, CARIFORUM and EU representatives were briefed on the first Annual Caribbean Tourism Summit held in 2011 in Brussels, where industry representatives from both sides discussed a range of issues from cooperation to taxation. There are no indications of follow-up efforts since the 2011 meeting.

Analysis and consultations suggest that implementation of the key provisions – i.e. related to the movement of artists and cooperation on co-productions – is still in the very early stages (Articles III.3 and III.5). Analytical work on Protocol III has centred on two key aspects, i.e.:

- Provisions allowing for the entry into and the temporary stay in the EU or the CARIFORUM for a period up to 90 days in any 12-month period, of artists carrying out non-commercial activities; and

⁷⁸ Schloemann and Pitschas (2008).

⁷⁹ See ECDPM (2011) for a partial bibliography.

- Provisions allowing for Caribbean-European co-produced works to enter the European market as “European works” in accordance with the provisions of the EU Audio-visual Media Services Directive and benefit from the applicable broadcasting quotas, subject to the proviso that the CARIFORUM partner needs to fund at least 20% (and the European partner a maximum of 80%) of the total film budget⁸⁰.

The provisions for temporary access are discussed earlier in this review. With respect to cultural cooperation, consultations undertaken in 2011 by ECPM indicate some possible hurdles in accessing the co-production benefits under the Agreement, noting that:

Unfortunately there were also no initiatives in the EU Member States to start negotiations of bilateral co-production agreements for audio-visual works between individual EU Member States and individual CARIFORUM countries. Most government officials interviewed mentioned that they had not received any request from their audio-visual sector to launch negotiations.

Co-production agreements are demand driven initiatives and EU Member States will only react if there was an interest on the side of their audio-visual sector. The lack of visibility of the audio-visual industry in the CARIFORUM countries as well as little information of their main assets were according to a number of Member States among the main reasons why up to date their industries had not shown a special interest in co-production agreements with the Caribbean countries. Member States also indicated that at present they were careful with the signing of any coproduction agreements as this meant that they would also have to make funds available to implement these co-production agreements⁸¹.

8 Trade-Related Issues & Dispute Settlement

8.1 Competition

On the key provision on competition – the need for a relevant authority, backed by relevant laws – there is partial compliance in some States, and on-going discussions are underway in other States (Articles 125-128). Under Article 127, both sides (and notably the individual CARIFORUM States) commit to ensuring that the relevant laws are in force, and the relevant Competition Authority established, within five years of the EPA’s entry into force. As shown in Table 8, all CARIFORUM States report either having some elements of a competition law in place or being involved in consultations and review of such legislation. However, only six CARIFORUM States have a designated competition authority. At the regional level, the CARICOM Competition Commission began operations in 2009. At the OECS sub-regional level, the OECS has agreed to a sub-regional competition commission to act on behalf of their Member States and draft legislation has been prepared (envisaged in late 2014 or 2015).

Even where the relevant authorities are in place, there are significant shortfalls that require attention before CARIFORUM countries can give effect to the competition provisions in the Agreement. In the case of Jamaica, for example, legislation needs to be amended to allow the CARICOM Competition Commission to exercise its powers fully. In two CARIFORUM States, there is no *de facto* functioning authority: in the case of Trinidad & Tobago, the relevant legislation has not been assented into law; in the Dominican Republic – although the authority, has been established and five of its commissioners appointed some three years ago – the

⁸⁰ ECDPM (2011).

⁸¹ ECDPM (2011).

authority has not been functioning as its Executive Director has not yet been appointed by the President⁸².

Table 8: Status of Competition Authorities and Laws in CARIFORUM

	Authority	Status of Enactment
Antigua & Barb.		Draft OECS Competition Bill under review
Bahamas	Sector regulator- The Utilities Regulation and Competition Authority	The Utilities Regulation and Competition Authority Act (2009)
Barbados	The Barbados Fair Trading Commission	The Fair Competition Act CAP. 326C
Belize		Draft Bill
Dominica		Draft OECS Competition Bill under review
Dom. Rep.	La Comisión Nacional de Defensa de la Competencia (Pro-Competencia)	General Defence Competition Law No. 42-08
Grenada		Draft OECS Competition Bill under review
Guyana	The Competition and Consumer Affairs Commission of Guyana	Competition and Fair Trading Act of Guyana (2006)
Jamaica	The Fair Trading Commission	The Fair Competition Act
St Kitts & Nevis		Draft OECS Competition Bill under review
Saint Lucia		Draft OECS Competition Bill under review
St Kitts & Nevis.		Draft OECS Competition Bill under review
Suriname		A Competition Bill drafted and consultations currently underway to finalise the Bill before taking it to the Parliament of Suriname.
Trin. & Tob.	The Fair Trading Commission	Fair Trading Act (2006)

Source: CARICOM Competition Commission and national consultations.

8.2 Intellectual Property (IP)

Key elements of the CF-EU EPA provisions on intellectual property (Articles 131-164) have only been partially implemented. The CF-EU EPA obligations on intellectual property (IP) are intended in part to reflect obligations found under the WTO TRIPS Agreement, WIPO Treaties, and related Conventions, as well as to advance proposals in the Revised Treaty of Chaguaramas on the protection of IP.

Under Article 139(4), both Parties, excluding Haiti as the only Least Developed Country, are subject to the 1st January 2014 deadline for implementation. While that deadline can be modified “to account for the development priorities and levels of development” in the CARIFORUM States, there has been no CARIFORUM proposal for delay in the context of discussions at the TDC.

As shown in Table 9, during consultations held for this review, nine CARIFORUM States indicated their compliance with the TRIPS Agreement although four have cautioned that their legislation needs to be updated for full compliance. While The Bahamas is not yet a WTO Member, it has undertaken a wide-ranging review of its IP legislation in preparation for eventual WTO accession.

Table 9: Status of TRIPS Compliance in CARIFORUM States

TRIPS Compliant Member States	Belize, Barbados, Dominican Republic, Jamaica, St Lucia, Trinidad & Tobago <u>Indicating need to update:</u> Suriname, Guyana, Dominica, Grenada
Member States at various stages of implementation	Bahamas: IP legislation before Parliament St Kitts & Nevis: Strategy approved; legislation being reviewed Antigua & Barbuda: legislation in place but implementation still underway St Vincent & Grenadines: legislation in place but implementation still underway

Source: Consultations with Member States and Wilson (2011).

On regional integration, there has been some progress on the issue of patent administration, but not in other areas (Article 141). Regional efforts on IP issues (supported

⁸² “Pro-Competencia afirma que sigue en forma normal su proceso de constitución”, *Diario Libre*, 4 March 2014, accessed online at <http://www.diariolibre.com>.

by WIPO) prior to 2008 largely focused on the issue of TRIPS compliance. In 2008, a regional meeting focused on IP issues but only in the context of the cultural sector. In 2009, proposals were floated in Grenada on establishing a regional patent office, and in 2011 and 2013, WIPO supported efforts to agree on core elements of a Caribbean Convention dealing with patent policy.

Only a handful of CARIFORUM countries have acceded to the relevant Treaties, Protocols and Conventions listed throughout the CF-EU EPA provisions on IP (Articles 143, 144 and 147). The CF-EU EPA commits both sides to comply with a range of treaties governing the protection and enforcement of IP and related issues. Based on an online database maintained by WIPO and the WTO, compliance is limited to a handful of CARIFORUM State signatories (shown in Table 10) – most notably, the Dominican Republic, Jamaica and Trinidad & Tobago.

The second column indicates the varying degrees of application called for under the Agreement – from language calling for outright compliance with the core WIPO Treaties to a call for CARIFORUM to “*consider acceding to*” conventions on plant protection. It is worth noting that the information in Table 10 shows only those countries listed as signatories to the relevant treaties – the WIPO database does not indicate the degree of actual compliance with the relevant provisions. The final column lists those CARIFORUM States that have indicated, within the context of this review, efforts to accede to the listed Treaties.

Table 10: Application by CARIFORUM of IP-Related Treaties

Treaty	Commitment	Signatories	States Indicating On-going Efforts / Notes
WIPO Copyright Treaty (1996)	Shall comply	Dominican Republic, Jamaica and Trinidad & Tobago	All CARIFORUM States excluding Guyana have indicated that copyright legislation is in place.
WIPO Performances and Phonograms Treaty (1996)	Shall comply	Dominican Republic, Jamaica, St Lucia, St Vincent & Gren. and Trinidad & Tobago	
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (1961)	Shall endeavour to accede	Barbados, Dominica, Dominican Republic, Jamaica, and St Lucia	
Madrid Agreement Concerning the International Registration of Marks (1989)	Shall endeavour to accede	Antigua & Barbuda	
Hague Agreement for the International Registration of Industrial Designs (1999)	Shall endeavour to accede	Belize, Suriname	
Trademark Law Treaty (2006)	Shall endeavour to accede	Dominican Republic, Trinidad & Tobago	
Patent Cooperation Treaty (1984)	Shall accede to	Antigua & Barbuda, Barbados, Dominican Republic, Grenada, St Kitts & Nevis, St Vincent & Gren, Trinidad & Tobago	Bahamas, Jamaica, Guyana, Suriname
Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure (1980)	Shall accede to	Dominican Republic, Trinidad & Tobago	
Patent Law Treaty (Geneva, 2000)	Shall endeavour to accede	Haiti	
International Convention for the Protection of New Varieties of Plants – UPOV (1991)	Shall consider acceding to	Dominican Republic, Trinidad & Tobago	Antigua & Barbuda, Bahamas, Barbados, Belize, St Lucia, St Kitts & Nevis, St Vincent & Gren.
Protocol Amending the TRIPS Agreement	Agree to take the necessary steps to accept	Dominican Republic, Trinidad & Tobago	

Source: WIPO, accessed online at <http://www.wipo.int>, and WTO, accessed online at www.wto.org.

The Bahamas has indicated that it has undertaken a number of measures to comply with international best practice on IP, with a range of IP legislation currently being discussed in Parliament. The legislation has already been forwarded to the WTO and the USTR for review in line with The Bahamas' application for WTO Accession. All CARIFORUM States have, however, indicated challenges in terms of resources. While many States recognise the importance and necessity of becoming signatories to IP-related treaties and conventions, the sheer number of relevant bodies and treaties – including those related to other areas (animal health, plant health, food safety) – implies a daunting challenge in view of their lack of institutional resources.

Some progress has been made, even if implementation is slow, by the provisions on geographical indications (GIs), despite the stated importance of the issue for both sides (Article 145). The CF-EU EPA seeks to expand the level of protection of GIs beyond wines and spirits, and commits CARIFORUM States to, *inter alia*, establish a system of protection of GIs in their respective territories no later than 1 January 2014 (linked to development cooperation) and prepare a list of GIs for discussion. The Parties also agree to discuss within the Committee the effective implementation of this article and exchange information on legislative and policy developments related to GIs.

During discussions held over the review period at the TDC, the EU has emphasised the importance of the obligations under Article 145. At the First TDC, the EU submitted a list of their essential elements of a GI registration system and provided a checklist for CARIFORUM to indicate their level of compliance. CARIFORUM has indicated that all CARIFORUM States are advancing the development of the relevant laws – a finding partially confirmed by consultations held for this review, which suggested that nine CARIFORUM States⁸³ had some GI legislation in place while another four⁸⁴ were still in the process of development and review.

At the Third TDC, both sides agreed to launch negotiations on GIs, with CARIFORUM submitting a non-exhaustive list of prospective GIs covering all fourteen States. Consultations indicate that no further discussions have taken place, since both sides have indicated differences over the scope of products to be covered by the future agreement (i.e. whether the agreement should be limited to agricultural foodstuffs and wine and spirits products or include all types of goods) and development cooperation resources have not been allocated to provide CARIFORUM with the necessary assistance to advance the negotiations.

8.1 Public Procurement

Implementation of key provisions is relatively well advanced, based on a survey of eight CARIFORUM States, although some gaps remain (Articles 165-182). While a detailed analysis of actual regulatory practice is beyond the scope of this report, a survey of eight States (The Bahamas, Barbados, Belize, Grenada, Guyana, Jamaica, St Kitts & Nevis and Trinidad & Tobago) finds that – whether governed by law and regulation, by policy directives and rules of procedure, or by a combination thereof – the transparency-related provisions of the CF-EU EPA are considered to be standard, entrenched practice in the public procurement systems of those States.

Three CARIFORUM States – Guyana, St Kitts & Nevis and Trinidad & Tobago – have enacted stand-alone public procurement law while the remaining States govern the discipline by way of including key provisions in an umbrella Finance Act, supplemented by policy directives and rules of procedure. Furthermore, there are legislative reforms underway in several CARIFORUM States to include the development and enactment of modern, international-standard public

⁸³ Antigua & Barbuda, Barbados, Dominica, Dominican Republic, Guyana, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & Grenadines, and Trinidad & Tobago.

⁸⁴ The Bahamas, Belize, Grenada and Suriname.

procurement provisions which incorporate the obligations under the Agreement, either in stand-alone procurement acts or by amendment to umbrella finance acts.

As a general note, a large percentage of procurement contracts exceeding the applicable thresholds, as set out in Appendix I of Annex VI of the CF-EU EPA, are financed by multilateral development banks and subject to the banks' rules. The transparency provisions of the Agreement are applicable to contract value thresholds in excess of SDR 155,000 for goods and services, SDR 6,500,000 for construction works, and may be separated into four principal aspects, as follows:

- Publication of the rules of laws, regulations and rules of procedure, which includes both the rules of general application to every procurement opportunity (for example, government supplier eligibility requirements) as well as those rules which may be specific to a particular procurement (for example, supplier qualification criteria);
- Publication of procurement opportunities, for example requirements for public advertisement of procurement opportunities offered under certain procurement methods;
- Publicity of decision-making rules that limit the use of discretion and allow for consistency and predictability in the procurement process; and
- Proof of enforcement of, and adherence to, rules which is supported by several obligations, for example requirements to justify the use of procurement methods that restrict competition or to provide unsuccessful suppliers with the reason(s) for rejection.

All of the CF States reviewed publish relevant laws, regulations and rules of procedure in accordance with the required provisions⁸⁵. All of the CF States reviewed publish procurement opportunities within the thresholds listed in the CF-EU EPA. However, The Bahamas' rules do not require the inclusion of the procurement method and contract award criteria in the tender invitation.

There are mixed results regarding the publication of decision-making rules that limit the use of discretion and allow for consistency and predictability in the procurement process. While all of the reviewed States have rules that set out conditions for the use of limited or restricted bidding methods, supplier eligibility and qualification requirements in tender notices – with the exception of Trinidad & Tobago (see third bullet point below) – the following observations were made:

- The current rules in Belize do not require that bid evaluation be based solely upon the evaluation criteria stated in the bidding documents. Belize is, however, working on a draft Procurement Law which incorporates this requirement.
- Although national rules in Grenada require the publication of contract award notices, such rules do not currently accord with CF-EU EPA provisions, requiring the publication of the name of the successful supplier and the contract sum only, and public disclosure by way of local newspapers of wide circulation rather than the website stipulated in Part 3 of Annex VII of the Agreement.
- The Procurement and Contract (Administration) Act, 2012, of St. Kitts & Nevis refers to regulations currently being developed which are expected to mandate the use of only those qualification criteria that are stated in the bidding documents to assess supplier capability to perform the contract. While performed in practice, there is currently no rule in place that explicitly sets out this requirement.

⁸⁵ It should be noted that Guyana has amended one of the stipulated means of publication as contained in Part 1 of Annex 7. The new website for accessing the relevant information is www.npta.gov.gy and not www.nptaguyana.org, as set out in the Annex.

- Although frequently performed in practice, the official rules in Trinidad & Tobago do not currently require the use of non-discriminatory technical specifications and disclosure of evaluation criteria in the bidding documents. Further, current national rules do not: (i) expressly prevent discrimination against suppliers that meet a procuring entity's conditions for participation in a procurement opportunity, (ii) require disclosure of supplier qualification criteria in bid invitations and/or bidding documents, and (iii) by extension, require that suppliers be assessed based solely upon disclosed assessment criteria. It should be noted that a draft Procurement Act (2014) currently before the Parliament for review and approval incorporates these provisions.

Not all of the reviewed CF States have established mechanisms that provide for proof of enforcement of, and adherence to, national rules. The survey found that:

- Rules in Barbados require that participants be directly notified of the successful bidder but there is no requirement to provide reasons for rejection to unsuccessful bidders. Further, rules do not require the public dissemination of contract award notices. It should be noted that new draft provisions to update relevant sections of the umbrella Finance Act that governs the procurement function incorporate the relevant requirements to bring Barbados into compliance in this regard.
- Although performed in practice, there is no requirement in Belize that bidders be informed of contract award decisions and be provided, upon request, with reason(s) for rejection. Further, there is no requirement to: (i) publicly disseminate contract award notices and (ii) advise unsuccessful bidders of contract award information and no provision for an impartial bid challenge mechanism other than the national Courts. It should be noted that relevant requirements are included in the draft Procurement Law currently being prepared.
- There is no requirement in the official rules in Grenada that unsuccessful bidders be informed of contract award decisions and be provided, upon request, with reason(s) for rejection. Note that Grenada is working on a draft Procurement Law, which incorporates these requirements, in accordance with CF-EU EPA provisions. There is also no provision for an impartial challenge mechanism other than the national Courts. However, all tender documents currently advise bidders of their right to judicial review. It should be noted that relevant requirements are included in the draft Procurement Law currently being developed.
- Although performed in practice, there is currently no national rule in St. Kitts & Nevis requiring that unsuccessful bidders be provided, upon request, with reason(s) for rejection. Further, current national rules do not require the public dissemination of contract award information. These requirements are expected to be included in regulations currently being developed under the Procurement and Contract (Administration) Act, 2012.
- In Trinidad & Tobago current rules require that only the successful bidder is directly notified. There is no requirement to directly notify unsuccessful bidders of a contract award and to provide them, upon request, with reason(s) for rejection. Further, contract award notices are published according to the means stipulated in Part 3 of Annex 7, but minimum content rules do not include the procurement method and a description of what was procured. Current rules do provide for an impartial challenge mechanism other than the national courts. It should be noted that the new draft procurement law under consideration requires that: (i) all bidders be directly notified of the contract decision, (ii) unsuccessful bidders are provided, upon request, with the reason(s) for rejection, (iii) inclusion in the contract award notice of a description of what is being procured, and (iv) the establishment of an independent mechanism for bid challenges

and detailed rules for its use. The new draft procurement law does not, however, require public disclosure of the procurement method used.

8.2 Labour and Environment

While the CF-EU EPA clearly establishes the sovereign right to regulate on issues related to the environment and labour, the Agreement also sets a high bar for such regulation – one that is difficult to assess in practice (Articles 184 and 192). Consultations indicate that, during the CF-EU EPA negotiations, CARIFORUM States were adamant that they maintain their right to regulate and that any commitments would explicitly reference their own domestic levels of environmental/public health protection and labour laws.

While this right is clearly enshrined in Articles 184(1) and 192, the same paragraphs also contain a best endeavour commitment whereby each side “*shall seek to ensure that its [laws, regulations and policies] provide for and encourage high levels [of protection] and shall strive to continue to improve those laws and policies*” – with the phrase “high levels” arguably setting a reference, albeit an indirect one, to international norms and best practices. It is difficult, however, to assess the level of compliance with these international norms in the CARIFORUM case in particular as there is a notable scarcity of surveys of regulatory practice or time series of data over time to provide a pre- and post-EPA comparison.

At a very broad level, compliance with best practice would imply that implementation could be assessed against at least two essential conditions, namely:

- The existence of a relevant and updated law (with associated regulations) that address the full scope of issues in the sector; and
- The existence of a designated Agency or Authority (or institutional equivalent) with adequate resources and powers to monitor and ensure compliance under the relevant laws.

On the environmental side, a survey of available information on agencies and legal frameworks (shown in Table 11) shows that, while all CARIFORUM countries have at least a designated agency or authority on environmental issues and some environmental laws, there is no comprehensive survey that clarifies the degree to which these laws compare with international best practices.

Table 11: Environmental Regulations and Institutions in CARIFORUM

	Agency/Authority	Environmental Laws
Antigua& Barb.	Environment Division	Environmental Management Strategy and Action Plan (2004-2009)
Barbados	Environment Protection Department	Several instruments, including the Barbados Water Authority Act, 1980 [Cap.274A]; The Town and Country Planning Development Order, 1972; and The Marine Pollution Control Act, 1998.
Bahamas	Environment, Science & Technology Commission	- Conservation and Protection of the Physical Landscape of The Bahamas Act 1997 (No. 12 of 1997) - Local Government Act 1996 (No. 5 of 1996) - Archipelagic Waters & Maritime Jurisdiction Act 1993 (No. 37 of 1993) - Antiquities, Monuments and Museum Act 1998 (No. 5 of 1998)
Belize	Department of the Environment	- Shipping Oil Pollution Act 1997 (1997-22) - Environmental Levy Act 1996 (1996-8) - Coastal Zone Management Act 1998 (1998-39) - Marine Pollution Control Act, 1998 (1998-40)
Dominica	Environment Management Department	- Water Catchment Rules 1995 (11/1995)
Dominican Republic	Department of Environment and Natural Resources	- Ley General de Medio Ambiente y Recursos Naturales
Guyana	Environmental Protection Agency	- Environmental Protection Act 1996 (Act No. 11 of 1996), as augmented by policies
Jamaica	Natural	- The Maritime Areas Act 1996 (25/1996)

	Agency/Authority	Environmental Laws
	Resources Conservation Authority	- Natural Resources Conservation Authority Act 1991 (Act 9 of 1991), as augmented by Regulations and policies
St Kitts & Nevis	Department of the Environment	- National Conservation and Environmental Protection (Amendment) Act 1996
St Lucia	National Conservation Authority	- Merchant Shipping (Oil Pollution) Act 1996 (11/1996) - National Conservation Authority Act 1999 (No. 16 of 1999) - St. Lucia Solid Waste Management Authority Act 1996 (20/1996)
St Vincent & Gren.	[No information available]	- Town and Country Planning Act 1992 (Act No. 45) - Forest Resource Conservation Act 1992 (47/1992)
Trinidad & Tob.	Environmental Management Agency	- Environmental Management Act 2000 (3/2000) - Conservation of Wild Life Act (Chap. 67:01) - Marine Areas (Preservation & Enhancement) Act

Source: UNEP (2002), "Environmental legislative and judicial developments in the English-Speaking Caribbean countries in the context of compliance with Agenda 21 and the Rio Agreements", United Nations Environment Programme; UNEP National Environmental Surveys for 2010 (accessed online at www.pnuma.org); and national sources.

On the labour side, while there are no explicit commitments to ratify or accede to certain conventions, Article 191 refers to "recognized core labour standards, as defined by the relevant ILO Conventions" and goes on to list the core labour standards – e.g. the right to collective bargaining, the abolition of forced labour – that are considered part of the eight so-called "Fundamental Conventions" of the ILO. These are contrasted with the three "Governance Conventions" (e.g. on employment policy) and the 177 "Technical Conventions" (e.g. on minimum wage fixing and occupational health). Table 12 lists the number of conventions in each category that have been ratified by CARIFORUM member states.

As on the environmental side, CARIFORUM scores relatively well – with only once country (St Lucia) failing to reach a 100% score on ratification of the ILO Fundamental Conventions and most countries implementing the majority of the Governance Conventions and at least one of the many Technical Conventions. While there is no comprehensive survey that clarifies the degree to which these laws compare with international best practice, consultations indicate that – despite struggling with exogenous economic shocks – social protections within CARIFORUM continue to outstrip those in other developing countries.

Table 12: CARIFORUM Ratification of ILO Conventions

	Fundamental (8 Total)	Governance (3 Total)	Technical (177 Total)
Antigua & Barb.	8	3	18
Barbados	8	3	29
Bahamas	8	2	25
Belize	8	2	39
Dominica	8	2	16
Dominican Republic	8	3	25
Guyana	8	3	36
Jamaica	8	3	18
St Kitts & Nevis	8	1	1
St Lucia	7	0	21
St Vincent & Gren.	8	4	14
Trinidad & Tob.	8	3	11

Source: ILO NORMLEX, accessed online at <http://www.ilo.org>.

Another key commitment – the need to uphold levels of protection – is also difficult to assess in practice (Articles 188 and 193). In both sections on environmental and labour standards, soon after affirming the Parties' sovereign right to regulate according to their own domestic standards, the Agreement commits both sides to "agree not to encourage trade or foreign direct investment to enhance or maintain a competitive advantage by: (a) lowering the level of protection provided by [domestic legislation]; [and] (b) derogating from, or failing to apply such legislation".

These provisions are not positive commitments per se but rather conduct regulations proscribing certain actions that may frustrate the objectives of the Agreement. Consultations for this review suggested that, since 2008, there have been no cases brought to a court hearing or arbitration due to a State attempting to lower their level of protection to attract FDI. A clearer picture of implementation would, however, require a database tracking instances where governments have lowered their environmental standards or not enforced existing standards – for example, by examining in detail promises (written or otherwise) that have been made to investors or promises made by investors to the State that have not been honoured. As noted earlier, there is a lack of in-depth and periodic surveys of regulatory practice in labour and environmental issues for CARIFORUM that allow a sense of how the essentially long-term objectives of sustainable development are being met under the Agreement.

8.3 Dispute Settlement

As in the area of safeguards, the CF-EU EPA provisions on dispute settlement set up contingent obligations rather than positive steps towards implementation (Articles 202-223). Unlike the trade defence provisions discussed earlier, the CF-EU EPA provisions on dispute settlement do not require a specific framework to be in place. Neither side would be taking action on the basis of a legislative or policy framework that has to be in accordance with the provisions of the Agreement.

Like safeguards, the provisions on dispute settlement set up a contingent obligation to which the Parties must comply in the event of a dispute, such as:

- The obligation to enter into consultations in good faith (Article 204(1));
- In the absence of an agreement from the consultations process, an obligation to go to mediation (Article 205(1));
- If consultations fail, the obligation to consult to agree on arbitrators (Article 207(2)), and comply with the procedural aspects listed under Article 207 in its entirety; and
- Take measures to comply with the arbitration ruling (Article 210).

Both sides have conducted initial but still inconclusive discussions on the list of arbitrators, which is the one time-bound obligation in the dispute settlement chapter (Article 221). The CF-EU EPA provides for a list of fifteen individuals to serve as arbitrators, with CARIFORUM States (acting collectively) selecting five individuals, the EU Party another five and both sides jointly selecting the remaining five “neutral” individuals, who cannot be nationals of either Party. While the EU has submitted its list of five EU nationals and five neutral individuals, CARIFORUM has yet to submit a response on the EU lists.

9 Institutional & General/Final Provisions⁸⁶

9.1 Accession of New EU Member States

Both sides have discussed the sole accession (i.e. Croatia) to take place during the review period (Article 247). In line with its obligations under the Agreement, the EU notified CARIFORUM of Croatia’s accession in July 2013, noting that there would be some consequences, particularly in the area of services. During their brief discussion of the accession issue, the Third TDC discussed – as required by the Agreement – the legal ramifications,

⁸⁶ A number of obligations under Parts V (Institutional Provisions) and VI of the CF-EU EPA (General and Final Provisions) are examined in earlier chapters, including the establishment of EPA Coordinators (Article 234), ratification (Article 243), the establishment of various Committees and Councils under the Agreement (Articles 227-232), regional preference (Article 238) and relations with the FCORs (Article 239).

including necessary modifications to both Parties' commitments under the CF-EU EPA. The discussions might, however, had provided more depth had they explored the possible *economic* effects of Croatia's incorporation into the Agreement – for example, whether Croatia provides new market access opportunities for CARIFORUM in either goods or services that were not foreseen at the time of negotiation, or whether Croatia could act as a new bilateral partner on development cooperation⁸⁷. During the review period, a number of Croatia's Balkan neighbours – including Albania, Serbia and Montenegro – either applied for membership or began accession negotiations.

⁸⁷ While the authors acknowledge that Croatia's links with CARIFORUM are not as strong as other EU Member States, the calculation could be significantly different in the case of a much larger European accession.

Part II: The Impact of the EPA

1 Measuring the Impact of the CF-EU EPA – Possibilities and Caveats

This section of the study analyses the factors that have impacted CARIFORUM-EU trade and development outcomes since the signature of the CF-EU EPA. The second half of this study estimates the degree to which the implementation (or lack thereof) of the CF-EU EPA has impacted the major macroeconomic and social indicators that ultimately determine the trade and development objectives of the Agreement.

The analysis focuses on a range of indicators – both quantitative and qualitative – to determine changes during the review period (2008-2013) from their pre-2008 levels. In seeking to explain any possible deviation, the analysis looks not only at a potential “EPA effect” but also at internal changes (e.g. changes in domestic policies or local market demand) and external shocks (e.g. exogenous price shocks to food, fuel and other key goods). The key variables examined in this second part of the study (after a general analysis on the post-2008 global recession) are:

- Trade in goods;
- Revenues from trade;
- Services and investment;
- Sustainable development (i.e. poverty/inequality, labour and environmental protection);
- The cost/attractiveness of doing business in CARIFORUM; and
- Institutional strengthening and policy orientation.

As with the previous analysis on implementation, given the scope and depth of the CF-EU EPA commitments, the analysis focuses on *significant sectors* from an economic, environmental and/or social perspective, where changes can be expected from the implementation of the CF-EU EPA – particularly those areas of the Agreement, such as tariff liberalisation, that marked *clear departures from the pre-EPA status quo*. Where appropriate, the analysis mirrors the 2004 SIA by grouping together CARIFORUM States and sectors⁸⁸. In several instances, the Dominican Republic – due to its economic size and relatively more diversified export sector – is considered separately from the CARICOM Member States.

The use of quantitative measures has important limitations in the context of an FTA as far-reaching as the CF-EU EPA. Traditional economic methods of evaluating the impact of FTAs tend to focus on tariff liberalisation and arguably with good reason. Goods schedules involve quantifiable inputs – i.e. numerical market barriers (tariffs, quotas and ad-valorem equivalents) and liberalisation commitments (basket commitments) – that can be easily entered into a partial- or general-equilibrium model, and thus produce quantifiable outputs based on economic concepts such as elasticity and consumer/producer welfare⁸⁹. This quantitative approach is particularly well-suited to more traditional FTAs, focusing on promoting commercial interests and opening merchandise trade markets.

The CF-EU EPA was, however, always intended as a different FTA archetype, aimed at fostering trade, development and regional integration within and between the CARIFORUM States. The scope of the Agreement – with its overarching focus on development and covering, *inter alia*, services, investment, sustainable development, IPR and other “newer-generation” trade issues – covers areas of trade where quantification of trade barriers and commitments is

⁸⁸ The 2004 SIA established five country groupings: “the big four” (Barbados, Dominican Republic, Jamaica, Trinidad & Tobago); the OECS comprising the “small economies” (Antigua and Barbuda, St. Kitts and Nevis) and the Windward Islands (Dominica, Grenada, St. Lucia, St. Vincent & the Grenadines); the mainland countries (Belize, Guyana, Suriname); and Haiti.

⁸⁹ For a standard example, see Plummer, M, Cheong, D and Hamanaka S, “Methodology for Impact Assessments of Free Trade Agreements”, Asian Development Bank, Manila, 2010.

both highly problematic and, where databases exist, are still in the early stages of development (as regards both country coverage and ability to distinguish bilateral from global flows).

The subsequent analysis presents quantitative data wherever available but at all stages seeks to understand any potential “EPA effect” behind the numbers. At each stage, methodological caveats are noted at the outset. For certain areas – e.g. the impact of the CF-EU EPA on policy orientation and policy-making – purely qualitative measures are used.

This study makes reference to the findings of several other impact assessments. In order to both refine the impact assessment methodology and compare the actual effects of the CF-EU EPA to those expected *ex ante*, this study makes reference to a number of other similar assessments, including:

- The Regional Sustainability Impact Assessment prepared by a Pricewaterhouse Coopers-led consortium for the European Commission (2004);
- The EPA impact study on the six ACP regions prepared by the Centre for International Research and Economic Modelling (CIREM/CEPII) for the Chief Economist of DG Trade⁹⁰ (2008), focusing on tariff liberalisation; and
- A detailed overview/assessment of the CF-EU EPA by the Overseas Development Institute⁹¹ (2008), largely focused on goods and services, and a follow-up ODI study prepared for the European Parliament’s Committee on Development⁹² (2009) focused on the goods and development cooperation chapters.

While this study uses many of the same indicators and approaches as the above-listed assessments, it is the first impact assessment to link the actual implementation (or lack thereof) of the CF-EU EPA commitments with the economic developments that have shaped EU-CARIFORUM relations since 2008.

2 Macro Indicators During the Review Period: The Shadow of the “Great Recession”

It is difficult to overstate the negative impact that the so-called “Great Recession” has had on the objectives of the CF-EU EPA for certain CARIFORUM States. During the five-year period under review, CARIFORUM States experienced two sets of external economic shocks that, in many cases, directly and negatively affected the trade and development ambitions of the CF-EU EPA. This chapter will examine major macro indicators – including GDP, revenues and debt – whereas impacts on indicators linked to specific areas of the Agreement – including imports and exports of goods, tourism inflows, investment, poverty levels and unemployment – will be examined in subsequent chapters.

The shocks began with an unprecedented spike in oil and food prices: in October 2006, while the CF-EU EPA negotiations were still underway, the price of crude oil stood at US\$58.82/barrel; in June 2008, shortly after the conclusion of the CF-EU EPA negotiations, the price had more than doubled to US\$133.82. The energy price spike led to knock-on effects on electricity rates and transport costs and was compounded (and related to) a near-doubling of the international food price index from 2006 to 2008. These energy and food price shocks put considerable pressure both on inflation and budgets across the economy, from households (due to higher prices for basic food baskets) to firms (due to higher input costs and reduced consumer purchasing power) to governments, which faced strong public pressure to both remove revenue-generating taxes on food and fuel as well as provide increased subsidies to

⁹⁰ CIREM/CEPII (2008)

⁹¹ ODI (2008)

⁹² ODI (2009)

vulnerable sections of the population. In some CARIFORUM States⁹³, the impact of the energy shock was cushioned by membership in the PetroCaribe agreement, allowing the purchase of oil at highly concessional rates.

The energy and food price shocks were followed by a global financial crisis and recession, beginning in 2008 and arguably still causing negative impacts on some CARIFORUM economies at the time of writing (mid 2014). The crisis had its origins in the housing and credit markets of the developed economies – many of them key export markets and sources of development financing for CARIFORUM States – that suffered several quarters of negative growth, rising unemployment, increased debt and a severe slowdown in investment and credit.

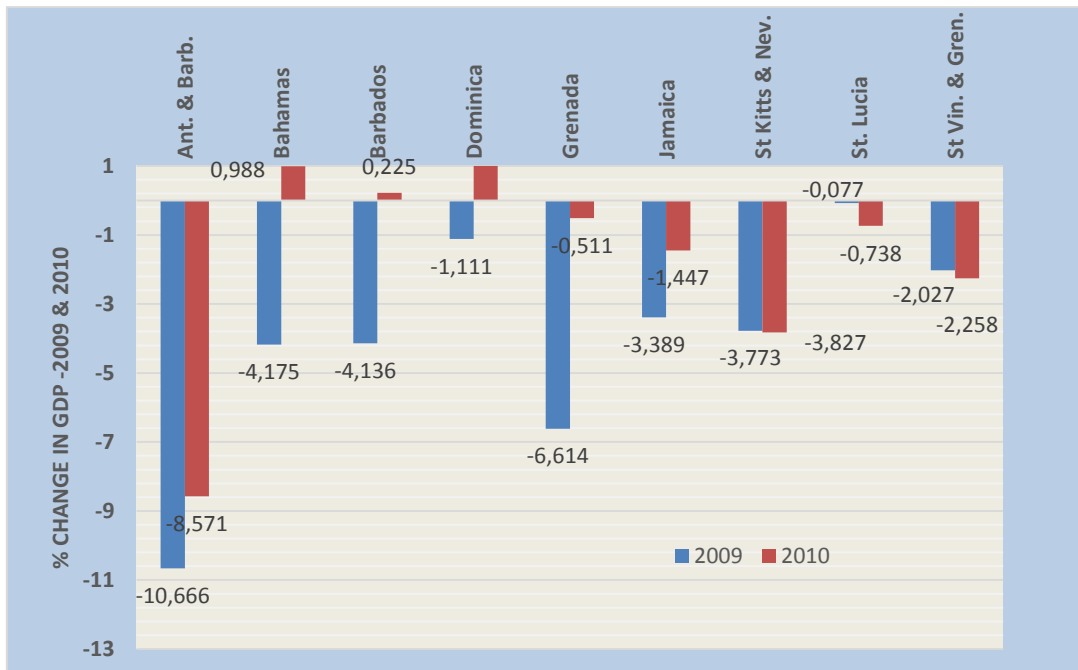
The tourism-heavy CARICOM economies were hit especially hard by the series of economic shocks, which in turn affected CF-EU EPA implementation efforts. From 2008 onwards, the ten major tourism-dependent economies within CARICOM – i.e. Barbados, The Bahamas, Belize, Jamaica and the six OECS Member States – saw largely negative impacts on their macro indicators⁹⁴. GDP growth fell across these ten economies in the immediate aftermath of the recession (shown in Figure 1), influenced by sharp falls in tourism arrivals (and tourism-related sectors such as hotels, transport, retail and restaurants), FDI (particularly in real estate), construction, offshore activity and domestic consumption. A strong deterioration in government fiscal balances was often matched by problems within large firms, including, *inter alia*, the 2008 collapse of the Stanford Group (based in Antigua & Barbuda) and the CLICO and BAICO insurance companies (based in Trinidad & Tobago), each with operations throughout CARICOM, particularly the Eastern Caribbean.

The recession also left the CARICOM tourism economies with a steep debt overhang. As shown in Figure 2, debt-to-GDP ratios – many of which had been steadily declining or at least steady in the years prior to the signature of the CF-EU EPA – significantly increased after 2008 and in several instances were still increasing as of 2014. Authorities in some countries chose to provide some counter-cyclical cushion against the demand shock, authorities in each country often chose to maintain spending in line with the budget – particularly on social spending and public investments – further exacerbating debt ratios, even in those economies where a pre-existing or new IMF arrangements placed limits on expenditure (e.g. Antigua & Barbuda, Dominica, Grenada, Jamaica, St Lucia, and St Vincent & the Grenadines). The sole exception to these trends were St Kitts & Nevis – which saw the same large increase post-2010, but then saw its debt burden fall due to a restructuring exercise – and Belize, which also benefited from a debt restructuring, reduced access to external financing and the emergence of an onshore petroleum sector.

⁹³ The CARIFORUM members of PetroCaribe are Antigua and Barbuda, The Bahamas, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Lucia, St Kitts and Nevis, Saint Vincent and the Grenadines, and Suriname.

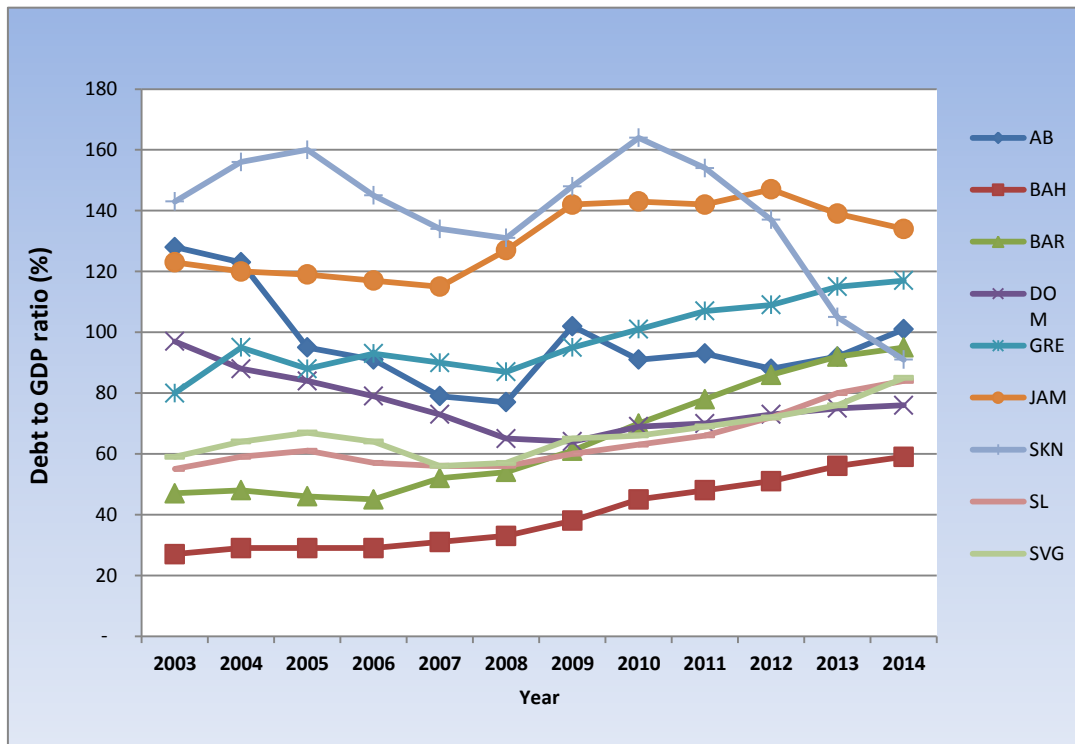
⁹⁴ This section draws heavily on Article IV Staff Reports for 2010 and 2011 for Antigua & Barbuda, The Bahamas, Barbados, Belize Dominica, Grenada, Jamaica, St Kitts & Nevis, St Lucia and St Vincent & the Grenadines, prepared by the International Monetary Fund, Washington.

Figure 1: Year-on-Year Change in GDP (%) for Selected CARIFORUM States



Source: IMF World Economic Outlook database, April 2014.

Figure 2: Debt-to-GDP Ratios for Selected CARIFORUM States (%)



Source: IMF World Economic Outlook database, April 2014.

General government revenue, including revenues from trade taxes, fell steeply as domestic activity contracted (see Chapter 6). In some countries, the economic damage was compounded by natural disasters, including floods/landslides (e.g. Belize in 2008, the OECS and Belize in 2013) and hurricanes (e.g. the Eastern Caribbean in 2010, the Dominican Republic and The

Bahamas in 2011, and Jamaica and Haiti in 2012). Perhaps the only positive development at the macro level was a lowering of inflation and current account balances, in part due to depressed economic activity.

Consultations in these tourism-dependent economies indicated, at several junctures, that the recession has had a negative impact on most discussions of (and efforts towards) implementation of the CF-EU EPA. Stakeholders in some countries indicated that even the relatively modest CF-EU EPA tariff cuts scheduled for 2011 and 2013 were delayed in part until the authorities could make an assessment of the potential revenue implications, given the significant pressure on Ministries of Finance to maintain (and increase) overall revenue. Other consultations indicated that the consideration and passage of new legislation related to CF-EU EPA implementation was delayed due to other pressing issues related to performance requirements under IMF arrangements or to immediate legislation needed to address adverse economic developments.

The recession has also had knock-on effects on productive capacity throughout the economy. In several jurisdictions, an increase in non-performing loans and banks remaining extremely cautious – with private sector lending slowing down considerably after 2008 – have impeded the ability of firms to expand production in line with new market opportunities. Within the public sector, institutional strengthening and participation in implementation projects and workshops – even where funded by outside donors – was complicated by the wider context of freezes and cuts to civil service posts, salaries, travel allowances and departmental budgets.

Trinidad & Tobago saw its economic indicators from 2008 to 2013 rise and fall with developments in the energy sector. Unlike its CARIFORUM counterparts, Trinidad & Tobago benefited from the spike in energy prices in 2006, leading to several years of strong growth, increasing revenues and high surpluses. With the fall in energy prices and the unfolding of the global crisis, real GDP fell by 3.5% in 2009, with the non-energy sector contracting by 7.25%. The economic shocks were further exacerbated by the collapse of the CL Financial Group and related costs paid by the government to settle with former policyholders. Since 2009, energy prices (particularly for liquefied natural gas) and non-energy revenues have since recovered, debt levels are manageable (39% of GDP) and the unemployment level (5%) is the lowest in the region. Overall growth, however, has been muted due to maintenance operations in the energy sector, industrial disputes⁹⁵ and rising security fears – which, in the tourism sector, was estimated to have cost Trinidad & Tobago's economy more than TT\$200 million (US\$ 31 million) per year, and in the food distribution and retail sector, some TT\$4 billion in additional security measures⁹⁶.

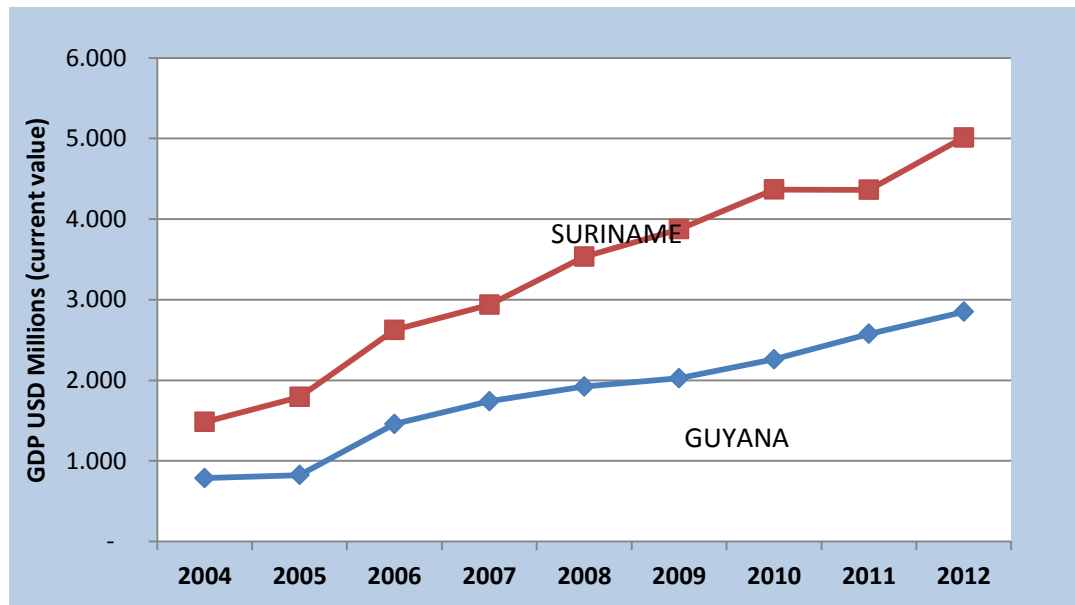
Guyana and Suriname weathered the financial crisis in relatively better condition than their CARICOM counterparts largely due to positive developments in the mining sector. Despite sharing the Caribbean-wide vulnerability to rising food and fuel prices, Guyana and Suriname have seen steady growth throughout the pre- and post-2008 period (Figure 3), buoyed by increased mining and exports of gold, bauxite, diamonds and petroleum. This growth was sustained despite a number of adverse domestic developments (including a 20% currency devaluation, higher inflation and sharply increased government spending in Suriname; and the effects of the CLICO collapse on both countries)⁹⁷.

⁹⁵ "Trinidad and Tobago: Staff Report for the 2013 Article IV Consultation", International Monetary Fund, Washington, October 2013.

⁹⁶ "The terrible cost of crime", *Trinidad Express*, 20 February 2013, accessed online at <http://www.trinidadexpress.com>; "Crime causing high food prices", *Trinidad Guardian*, 2 January 2011, accessed online at <http://www.guardian.co.tt>.

⁹⁷ "Guyana: 2010 Article IV Consultation—Staff Report, Supplement, Public Information Notice on the Executive Board Discussion and Statement by the Executive Director for Guyana", International Monetary Fund, June 2011; "Suriname: 2011 Article IV Consultation—Staff Report, Informational Annex, Public Information Notice on the Executive Board Discussion and Statement by the Executive Director for Suriname", International Monetary Fund, August 2011.

Figure 3: GDP in Suriname and Guyana (current US\$ million)



Source: IMF World Economic Outlook database, April 2014.

While growth in the Dominican Republic dipped slightly due to the global recession, developments during the review period have largely continued the strong – albeit paradoxical – recovery from an earlier financial crisis. Following the 2003 banking crisis, real GDP in the DR grew 40% - one of the highest rates in Latin America – and inflation fell substantially, as did fiscal deficits and public debt. As with other CARIFORUM States, 2008 brought a significant slowdown in economic growth – particularly in the financial sectors, trade and manufacturing – and with the rapid rise in food and fuel prices, the government was forced to increase subsidies (especially to forestall a rapid rise in electricity rates) at a time when the global recession was depressing tax revenue collections⁹⁸.

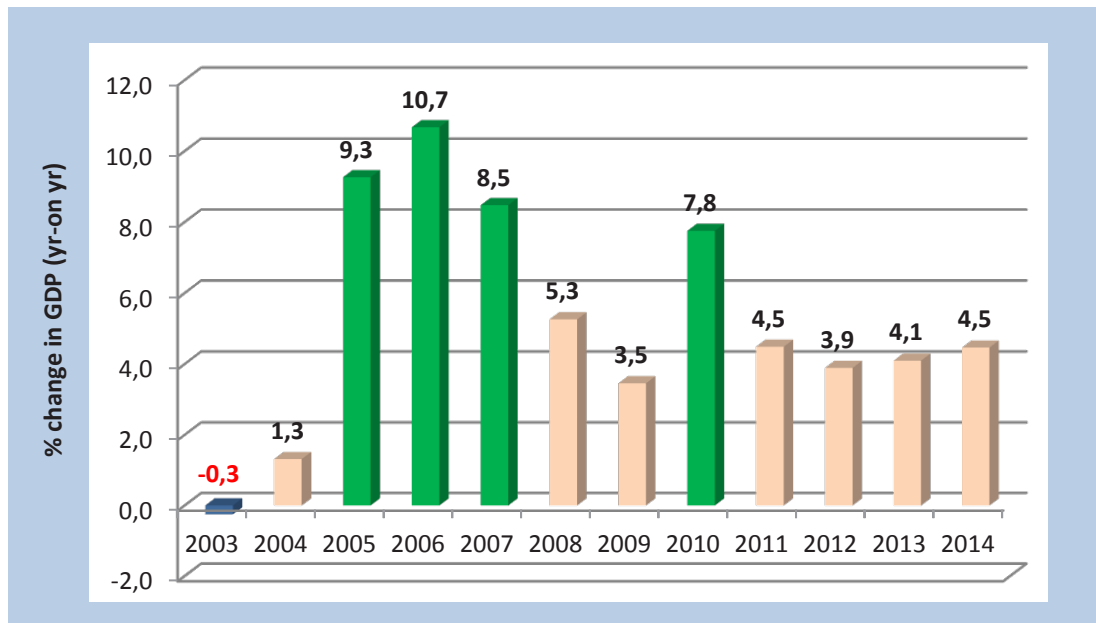
As shown in Figure 4, however, the slowdown – while significant – did not result in a recession and growth continued (albeit at a muted pace) throughout the CF-EU EPA review period. Unemployment levels remained low vis-à-vis other CARIFORUM States (with the exception of Trinidad & Tobago). The Dominican Republic is unique among the non-energy-exporting CARIFORUM States as it has successfully managed an economic transition from sugar cane and basic commodity exports to a diversified economy based on free zone manufacturing, services (particularly in tourism and telecoms) and construction. Trade integration – which in the past followed emigration patterns – has been broadened beyond the United States to other markets (including the EU).

The post-2008 economic situation has, however, shown a “Dominican paradox” – i.e. high growth, declining wages, stubborn poverty and informality – noted by researchers, and examined in further detail in Section 8.2. Exporters in the Dominican Republic also continue to face several domestic hurdles ranging from high-cost electricity provision to concerns over tax policy⁹⁹.

⁹⁸ “Dominican Republic: Staff Report for the 2009 Article IV Consultation and Request for a Stand-By Arrangement; Supplement to the Staff Report and Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion”, International Monetary Fund, Washington, May 2010.

⁹⁹ ILO (2013)

Figure 4: Year-On-Year Change in GDP (%) for Dominican Republic



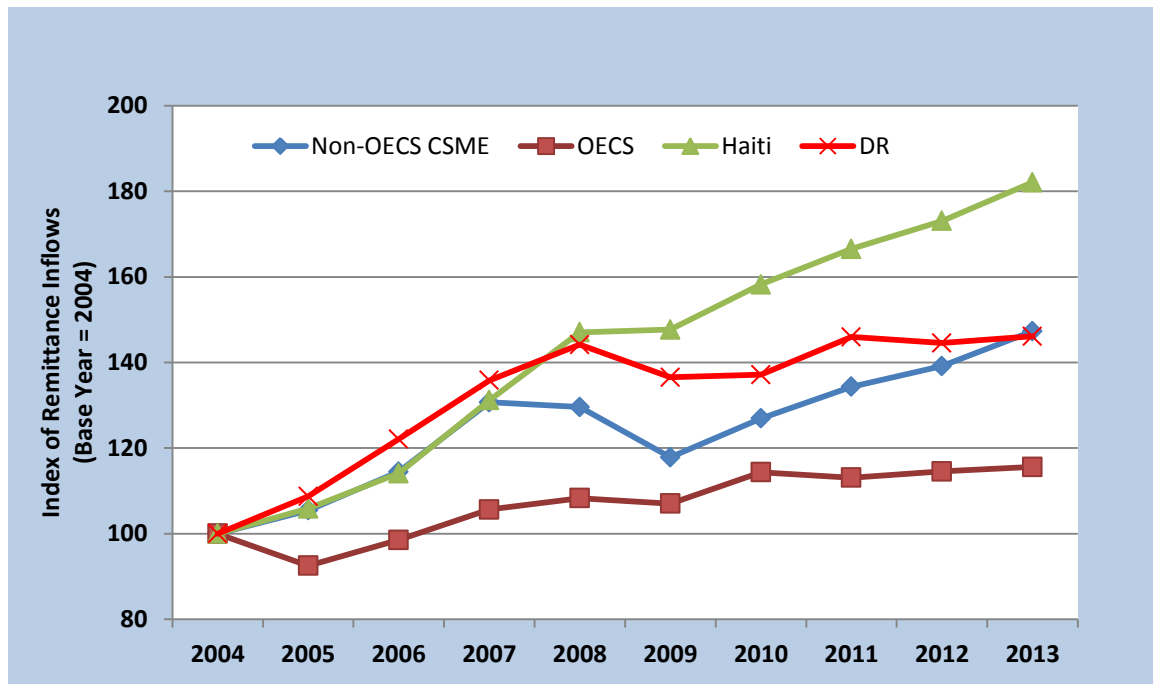
Source: IMF World Economic Outlook database, April 2014.

The impact of the global recession on the CARIFORUM diaspora is readily apparent in remittance data. The Caribbean is the world's largest recipient of remittances as a share of GDP and also has the highest emigration rate in the world. As a result, arguably in no other region in the world are economic fortunes "back home" so closely tied with developments in OECD labour markets, particularly the United Kingdom, the United States and Canada. Apart from the fundamental remittance dependence at the household levels in many CARIFORUM States (particularly the OECS, Jamaica and the Dominican Republic), remittances form an important source of inflows at the macro level. Even in countries such as Barbados – one of the lowest recipients of remittances in the hemisphere – remittance earnings account for more than half of all private current transfer receipts and is the third largest category of foreign exchange earnings in the current account¹⁰⁰.

In 2009, remittances (as measured by the World Bank and the Inter-American Development Bank) fell across the Latin American and Caribbean region by an average of 15%, and remittances to CARIFORUM economies (shown in Figure 5) – mirroring changes in GDP – registered sharp declines post-2008, after a steep rise in previous years.

¹⁰⁰ "Creating Awareness About Workers' Remittances Flows To Barbados: A Note", Presented at the 27th Annual Review Seminar, Research Department, Central Bank of Barbados July 25-28, 2006.

Figure 5: Index of Remittance Inflows into CARIFORUM (2004=100)



Source: World Bank Migration Data, accessed online at <http://www.worldbank.org/migration>. 2013 based on IMF estimates.

3 Impacts on Trade in Goods (i): CARIFORUM Imports from the EU

3.1 Approach to Measuring Impacts on Trade in Goods

While quantitative measures for trade in goods are relatively more established, some methodological caveats are worth noting. Databases for CARIFORUM-EU trade in goods are well-established and widely available. This study draws primarily on data provided by individual CARIFORUM States – either directly to the consultancy team or notified to databases such as ITC TradeMap or provided through regional organisations such as the CARICOM Secretariat Statistics Unit. Even in the case of goods, however, there are important limitations to the reliability and availability of trade data, in particular:

- The lack of availability of very recent trade flows (i.e. for 2013, and, in some cases, for 2012), given that the relevant national authorities are still processing the relevant raw data and have not even released aggregated statistics to the public;
- In several CARIFORUM jurisdictions, stakeholders have reported difficulties in accurately determining country of origin, particularly when goods destined for smaller markets are first shipped to central logistics hubs in other countries; and
- For certain products and in certain jurisdictions, domestic exports and re-exports are not accurately distinguished¹⁰¹.

This study draws on multiple (and on occasion divergent) data sources. Trade data for this study, all in current US dollars (USD) or USD millions, came from several sources, which we first list and then discuss the principal sources in turn:

¹⁰¹ This anomaly is particularly prevalent in EU import data, which – for certain years – shows The Bahamas, Antigua & Barbuda and St Vincent & the Grenadines as major exporters of ships, yachts and vessels (HS Chapter 88) despite none of these countries having a ship-building industry.

- The CARICOM Secretariat Statistics Unit;
- The International Trade Centre's TradeMap (www.trademap.org) database, generally using data supplied by country statistical offices to the UN's COMTRADE database.
- The World Bank/WITS (WITS.worldbank.org) database¹⁰²;
- Eurostat (epp.eurostat.ec.europa.eu), used to check some of the trade data from other sources and to provide total EU imports' data; and
- Country statistical offices and other country offices (mostly used as an additional check on data obtained from international sources); except for the Dominican Republic where the customs administration provided the most useful data; and for Suriname, where the trade ministry provided detailed trade data at the six-digit level.

As part of the analysis, the expert team prepared a number of scenarios using economic models. A background paper prepared in the context of (and annexed to) this study¹⁰³ outlines in detail the data sources/limitations, modelling structure (with underlying theoretical assumptions) and basic stylised facts of the trade and tariff profiles of CARIFORUM and EU States. The modelling framework looks at CF-EU EPA impacts from the perspectives of four sets of importers – the CSME Member States, the Dominican Republic, The FCORs and the EU¹⁰⁴. Although explained in full detail in the background paper, some of the key assumptions are listed below in Box 8.

Box 8: Trade Modelling Assumptions and Definitions

Key Assumptions and Parameters

Trade models examine only the expected impact of tariff changes, with all other economic variables (such as GDP levels) remaining unchanged.

For each model, an importer is specified and then a set of exporting countries. Tariff changes by the importer, affecting one or more trade partners, then lead to changes in total trade flows, as well as changes in the patterns of demand by the importer for the products of the different exporters.

All calculations are based on a mix of objective data – trade flows and tariff rates – and assumed parameters. The most important parameters are various trade-related elasticities needed to construct the different models. Ideally, one would wish to estimate these independently but, given the limited time and resources available for this report, that was quite unrealistic. Instead, therefore, these elasticities were estimated using a mix of World Bank data, constraints imposed by the modelling framework and the judgements of the expert team (incorporating, too, some advice from DG Trade).

The parameters of the Trade Impact Modelling include two measures. The first is the change in tariff levels, which are specified as commitments in the EPA Agreement. The second is the parameter that measures the expected response of import or export volumes resulting from tariff liberalisation – measured by the elasticity of import demand in the case of imports, the supply elasticity in the case of exports and elasticity of substitution among similar products. Elasticities allow us to estimate the relative change (%) in import or export volumes or substitution among products from tariff or price changes. Import demand elasticity values tend to reflect the underlying characteristics of each product group and demand drivers within a given market. Demand for some products is quite responsive to tariff reductions whereas others show little response or are inelastic.

The derivation of elasticity values is based on estimates of statistical observations on the behaviour of various product groupings. The World Bank and other institutions have estimated values of elasticities for various product categories that are routinely used in policy analysis. The Bank's estimates as well as estimates from other sources have been used

¹⁰² The databases within WITS contain much of the data required, but in the end it was considered better to build the database for this study outside WITS and then use various World Bank modelling software to perform the analysis. Also, for several of our countries, WITS data does not extend to 2011, our chosen base year. For instance, for Barbados, WITS only had trade data to 2007

¹⁰³ Paul Hare, "Technical Report on Partial-Equilibrium Trade Modelling", background paper to the EPA 5-Year Review, July 2014.

¹⁰⁴ The modelling exercise does not provide for a separate model for The Bahamas. While all the data needed to set up this model have been assembled, time and resource constraints prevented the expert team from conducting a full analysis. Moreover, Bahamian trade with the EU – in either direction – is so small that the model would not have generated significant trade effects.

in this study.

Import demand elasticities are generally negative values reflecting increasing demand from lower import tariffs (thus lower import prices) to the importing country. On the hand, supply elasticities are generally positive values reflecting the fact that producers would find the export market more profitable, thus increasing export supply as tariff levels are lowered in the destination market.

Although one would naturally like to explore alternative values, the model family developed for this report requires the elasticity of export supply to be infinite (perfectly elastic). For most products and markets this is not as terrible an assumption as it might seem and it can usefully be regarded as a good first approximation.

For the import demand elasticities, detailed World Bank data was used. However, expert judgement was also used, since some of these estimated elasticities made no economic sense (as explained in the background report);

For the elasticities of substitution, there was no usable empirical data to assist this study, and values were chosen using a mix of expert judgement and advice from DG Trade.

The models estimated for this report do allow for the impact of tariff changes on imports from other countries, but they have nothing to say about the impacts on domestic consumption. Effects on domestic consumption have not been treated either implicitly or explicitly, and they have therefore been ignored. Hence the reported impact of tariff changes is the impact without allowing for any indirect effects coming through changes in domestic incomes or consumption; as a result, we have no way of knowing whether impacts would be smaller or larger when such interactions are allowed for, as our models provide no means to estimate that (this is of course a shortcoming of the models).

Main Elasticity Assumptions

Once any given model is set up, it is quick and fairly straightforward to run the model with alternative values of the main elasticities. Although not done for this report, all the modelling files created for this report have been provided to DG Trade to enable them to run as many additional scenarios as they wish. For the trade modelling results discussed herein, two basic sets of elasticity assumptions were adopted, as follows:

- *Original elasticities:* The 'original elasticities' variant of each model adopted specific selections of elasticities drawn from World Bank data, EU (DG Trade) advice, and expert judgement. The result was: Import demand, values from WB file, product-by-product, with amendments to remove implausible outliers; Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97; and
- *Simplified elasticities:* This variant of each model ran with all substitution elasticities equal to 1.5, all import demand elasticities equal to -1.16 (corresponding, roughly, to the reported country average elasticity for some of the countries studied).

Based on these groupings, the modelling exercise looked at the changes in import levels arising under three scenarios, namely:

- An "EPA Review" scenario, showing the estimated impact of the tariff reductions that CARIFORUM and the EU had committed to implement during the review period (2008-2013);
- A "full EPA" scenario, estimating the impact of tariff reductions that both sides have committed to over the full implementation period of the CF-EU EPA¹⁰⁵; and
- A "no-EPA" counterfactual scenario, whereby, instead of concluding an Agreement with the EU, (a) the CARIFORUM States maintain their initial pre-EPA tariffs on imports from the EU – so that, other things being equal, no change in trade flows would be projected – and (b) the EU imposes GSP tariffs on imports from the CARIFORUM countries.

Impacts of the CF-EU EPA on imports of goods would be primarily expected from either the application or modification of tariff liberalisation commitments. The first and most obvious source of impacts on trade in goods under the CF-EU EPA would be found in the provisions on tariff liberalisation, where CARIFORUM reciprocity marked a major departure from the Cotonou status quo.

¹⁰⁵ For the EU, all the agreed tariff cuts were front-loaded, coming into effect as soon as the agreement was signed, so this scenario is essentially the same as the "EPA Review" scenario. For CARIFORUM, many of the agreed tariff cuts were only to take effect gradually, in steps implemented every two years – this scenario therefore picks up the eventual cumulative impact of all these cuts.

Under the CF-EU EPA, CARIFORUM as a region liberalised 61.1% of the value of CARIFORUM imports from the EU in value over 10 years, 82.7% over 15 years (84.7 % of tariff lines) and 86.9 % over 25 years (90.2 % of tariff lines). The CARIFORUM list of exclusions was primarily focused on agriculture and fisheries but also covered a number of production and revenue interests in industrial goods. Under the country-specific exceptions to the regional treatment in the CF-EU EPA goods schedule, the Dominican Republic has made several significant concessions to provide EU exporters with equivalent access as that enjoyed by the US under DR-CAFTA. The regional preference clause could also create potential opportunities within the CARIFORUM economic space. Goods trade might also be (negatively) impacted if CARIFORUM invoked the tariff modification clauses (i.e. the general provisions under Article 16.6 or the LDC-specific provisions under Article 17), thereby modifying the tariff reduction schedules under the Agreement.

The goods schedules are not, however, the only measures that could potentially impact trade in goods. Under the CF-EU EPA, positive impacts on imports of goods from the EU could possibly be expected from:

- Improvements in trade facilitation, customs/administrative cooperation and standards (both on the SPS and TBT side) that would allow imports and exports to flow more freely and at a lower cost of trading – and resolve disputes more quickly and cheaply;
- Stronger enforcement of intellectual property rights or competition laws, leading to more security for firms in CARIFORUM export markets; and/or
- The removal of quantitative restrictions (e.g. quotas for agricultural goods) or discriminatory internal taxes that provide a more level playing field for imported goods.

Aside from CARIFORUM's tariff liberalisation commitments (listed in detail under Appendix 1 to Annex III), negative impacts on goods trade could also occur from the imposition of anti-dumping/countervailing duties under the CF-EU EPA trade defence measures or "trade surveillance" measures available under the Agreement¹⁰⁶.

3.2 Aggregate CARIFORUM Imports: Predictions, Counterfactuals and Reality

3.2.1 Post-2008 CARIFORUM Imports from the EU

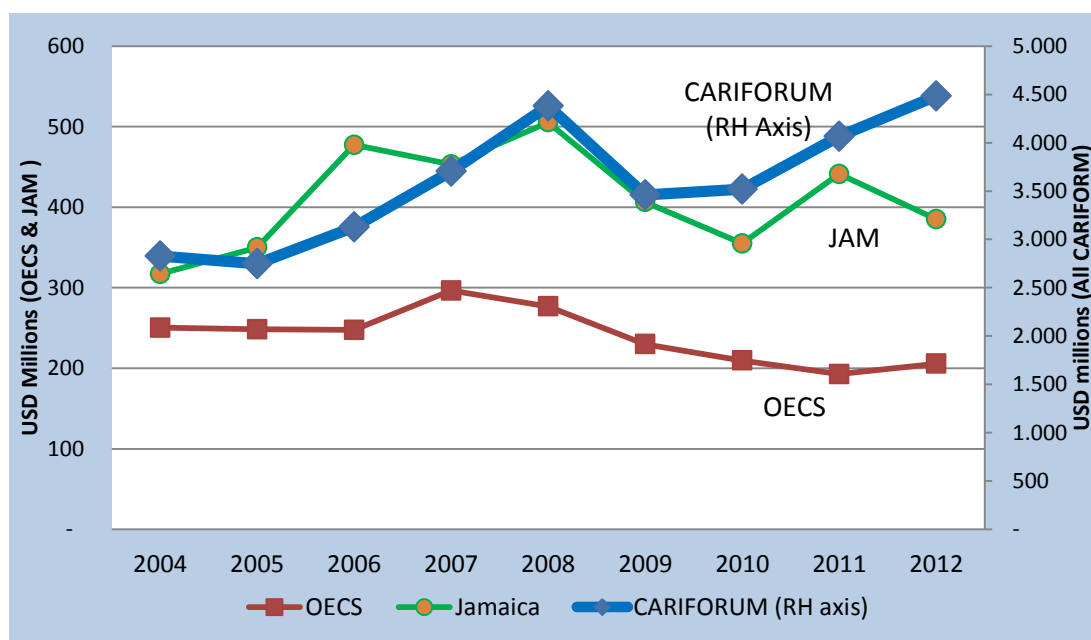
The review period saw a significant fall in CARIFORUM imports from the EU and then a subsequent recovery, although this masks important country-level differences. As a prelude to the sector-specific analysis to follow, Figure 6 below shows a rapid increase in CARIFORUM imports from the EU in the run-up to the signature of the CF-EU EPA. In 2008, the region as a whole imported from the EU-28 one-and-a-half times the value of its imports in 2004. By contrast with trends in total imports, the increases in CARIFORUM imports from the EU over this time period were not primarily due to the rapid rise in energy and food prices as the EU is not a major supplier of staple food and energy products to the region. The most significant drivers of EU imports up to 2008 were heavy machinery and infrastructure materials (particularly in telecommunications and Trinidad's energy sector), milk powder (particularly to Jamaica, Dominican Republic and Trinidad & Tobago), and imports of motor vehicles, medicines and whisky into the Dominican Republic. Only in the case of the OECS was the pre-2008 increase less pronounced.

¹⁰⁶ Certain products with high sugar content are subject to a special surveillance mechanism from 1 January 2008 to 30 September 2015 – if imports increase by 20% in volume during a period of 12 consecutive months, the Commission may analyse trade patterns and, in case of circumvention, suspend preferential treatment for these products.

The impact of the economic recession is clear from Figure 6, showing a steep drop in imports from the EU. The largest percentage falls in import values from the EU were experienced by Trinidad & Tobago (37%), Antigua & Barbuda (27%), St Lucia (25%), Barbados (25%), The Bahamas and Jamaica (both 20%), and Dominican Republic (18%).

Since 2009, CARIFORUM as a group has seen a steady recovery of its imports from the EU – although this increase has been almost exclusively driven by a one third increase in European imports into the Dominican Republic. While other countries belonging to CARICOM have seen some increases, most have yet to reach their 2008 peak. The OECS in particular has seen a steady decline in imports from the EU since 2008. Jamaica’s EU imports have fallen back to nearly 2004 levels and Trinidad & Tobago’s EU imports remain well below their peak level.

Figure 6: Trends in CARIFORUM Imports from the EU: 2004 -2012 (millions USD)



Source: National trade data as submitted to the CARICOM Secretariat Statistics Unit, supplemented where necessary by ITC TradeMap mirror data (www.trademap.org).

3.2.2 Actual Imports Versus Counterfactuals and Predictions

Actual CARIFORUM imports from the EU over the review period saw much greater volatility than those predicted by the modelling exercise. As shown in Table 13,

- Under a “no-EPA” counterfactual where CARIFORUM chooses to maintain its tariffs on EU imports over the review period, there would, *ceteris paribus*, be no change in import values from the EU.
- Under the “EPA review” scenario, the model predicts relatively modest increases in CARIFORUM imports – at total variance with the significant volatility actually shown from 2008 to 2013. This is due to the fact of CARIFORUM’s tariff reduction during the review period being largely (but not exclusively) limited to items with existing zero rates, very low tariffs and/or very low levels of trade.
- The model predicts slightly larger increases in imports from the EU into CARIFORUM under a “Full-EPA” scenario, yet again these are dwarfed by the size of actual volatility only in the first five years.

The actual post-2008 CARIFORUM imports also differ dramatically from those predicted in pre-2008 impact analyses. Only one previous impact assessment estimates the impact of the CF-EU EPA on EU-CARIFORUM imports and exports of goods¹⁰⁷: the 2008 study prepared by CEP II for DG Trade, which – although published immediately after the signature of the Agreement – does not make reference to the actual liberalisation schedules. Rather, the CEP II study provided two scenarios: one labelled “H1”, which “gives priority” to agricultural products, and another labelled “H2”, which focuses primarily on revenue protection. The middle three columns in show the estimated percentage changes in imports from the base year in the CEP II study, using the H1/agricultural scenario (from implementation to both 2015 and 2022) and the H2/revenue scenario (for 2022 only).

Table 13: Estimated Impacts on CARIFORUM Imports From Modelling Exercise (%)

Importer/Scenario	Change in Imports from the EU	
	Original Elasticities	Simplified Elasticities
CSME		
No-EPA	0	0
EPA Review	2.47	2.03
Full EPA	17.56	10.37
Dominican Republic		
No-EPA	0	0
EPA Review	5.18	3.60
Full EPA	15.74	9.71

Source: Authors' calculations.

When compared with the actual changes in EU imports per CARIFORUM State in only the first five years of CF-EU EPA implementation, clearly demonstrates the impact of events outside the Agreement's implementation on trade flows. The CEP II estimates make the common assumption that, *ceteris paribus*, trade liberalisation will increase the flow of imports. In several instances, however, the effects of the global recession led to marked decreases in imports. Moreover, in the instances where imports from the EU actually increased (i.e. The Bahamas, Dominican Republic, Guyana and Suriname), the increase after only four years of implementation was several orders of magnitude larger than even the 15-year predictions of the CEP II model.

Table 14: Comparison of Anticipated Ex Ante vs. Actual Changes in CARIFORUM Imports from EU (%)

	CEP II (2008) Estimates			Actual changes in imports 2008-2012*
	EPA-2015-H1	EPA-2022-H1	EPA-2022-H2	
Antigua & Barb.	9.1	20.2	16.7	-44
Bahamas	24.8	55.7	51.6	160
Barbados	14.5	35	24.4	-18
Belize	9.5	21.6	14.2	-19
Dominica	7.4	16.9	12.1	-20
Dom Rep.	11.2	26	16.2	32
Grenada	9.3	21.2	17.4	-42
Guyana	7.9	17.5	14.3	53
Jamaica	4.4	11.3	8.6	-24
St Kitts & Nevis	10	23	17.8	-30
St Lucia	6.9	17.3	10.7	-1

¹⁰⁷ Similarly, the EU SIA does not make reference to the actual CF-EU EPA tariff liberalisation schedules, as it was prepared four years before the signature of the EPA, and provides only qualitative predictions based on a few key sectors and variables. While ODI (2008) provides a detailed overview of the actual tariff liberalisation provisions, it does not provide any quantitative estimates of changes in EU-CARIFORUM trade flows.

St Vincent & Gren.	15.5	33.7	32.3	-26
Suriname	7.9	17.6	12.1	59
Trinidad & Tob.	3.3	7.7	6.1	-37

Source: CEPII (2008) and CARIFORUM national trade data. *Suriname trends based on 2009-2013.

Note: Since the source lacked regional aggregates, these cannot be provided in this table.

3.3 CARIFORUM Imports of Agriculture and Fisheries Products

3.3.1 Dominican Republic

For **predicted DR imports of agricultural/fisheries products from the EU over the review period**, the agricultural products showing the biggest predicted increases over the review period are fruit and nuts (HS 0811, 0813, 2006, 2008), crustaceans (HS 1605), vermouth and other wine (HS 2205) and edible offal (HS 0206 and 0208), all growing by between 15 and 60%, depending on elasticity assumptions.

For **actual DR agricultural/fisheries imports, there has been a noticeable increase in some goods, although it is difficult to ascribe specific impacts to the CF-EU EPA due in part to previous liberalisation under DR-CAFTA**. Given that the DR – largely to grant EU exporters some measure of DR-CAFTA parity – undertook much more extensive liberalisation commitments than the rest of CARIFORUM, DR imports from the EU are a useful starting point in the search for impacts arising from the CF-EU EPA. Moreover, as seen earlier in , the Dominican Republic was one of the few CARIFORUM States to see a sustained increase in imports from the EU despite the effects of the global recession.

During in-country consultations in the Dominican Republic, stakeholders perceived that imports from Europe had increased for certain agricultural products, particularly milk, cheese, fish, wine, chocolates and fine cuts of beef and pasta. Moreover, some stakeholders felt that the increase was not so much in the *volumes* of imports from the EU but rather the *variety* of European goods (particularly French, Italian and Spanish and to a lesser degree Dutch) available on supermarket shelves. There is, unfortunately, no way to measure any notion of “product variety” in the import data made available by the Dominican Republic without recourse to individual customs declarations.

As regards import values, some imports of agriculture and fisheries products have increased into the Dominican Republic – although, as shown in Table 15 below, it is difficult to draw a clear cause and effect with liberalisation under the CF-EU EPA. Some of the largest increases in imports – e.g. for unroasted malt (HS 1107.10) and miscellaneous food preparations (HS 21.06) – are seen in goods that were already zero-rated at the time of the signature of the CF-EU EPA, largely in products used as inputs to domestic food production. Other goods, such as fresh onions, have seen large increases in imports from the EU despite being excluded from liberalisation. Yet more goods, such as frozen potatoes (HS 2004.10), have seen increases despite being in the very early stages of tariff liberalisation. For one product – dairy products – where several DR stakeholders had perceived an increase in imports from the EU, even those products which were liberalised (including milk powder, subject to a tariff rate quota arrangement under Appendix 2 to Annex III of the CF-EU EPA) show no significant increase since 2008.

There are, however, clear cases highlighted in bold in the table – including olive oil, alcoholic beverages (particularly wine and whisky) and tobacco – where CF-EU EPA liberalisation has been accompanied by significant increases in imports from the EU since 2008. In the case of the DR, establishing a clear CF-EU EPA link is problematic due to the significant liberalisation that occurred under the DR-CAFTA Agreement with the United States and Central America. The DR reduced tariffs on more than 3,000 tariff lines – i.e. more than half of its total tariff – when

moving from the HS 2002 (in force during the CF-EU EPA negotiations and used as the basis for the CF-EU EPA schedules) to HS 2007 (in force during the 2008 to 2013 period).

Table 15: DR imports of EU agriculture and fisheries products with >\$1 million increase from 2008-2012

DR Tariff Code	Indicative description	DR Tariff 2008	EPA Basket	EPA Rate Reductions			Increase in EU imports 2008-12 (US\$'000)
				2009	2011	2013	
0305.51.00	Dried cod / "bacalao"	0	Zero	0	0	0	1,149
0703.10.00	Fresh/chilled onions & shallots	25	Excluded	None	None	None	4,300
1107.10.00	Unroasted malt	0	Zero	0	0	0	6,820
1302.20.90	Pectin	0	Zero	0	0	0	3,135
1509.10.00	Virgin olive oil	20	Zero	0	0	0	4,591
1901.10.10	Baby/infant milk	0	Zero	0	0	0	2,150
1901.10.90	Other baby/infant foods of flour/malt n.e.s.	8	10 year	8	7	5	4,938
1901.90.90	Other food preparations of flour/malt n.e.s.	8	5 year	8	5	0	1,456
2004.10.00	Frozen potatoes	20	25 year	20	20	20	1,850
2106.90.10	Powders for ice cream, desserts, gelatin	0	Zero	0	0	0	1,352
2106.90.30	Protein hydrolysates	0	Zero	0	0	0	3,490
2106.90.50	Yeast	0	Zero	0	0	0	1,568
2106.90.91	Other food preparations n.e.s.	0	Zero	0	0	0	4,316
2204.21.00	Wine	20	Zero	0	0	0	4,776
2208.30.20	Irish/Scotch whisky	20	15 year	20	18	15	7,020
2208.30.90	Other whisky n.e.s.	20	5 year	10	5	0	1,629
2309.90.20	Animal feed	0	0	0	0	0	1,437
2401.10.10	Virginia tobacco, not stemmed/stripped	14	15 year	14	12	10	3,365
2401.20.10	Virginia tobacco, partly or wholly stemmed/stripped	14	15 year	14	12	10	5,523
2402.20.20	Tobacco "Rubio", partly or wholly stemmed/stripped	20	20 year	20	18	16	3,170

Source: Author's calculations based on DR tariff/trade data and CF-EU EPA schedules. "n.e.s." = not elsewhere specified.

3.3.2 CARICOM

For **predicted** CARICOM imports of agricultural/fisheries products from the EU over the review period, the most rapidly growing items were expected to be bottled mineral water (HS 2201), fruit (HS 0805, 0808), vegetable oils (HS 1508, 1513, 1514) and a few smaller items, all growing between 18% and 74% depending on the elasticities. With the exception of bottled water – in any event excluded from the EPA by some countries (see below) – the levels of these imports are small.

For **actual** CARICOM agricultural/fisheries imports, the major increases are found in products that were not affected by CF-EU EPA liberalisation. The tariff reduction schedule applying to CARICOM countries provides for significantly less liberalisation than that of the Dominican Republic. Moreover, CARICOM Member States were not only much more affected by the global recession – with most countries seeing a significant drop in total imports from the EU – but also rely less and less on the EU for imports of agriculture and fish products and more and more on US and Latin American sources.

Despite the unfavourable economic conditions, many CARICOM Member States – as shown in Table 16 – registered significant increases in agriculture and fisheries imports from the EU following the signature of the CF-EU EPA¹⁰⁸. The largest range of products with significant increases is found in Suriname, which is unique among CARICOM countries in that it continues to maintain a strong commercial relationship with Europe (particularly the Netherlands). In the

¹⁰⁸ Here, "significant" is measured by a product that shows a US\$1,000,000 increase from 2008 to 2012 for CARICOM MDCs (Barbados, Guyana, Jamaica, Suriname and Trinidad & Tobago) and Haiti, or \$500,000 for the CARICOM LDCs (Belize plus the six Member States of the OECS).

case of CARICOM, however, the increases came on products that were either (a) excluded from tariff liberalisation, (b) subject to very long phasing periods and where there were no CF-EU EPA-related tariff cuts from 2008-2013, or (c) already zero-rated in the Member State in question.

On one hand, this reflects the low degree of liberalisation in the CARICOM countries' CF-EU EPA agricultural commitments. Using the CARICOM Common External Tariff as a measure, more than half of the agriculture and fisheries tariff lines¹⁰⁹ – 600 lines out of a total of 1,122 – were excluded in the CF-EU EPA. Moreover, whatever products were put into the phasing basket benefitted from at least a three-year moratorium, reducing actual liberalisation from 2008 to 2013 to the latter two-year period¹¹⁰. On the other hand, it once again points to the difficulty in establishing a clear causal link between implementation of the CF-EU EPA and changes in CARIFORUM imports of EU goods.

Table 16: CARICOM Imports of EU Agriculture/Fisheries Products Showing a Significant* Increase from 2008-2012

CARICOM Member State	Product / HS	CARICOM CF- EPA Treatment
Barbados	Sugar (1701.99)	Excluded
Barbados, Belize, Jamaica	Frozen potatoes (2004.10)	25 years
Barbados	Fresh potatoes (0701.90)	15 years
Belize	Preserved pork (1602.49)	Excluded
Belize, Suriname, Trinidad & Tobago	Animal feed (2309.90)	Excluded
Belize, Dominica, St Vincent & the Gren.	Cheese (04.06)	Excluded
Guyana, Jamaica, Suriname**	Milk powder (0402.21)	Excluded (<i>but duty-free in Guyana</i>)
Guyana, Suriname	Bottled water (22.02)	Excluded
Jamaica	Frozen and canned fish (03.03)	Excluded
Jamaica	Ethanol (2207.20)	Excluded
Jamaica	Wine (2208.20)	Excluded
St Lucia, St Vincent & the Gren.	Frozen poultry (0207.14)	Excluded (<i>but duty-free in St Lucia</i>)
Suriname	Food preparations n.e.s. (2106.90)	Excluded
Suriname	Beer (2203.00)	Excluded
Suriname	Durum wheat (1001.10)	Immediate zero (<i>but already duty-free in CSME</i>)
Suriname	Refined soya-bean oil (1507.90)	Excluded
Suriname	Sunflower-seed oil (1512.19)	Excluded
Suriname	Unroasted malt (1107.10)	Immediate zero (<i>but already duty-free in CSME</i>)

Source: National trade data as notified to the CARICOM Secretariat and the Office of Trade Negotiations. * Significance thresholds = US\$1,000,000 increase for CARICOM MDCs; \$500,000 for CARICOM LDCs. ** Suriname trends based on 2009-2013. "CSME" refers to the Member States of the Caribbean Single Market and Economy.

3.4 CARIFORUM Imports of Industrial Products

3.4.1 Dominican Republic

For **predicted** DR imports of industrial products from the EU over the review period, none appeared in the list of the top ten products where the modelling exercise predicted the fastest growth over the review period. However, reviewing the model calculations for products belonging to HS chapters 25 and above shows several items with growth rates of between 20 and 50% (depending on elasticities), notably worked monumental stone (HS 6802), glazed or unglazed ceramic flags or paving (HS 6907, 6908), paper or paperboard labels (HS 4821) and vehicles for ten or more persons (HS 8702), along with diverse smaller items.

For **actual** DR industrial imports from the EU, there are several products that have seen large import increases from the EU following the signature of the CF-EU EPA. In the CF-EU EPA, the Dominican Republic made a number of concessions in sectors that, from 2008 to

¹⁰⁹ HS Chapters 1 through 24.

¹¹⁰ As Appendix 1 to Annex III of the CF-EU EPA prescribes a maximum "ceiling" above which no CARIFORUM country can apply a higher duty, in some cases countries (i.e. where a country levied a lower-than-average rate) benefited by a *de facto* longer moratorium before making any actual tariff cuts.

2012, each saw more than US\$1 million increases in imports from the EU. Listed in Table 17 and ranked by the tariff rate in place at the beginning of implementation, the relatively long list is concentrated on either inputs into construction/heavy industry – feeding the construction boom that followed the 2004 DR banking crisis – or household/consumer items, with the latter ranging from beauty products and sunglasses to motor vehicles and laundry machines.

Mirroring the deeper liberalisation undertaken by the DR vis-à-vis the CARICOM Member States, national import data shows significant increases in several industrial products where the DR undertook more liberal commitments (usually immediate zero at entry-into-force). This is particularly evident in household and consumer items shown in Table 17, including plastics (HS 39.20), parts of footwear (64.06), beauty/make-up preparations (3304.99), leather handbags (4202.21), toilet/kitchen linen (6302.60), imitation jewellery (7117.19), fans (8414.51), laundry machines (8450.12) and motor vehicles.

Table 17: DR Industrial Imports From the EU Experiencing a >US\$1,000,000 Increase After CF-EU EPA Liberalisation (2008-2012)

DR Tariff in 2009	DR Tariff Code	Indicative description	DR CF-EU EPA Treatment
8%	2523.10	Cement clinkers	20 years*
	7305.19 / 7306.29	Line pipe of a kind used in the oil/gas industry	15 years / 10 years
	8544.11 / 8544.19	Insulated wire	10 years
14%	3917.29	Plastic pipes	15 years*
	39.20	Plastic plates, sheets, film, foil and strip	15 years*
	4821.10	Printed paper labels	15 years*
	64.06	Parts for leather footwear	10 years
	73.08 / 76.10	Iron/steel & aluminium structures	15 years
	8518.21	Loudspeakers	15 years*
20%	3304.99	Beauty/make-up preparations n.e.s.	10 years
	4012.20	Used tyres	10 years
	4202.21	Leather handbags	Immediate Zero
	4802.56	Writing paper	10 years
	6302.60	Toilet linen and kitchen linen of cotton	Immediate zero
	6303.92	Curtains of synthetic fibres	15 years
	6802.92	Building stone	15 years
	6908.90	Glazed ceramic tiles n.e.s.	25 years
	7108.13	Gold	10 years
	7117.19	Imitation jewellery	Immediate zero
	72.14 / 7314.20	Bars, rods, grill, netting & fencing of iron/steel	20 years
	7323.93	Table, kitchen or other household articles of stainless steel	15 years
	7326.90	Other steel articles n.e.s.	15 years
	8414.51	Table, floor, wall, window, ceiling or roof fans	Immediate zero
8450.12	Laundry machines	Immediate zero	
87.03	Motor vehicles	5-15 years	
9004.10	Sunglasses	15 years	

Source: DR national trade data and CF-EU EPA goods schedules. "n.e.s." = not elsewhere specified. * denotes products where CF-EU EPA tariff reduction had not begun as of 2013.

Like agriculture and fisheries, however, the link between import increases and CF-EU EPA liberalisation is not entirely clear, as a number of other EU imports into the DR saw greater-than-\$1M increases over the same time period – including paper towels/tissues (HS 4818.20), paper notebooks (4820.10) and metal/steel chairs and furniture (94.01 and 94.03) – despite being excluded in the CF-EU EPA goods schedules. Moreover, some of the non-excluded items in Table 17 show significant increases in imports from the EU despite the fact that by 2013 the CF-EU EPA base rate reduction was either in its very early stages or had yet to commence (marked by an asterisk).

3.4.2 CARICOM

For **predicted CARICOM imports of industrial products from the EU over the review period** – as with the Dominican Republic – none appeared among the top ten fastest growing imports predicted by the modelling exercise. However, looking more carefully at products belonging to HS chapters 25 and above, some industrial products exhibiting reasonable rates of import growth can be identified. These included items connected with watches and timepieces (HS 9102, 9108, 9113) and also pearls and semi-precious stones and items made from these (HS 7101, 7103, 7116).

For **actual CARICOM industrial imports from the EU, there was a significant increase in some goods, although that is unlikely to be due to CF-EU EPA liberalisation**. As with agriculture and fisheries, the liberalisation commitments made by CARICOM countries were significantly shallower than those made by the Dominican Republic, protecting not only the handful of industrial producers in the region but also a wide range of revenue-generating tariff lines. While there are a number of tariff lines showing significant increases¹¹¹ in CARICOM imports from the EU, in virtually all instances they appear to be unrelated to CF-EU EPA liberalisation, including:

- In the case of Guyana, the recent boom in the minerals sector (e.g. gold and a revived bauxite sector) and major infrastructure projects have led to substantial increases in heavy machinery, spare parts and transport vehicles – imports from the EU of HS Chapters 84 and 85 (machinery) alone doubled from US\$25 million in 2008 to \$50 million in 2012, and imports from the EU of HS Chapter 87 (vehicles) nearly quadrupled over the same period from \$10 million to \$48 million;
- Similarly, the boom in resource exploitation in Suriname (particularly gold, diamonds and bauxite) has led to a more than five-fold increase in imports of machinery from the EU from nearly US\$60 million in 2008 to \$320 million in Chapters 84 and 85 – largely concentrated in generators, purifying equipment and related electrical parts;
- Apart from Guyana and Suriname, other CARICOM countries have seen substantial increases in EU imports on selected inputs to large public works projects (e.g. iron/steel pipes, aluminium structures), although the CF-EU EPA impact on the highest-increase items is unclear as these items were largely put into the longest phasing baskets due to revenue concerns;
- The review period saw a near-doubling of CARICOM countries' imports of EU motor vehicles (HS 87.03, from US\$110 million in 2008 to \$200 million in 2012) – with the bulk of the increase accounted for by Jamaica and Trinidad & Tobago. Here CF-EU EPA liberalisation is unlikely to be a proximate cause as the products coming under this heading benefitted from a moratorium on tariff reduction but is more likely to be a result of one-off events (e.g. the Summit of the Americas in Trinidad in 2009) and market trends, particularly a perceived increase in European luxury car imports into Trinidad & Tobago;
- Several CARICOM countries (particularly within the OECS) have seen substantial (>US\$500,000 per year) increases in imports of inputs into telecommunications infrastructure as they seek to capitalise on deepening telecoms reforms; and
- Imports of duty-free items (e.g. cosmetics, jewellery and leather handbags) have increased in key tourism destinations – particularly in Barbados and The Bahamas – as tourism arrivals have gradually recovered following the 2008 to 2010 crisis.

¹¹¹ As with the agriculture and fisheries products, "significant" is measured by a product that shows a US\$1,000,000 increase from 2008 to 2012 for CARICOM MDCs and Haiti, or \$500,000 for the CARICOM LDCs.

4 Impacts on Trade in Goods (ii): CARIFORUM Exports to the EU

As on the import side, the obvious – although not exclusive – source of CF-EU EPA impacts are the tariff reduction commitments. Under the CF-EU EPA, the EU committed to immediate duty-free, quota-free (DFQF) access for all goods apart from sugar and rice, which were subject to transitional quotas until 2009, and arms/ammunition. For most other CARIFORUM export interests (with the notable exception of the products covered under separate ACP-EU commodity protocols), the granting of DFQF access essentially bound the status quo under the Cotonou Agreement. Binding such access via a permanent legal instrument – rather than a transitional measure that may or may not be approved by the WTO membership – might be expected to increase trade, as exporters and importers perceive more security in their market access arrangements.

Aside from its tariff liberalisation – as on the import side – additional impacts on goods trade into the EU could arise from other areas of the Agreement, particularly:

- Changes in rules of origin that allow CARIFORUM producers to source inputs more efficiently and thus make their products more price-/quality-competitive in the EU market;
- Development cooperation projects – for example, on addressing SPS and TBT barriers or industry-specific initiatives to improve production – that would lead firms to increase their supply-side capacity and trading networks and respond better to either the EU's grant of DFQF access or the opportunities afforded by regional preference;
- Stronger enforcement of intellectual property rights or competition laws, leading to more security for CARIFORUM firms in EU markets; and/or
- The removal of quantitative restrictions (e.g. quotas for agricultural goods) or discriminatory internal taxes that provide a more level playing field for imported goods.

Also echoing the imports side, negative impacts on CARIFORUM exports could occur under the Agreement from the imposition of trade defence measures.

4.1 Aggregate CARIFORUM Exports: Predictions, Counterfactuals and Reality

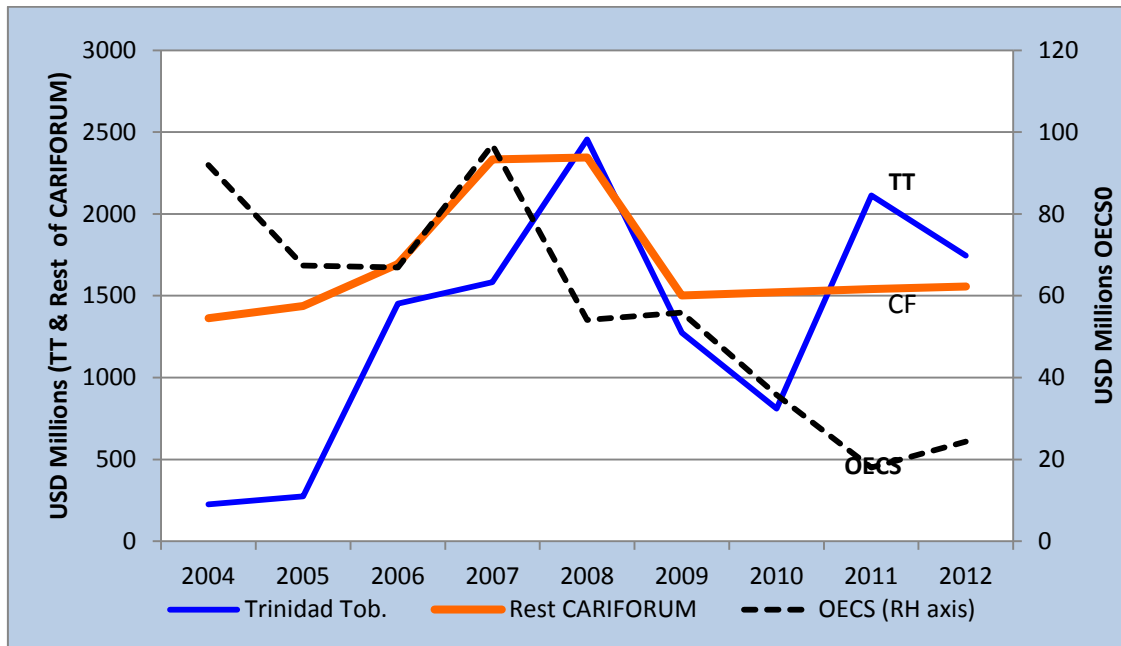
4.1.1 Post-2008 CARIFORUM Exports to the EU

Trends in actual CARIFORUM exports following the signature of the CF-EU EPA show the same rollercoaster ride as on the import side. Reflecting the economic fortunes of most CARIFORUM States in the run-up to the post-2008 global recession, merchandise exports to the EU increased virtually across the board (shown in Figure 7), albeit from a recent fall in export values for the OECS. During the period from 2006 to 2008 – immediately prior to the signature of the CF-EU EPA – exports began to plateau (and in some cases decline) as the twin energy and food price shocks took their toll. In the case of Trinidad & Tobago, its status as an energy exporter meant that its export boom to the EU – including methanol, crude oil, ammonia, urea and increasingly liquefied natural gas (LNG) – lasted from 2006 to 2008.

During the review period, however, as the effects of the global recession were more fully felt, virtually all CARIFORUM States saw a steep decline in the value of their exports to the EU, mirroring a larger fall in their total exports to the world. CARIFORUM as a group saw the value of their exports to the EU decline by one third. The OECS as a whole saw a 55% decline (with declines exceeding 75% for St Kitts & Nevis, Dominica, St Vincent & the Grenadines and St Lucia); Jamaica (51%), Suriname (42%) and the Dominican Republic (36%) also experienced declines above the CARIFORUM average.

Only Trinidad & Tobago has seen an export boom following the worst period of the global recession (2008-2010). While it faced declining prices for most of its energy products and variable levels of LNG exports to the EU, these negative trends have been largely counterbalanced by a nearly two-and-a-half times increase in the price of LNG from January 2010 to April 2012 (see Section 4.4). The exports of other CARIFORUM States however have yet to recover. In the case of the OECS, export values have continuously declined from their 2007 peak.

Figure 7: Trends in CARIFORUM Exports to the EU: 2004-2012 (Millions USD)



Source: National trade data as submitted to the CARICOM Secretariat Statistics Unit (for the CSME countries), supplemented where necessary by ITC TradeMap (www.trademap.org).

4.1.2 Actual Exports Versus Counterfactuals and Predictions

As on the import side, actual CARIFORUM exports to the EU (or alternately, EU imports from CARIFORUM) saw much greater volatility than those predicted by the modelling exercise.

- Under a “no-EPA” counterfactual where CARIFORUM loses access to the EU market under the Cotonou tariff scheme, and are downgraded to the less favourable GSP regime, the model predicts significant negative impacts on CARIFORUM exporters (outlined in Box 9) – a scenario of key concern for CARIFORUM in the lead-up to the EPA negotiations.
- Under the “EPA review” scenario, the model predicts no measurable increase in EU imports from CARIFORUM, given that the EPA largely locked in the existing duty-free access under the Cotonou tariff scheme.

Box 9: The Impact on CARIFORUM Exports of Losing the Cotonou Preferences

An important concern of the CARIFORUM countries at the time when the EPA was being negotiated was not so much the extreme case where the EU set MFN tariffs, but the more realistic and milder case where the EU would set GSP tariffs for imports from CARIFORUM, replacing the ACP/Cotonou preferential tariffs that were in force before the CF-EU EPA took effect. Member countries of CARIFORUM were worried that the loss of preferential tariffs might have severe effects on markets for commodities such as sugar, rice and bananas, and for the Dominican Republic, too, a range of industrial products. Overall, such a shift in tariffs was expected to have a serious adverse impact on the region’s trading opportunities.

Hence, in order to assess the possible impact of such tariff changes, it is necessary to model the GSP counterfactual, in other words explicitly to model the impact on EU imports from CARIFORUM of a shift in the relevant tariffs from the 2008 ACP/Cotonou preferential tariff to GSP tariffs. The aggregate results of such a calculation are shown in the table below.

Table: Estimated Impacts on EU-27 Imports from CARIFORUM: From ACP to GSP Tariffs

Importer/Scenario (shift from ACP to GSP)	Percentage Change in EU Imports from CARIFORUM	
	Original Elasticities	Simplified Elasticities
European Union imports from:		
CSME countries	-11.0	-4.4
Dominican Republic	-37.5	-12.0

Source: Authors' calculations.

It can be seen from these figures that, on aggregate, the shift from ACP/Cotonou to GSP tariffs would indeed have depressed exports from CARIFORUM to the EU quite substantially, justifying many of the initial fears expressed in the region. This is essentially because the change would have entailed an increase in the average tariff (simple average, not trade weighted) from close to zero to 3.38%. Not all exports would decline at the same rate and a few would even expand – for the limited number of products where the GSP tariff was lower than the former ACP/Cotonou one. Some of the region's major exports would face much higher tariffs under the GSP regime and would therefore be hit hard.

For the specific products that caused most concern prior to the EPA, banana exports (HS0803) would decline by 75.9%; rice (HS1006) exports, especially of rice in the husk and milled rice, would practically disappear; sugar exports (HS1701) would also decline by 100%, wiping out an important export trade for certain countries, in a trade that had long enjoyed significant protection in the EU market; and even for rum (HS 220840), the decline in exports to the EU27 would be 33.3%, still very substantial (all with original elasticities).

Other food and agricultural products, exported in smaller volumes (e.g. hot peppers), were also projected to experience export declines, mostly in the range from 11 to 50%, with a few products entirely losing their established EU market positions. Cigars and cigarillos (HS 240210) would be largely priced out of the EU market, for instance, an economic loss for Jamaica and the Dominican Republic. Hence a switch to GSP tariffs would have been highly damaging for major CARIFORUM export sectors in the agriculture and food products area.

Outside food and agriculture, the switch to GSP tariffs would also have imposed some heavy losses, though generally less than in the product groups already examined. Here, by way of illustration, only a few products are highlighted, namely anhydrous ammonia (HS 281410), exported by Trinidad and Tobago; aluminium oxide (HS 281820), very significant in the exports of Suriname and Jamaica; cotton t-shirts (HS 610910), exported by Jamaica and Suriname (and Haiti); footwear with leather soles (HS 640320), important for the Dominican Republic (and Haiti); and footwear n.e.s (HS 640590), also significant for the Dominican Republic. For these selected products, the shift to GSP tariffs would have been projected to have the following impacts:

- anhydrous ammonia: a modest export decline of just 3%;
- aluminium oxide: a decline in exports to the EU of 6.2%;
- cotton t-shirts: 14.4% decline in exports to the EU;
- footwear with leather soles: a 6.8% fall;
- footwear: a 9% fall in exports to the EU.

Hence, although the shift to GSP tariffs would have been greatly disadvantageous for CARIFORUM trade with the EU, the main impact would have been heavily concentrated on the key agriculture and food products of the region, with a much less severe impact elsewhere.

As with the import side, the actual post-2008 changes in CARIFORUM exports (viewed in the aggregate) differ dramatically from those anticipated in earlier analysis. Mirroring the *ex ante* analysis undertaken for CARIFORUM imports (Table 18), CEP II (2008) provides estimates for the impact of market liberalisation by the EU, providing a single scenario labelled "H1" which "prioritises" agricultural protection. The estimated results (for the 15-year point of implementation), however, show a significant divergence with the actual performance of CARIFORUM exports from 2008 to 2012, largely due to the unanticipated and negative cross-CARIFORUM impact of the global recession.

Table 18: Comparison of Anticipated Ex Ante vs. Actual Changes in CARIFORUM Exports from EU (%)

	CEPII (2008) "H1" Scenario to 2022	Actual changes 2008-2012
Antigua & Barbuda	1.2	-29.7
Bahamas	1.1	-20.2
Barbados	10.3	-15.9
Belize	264.6	48.5
Dominica	33.9	-84.9
Dominican Republic	37.7	-35.6
Grenada	6.6	86.5
Guyana	467.2	0.1
Jamaica	15.9	-51.4
Saint Kitts & Nevis	22.2	-91.1
Saint Lucia	268.9	-74.9
Saint Vincent & the Grenadines	10.5	-82.6
Suriname	35.1	-42.3
Trinidad & Tobago	3.5	-29.0

Source: CEPII (2008) and CARIFORUM national trade data.

4.2 CARIFORUM Exports of Agriculture and Fisheries Products – Bananas, Sugar, Rice and Rum

4.2.1 CARIFORUM Banana Exports

In the case of **bananas**, the review period has seen a striking divergence in fortunes within CARIFORUM, although this is likely to be due to global changes in market conditions and domestic structural issues rather than the CF-EU EPA. Prior to the CF-EU EPA, banana exporters to the EU faced first a complex system of tariffs and customs duties (1993-2005) and subsequently a tariff-only regime which provided duty-free access for the ACP and a €176/tonne duty for so-called MFN suppliers.

In the first years of CF-EU EPA implementation, the Dominican Republic steadily increased its exports of bananas to the EU (see Table 19), to the point where the country is now the leader in the EU market for organic bananas. Moreover, the success of the DR banana sector reflects a bigger achievement in the DR agricultural sector, whereby production of organic food has increased by 30% since 2007¹¹². The ability of DR producers to exploit the organic banana niche has allowed its exporters to withstand price competition from the so-called MFN suppliers (particularly Ecuador and Colombia).

While this trend precedes the Agreement – as far back as 2004, nearly three quarters of the DR's banana exports were certified as being organic¹¹³ – stakeholders in the Dominican Republic felt that the banana sector was among the few export sectors to be keenly aware of the benefits arising from the CF-EU EPA, including the fact that DFQF access no longer necessitated the purchasing of licenses from other operators (largely in the OECS). Moreover – in an example of the synergies between services and goods trade – stakeholders noted that the agricultural sector as a whole has benefited from declining freight costs due to spare capacity on tourist charter flights, creating a correlation between rising tourism arrivals and domestic exports of food.

It is worth noting that prior to the CF-EU EPA, Dominican Republic banana exports to the EU had seen significant increases (i.e. 138% between 1996 and 2005) in part because its cost

¹¹² "Dominican Republic Records 30 Percent Increase in Organic Food Production", Fresh Plaza website, September 26, 2013, accessed online at <http://www.freshplaza.com>.

¹¹³ "Biodynamic farming pioneers revolutionize banana production in the Dominican Republic", Rodale Institute, April 6 2004, accessed online at <http://www.newfarm.org>.

structure (particularly on the labour side) compared favourably with its MFN supplier counterparts. Stakeholders in the Dominican Republic also indicated that the export boom in the banana sector was in part built on EU assistance channelled through the NIP, combined with government reforms and significant improvements in marketing.

The success of the Dominican Republic stands in contrast to the banana exports of CARICOM Member States. In Belize and Suriname, favourable factors – respectively, labour costs and the restructuring of the domestic country's banana industry – have led to sustained, if at times uneven, increases in banana exports to the EU. The picture in the other CARICOM Member States, however, is one of continual decline or, in the case of Jamaica, complete cessation of banana exports to the EU – a trend well established prior to the signature of the CF-EU EPA, particularly following the introduction of a tariff-only regime in 2006 and the abolition of country-specific quotas within the ACP¹¹⁴.

Table 19: EU Imports of CARIFORUM Bananas (US\$'000)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dominican Republic	98,101	135,882	164,499	196,983	186,911	273,602	371,728	408,425	359,723
Belize	43,590	59,056	44,566	45,925	62,456	65,909	67,514	63,432	75,933
Suriname	9,323	21,684	28,371	34,070	50,753	59,754	64,563	51,535	73,186
Dominica	7,720	10,083	10,167	10,932	6,573	8,085	30,840	3,472	1,976
Grenada	331	0	0	0	0	0	0	0	0
Saint Lucia	34,728	22,851	30,195	27,105	31,816	27,983	19,382	5,455	10,400
St Vincent & the Gren.	19,934	12,965	14,142	12,289	7,386	6,289	3,385	661	608
Jamaica	13,915	5,706	16,578	10,121	33	5	39	0	0

Source: TradeMap and FAOSTAT (fao.faostat.org).

These declines – despite dedicated funds under the SPA, SFA and more recently the BAMs – have only in part been mitigated by the success of the Fairtrade movement in creating a premium/ethical niche for some Windward Island banana exports to the EU. The culprits are both domestic – including high labour costs and unsuccessful attempts to treat disease – and external (including the reduction of the EU MFN tariff), with the UK retail price of loose bananas moving from £1.10 per kilo to as low as 46p/kg¹¹⁵.

4.2.2 CARIFORUM Sugar Exports

In the case of CARIFORUM sugar exports to the EU, there has been a clear “EPA effect” for DR sugar exports, while CARICOM producers continue to struggle. In October 2009, the Sugar Protocol between the EU and the ACP – providing duty-free access to the EU market, a fixed price and country-specific export quotas – came to an end, with CARIFORUM exports of sugar-containing products subject to a special safeguard measure until 2015. Unlike other ACP sugar producers, the Dominican Republic did not enjoy a preferential quota prior to 2007 and thus did not export to the EU. This situation changed with exports in 2008 and 2009 (see Table 20), with market opening associated with the CF-EU EPA specifically cited by stakeholders and the news media as a key factor in the new presence of the Dominican Republic in the EU sugar

¹¹⁴ For an overview of changes to the EU banana market and its impact on ACP producers, see Goodison (2007), “The ACP Experience of Preference Erosion in the Banana and Sugar Sectors”, report prepared for the International Centre for Trade and Sustainable Development, Geneva.

¹¹⁵ “Banana production battered by market pressures – and the Caribbean weather”, Guardian Online, 24 October 2103, accessed online at <http://www.theguardian.com>.

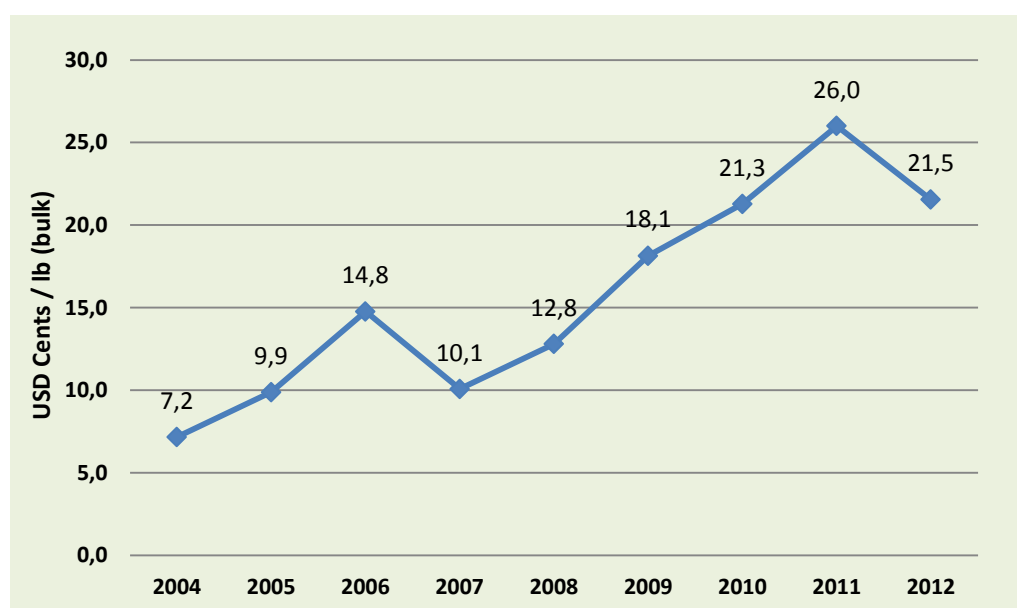
market¹¹⁶. While these exports ceased in 2009, there are expectations that the DR sugar producers will re-establish their foothold in Europe given the Dominican Republic's quota limits in the United States and the price differentials between the US and EU sugar market.¹¹⁷ In 2013, the Dominican Republic exported \$50.7 million worth of raw sugar to the EU, particularly to the UK, Bulgaria, Portugal, Italy and Spain¹¹⁸.

In the case of CARICOM producers, the post-2008 scenario has been decidedly more mixed – while Guyana, Jamaica, Belize and Barbados have been able to maintain some level of sugar exports to the EU, volumes and values have fluctuated considerably, with a sharp decline from 2008 to 2010 – all despite a favourable post-2008 price trend (Figure 8), due in part to the diversion of sugar cane to ethanol production and in part to productivity and production challenges in Guyana and Barbados.

Table 20: EU Imports of CARIFORUM Raw Sugar (US\$'000) (Source: TradeMap & FAOSTAT)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dom. Rep.	0	0	0	0	14,856	16,392	0	0	0
Guyana	118,176	105,560	107,820	142,514	149,227	102,309	70,078	90,751	105,447
Jamaica	88,787	78,763	89,429	98,878	98,138	75,803	35,139	48,777	75,745
Belize	32,828	26,281	36,434	46,735	47,655	48,473	31,984	33,371	58,360
Barbados	19,270	22,109	20,951	21,527	20,314	20,117	10,801	12,458	11,180
Trinidad & Tob.	27,990	22,007	23,059	16,710	0	0	0	0	0

Figure 8: Average of I.S.A. daily prices for sugar (in bulk), FOB Caribbean ports (USD ¢/lb.)



Source: UNCTAD Commodity Price online database (<http://unctadstat.unctad.org>).

During the review period, the focus of CARICOM's sugar producers has largely been on addressing the potential fallout from reforms to the EU's sugar market, where the abolition of quotas within the EU (set for September 2017) will lead to an estimated 45% fall in domestic

¹¹⁶ "El país podrá exportar 30,000 toneladas de azúcar a la UE", Listín Diario, 6 May 2009, accessed online at <http://www.listin.com.do>.

¹¹⁷ "Dominican Republic – Sugar Annual Report – April 2013", AgroChart, April 2013, accessed online at <http://www.agrochart.com>.

¹¹⁸ Based on trade data provided by the DR national authorities.

sugar prices and a steep fall in imports, with the EU market potentially moving over the longer-term to self-sufficiency or even becoming a net exporter of sugar¹¹⁹. As with the banana sector, the changes in the EU sugar market – not necessarily linked with the CF-EU EPA or its implementation – has led to a dedicated EU support programme for sugar producers under the Sugar Protocol Accompanying Measures agreed in 2005.

4.2.3 CARIFORUM Rice Exports

In the rice sector, CARIFORUM producers (i.e. Guyana and Suriname) have seen sharp rises and then a steep decline in their EU exports despite record levels of production. Prior to the signature of the CF-EU EPA, Guyana and Suriname shared a quota into the EU market of 145,000 tonnes; Annex II of the Agreement allowed for a significant expansion of that quota for the first two years of implementation (187,000 tonnes in 2008 and 250,000 for 2009), followed by full DFQF access. Further, the CF-EU EPA makes no distinction between whole grain and broken rice, allowing CARIFORUM exporters to target the higher-priced market for whole grain rice¹²⁰.

As with sugar and bananas however it is arguably a combination of (a) reforms to the EU's managed trade regime and (b) internal structural issues in exporting countries, rather than CF-EU EPA implementation, that has most affected post-2008 performance. In the case of rice, these changes have led to important changes in EU market conditions, including, *inter alia*, price decreases (relative to pre-reform levels) and new market opportunities for competitive producers from certain countries and/or of certain products¹²¹. While these changes are not linked to the CF-EU EPA, they have had an impact on the attractiveness of the EU market during the review period.

Guyana in particular has seen record rice production, due to favourable post-2008 prices and domestic improvements in both farming techniques and the amount of land brought under cultivation¹²². As regards imports to the EU (Table 21), the European market is, however, becoming a somewhat less attractive market. In 2012, for example, Guyana signed an agreement that has diverted two thirds of its rice paddy to Venezuela to take advantage of higher market prices.

Suriname's post-2008 rice exports to the EU have also seen a similar trend to the one in Guyana, albeit from a much lower base. By contrast with Guyana, however, the Surinamese rice industry – facing competition from South-East Asian producers – has been able to capitalise on a market trend within the EU that increasingly favours imports of milled rice rather than the husked rice that has been traditionally imported from ACP sources. Suriname has entered the EU market for small packages (below 5kg) of wholly milled and semi-milled rice, with export volumes increasing by 150% between 2009/10 and 2012/13 (from 271 tonnes to 677 tonnes).

While the Dominican Republic is the Caribbean's largest rice producer, virtually all of the DR's rice exports are sent to Haiti. The Dominican Republic exported some rice to the EU from 2007 to 2010, but those exports have virtually ceased¹²³. In the EU market, the overall position of traditional ACP producers has been undermined by the extension of market access to UN LDCs through the EU's Everything But Arms (EBA) initiative: rice exports under the EBA regime have increased as a proportion of total EU rice imports, from 0.5% in 2007/08 to 17.5% in 2012/13,

¹¹⁹ "Sugar losing grip on Europe", Jamaica Gleaner, June 16 2013, accessed online at <http://jamaica-gleaner.com>; "EU abolition of quotas... Sugar producers says time too short to fix problems", Kaiteur News, February 25 2014, accessed online at <http://www.kaiteurnewsonline.com>.

¹²⁰ "Overview of the Caribbean Rice Industry", Shridath Ramphal Centre, Barbados, January 2011.

¹²¹ "EU rice market developments and prospects", Agritrade, 22 April 2013, accessed online at <http://agritrade.cta.int>.

¹²² "Record Guyanese rice production and slight recovery in Haiti", CTA Agritrade, 03 February 2013, accessed online at <http://agritrade.cta.int>.

¹²³ "Perfil económico: Arroz", Gerencia de Investigación de Mercados, Dominicana Exporta / CEI-RD, Santo Domingo.

with Cambodia and Myanmar in particular emerging as a powerful new LDC competitors to ACP countries¹²⁴.

Table 21: EU Imports of CARIFORUM Rice (US\$'000)

		2004	2005	2006	2007	2008	2009	2010	2011	2012
Guyana	<i>Brown/husked rice</i>	24,600	33,673	27,320	30,926	40,296	61,780	57,046	50,970	26,674
	<i>Broken rice</i>	3,650	1,014	1,196	4,142	4,493	9,872	14,634	12,000	15,604
Suriname	<i>Brown/husked rice</i>	5,469	4,021	7,658	4,802	5,390	12,437	8,163	12,208	5,417
	<i>Broken rice</i>	706	504	10	0	0	353	1,555	3,076	2,817
	<i>Semi/wholly milled</i>	1,242	1,006	962	1,039	884	1,321	1,106	1,842	2,165

Source: TradeMap and FAOSTAT (faostat.org).

4.2.4 CARIFORUM Rum Exports

For rum, CARIFORUM producers have seen important increases in exports and market shares – particularly for the Dominican Republic – with some key impacts tied to the CF-EU EPA. Since the late 1990s, rum producers in CARIFORUM have exported under DFQF conditions into Europe – a situation unchanged by the implementation of the CF-EU EPA. And as with the other ACP-EU commodity protocol items listed above, the major drivers of change from 2008 to 2013 have not necessarily been any market opening resulting from the CF-EU EPA, but rather a) changes in the global market – in particular the “zero-for-zero” agreement signed between the EU and the US in 1997 and the elimination of MFN duties on certain tariff lines in the EU nomenclature in 2003 – that have gradually eroded the competitive position of CARIFORUM suppliers, and b) changes in investment and production within individual CARIFORUM States.¹²⁵

The Dominican Republic has seen a significant growth in post-2008 exports of rum to the EU (including a dominant market position in Spain) on the back of a wave of foreign investment from the EU. In 2008, the Scotland-based Edrington Group (owner of the Famous Grouse, The Macallan and Highland Park brands) took a controlling stake in the DR’s market leader Brugal, which has subsequently made \$18 million worth of investment in production (and plans a further \$23 million from 2013 to 2016)¹²⁶. Barceló, another DR-based rum company, also significantly increased its global exports (including to the EU) following a strategic alliance with European investors.

Consultations suggest that the EU investment boom in the Dominican Republic rum industry was planned prior to the signature of the CF-EU EPA, although the bulk of the export increase has come during the review period. However, stakeholders suggest that the CF-EU EPA was important to establish the EU market and send a signal to EU investors regarding opportunities in the Dominican Republic.

In the case of other CARIFORUM producers – largely Barbados, Guyana, Jamaica and Trinidad & Tobago – the review period has seen important success on the export front (shown in Figure 9), as the region’s producers gradually move from being primarily exporters of bulk rum to exporters of value-added branded bottled rum. Their flagship brands – Appleton in Jamaica, El Dorado in Guyana and Mount Gay in Barbados – have nearly doubled the value of their EU exports following the signature of the CF-EU EPA, attesting to the success of the marketing efforts of Caribbean brands overseas. The one exception to the generally bright picture is The

¹²⁴ “Trends in ACP rice exports to the EU”, CTA Agritrade, 4 February 2014, accessed online at <http://agritrade.cta.int>.

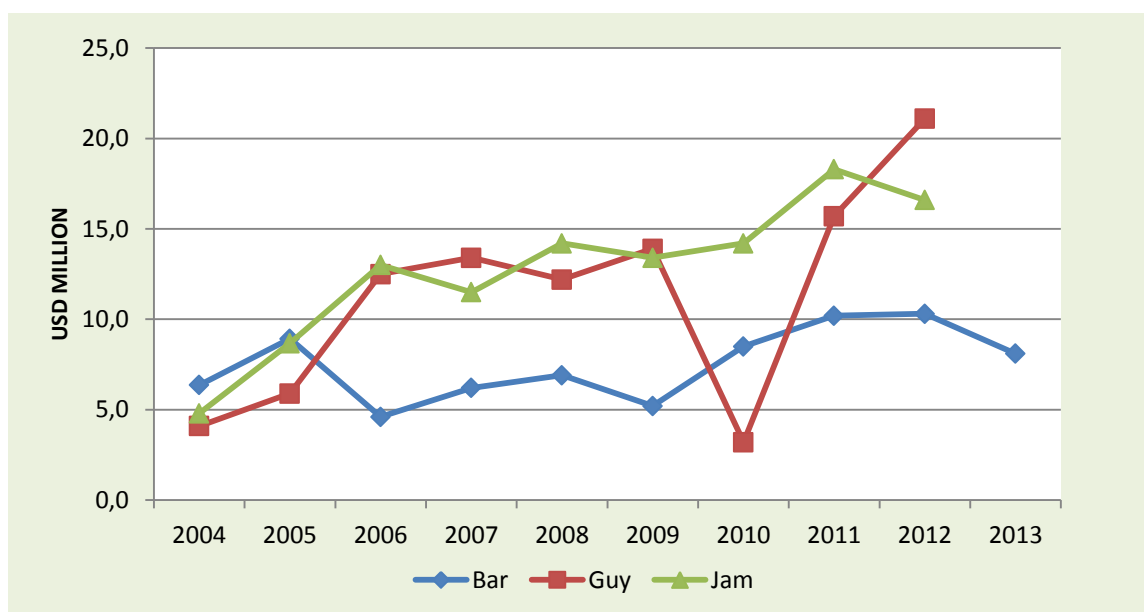
¹²⁵ “The Impact of EU Bilateral Trade Agreements with Third Countries on the Caribbean Rum Sector”, Commonwealth Secretariat / Overseas Development Institute, London, October 2012.

¹²⁶ “En 3 años: Brugal invertirá RD\$1,000 millones para mejorar producción”, Alternativas Noticias, 22 October 2013, accessed online at <http://www.alternativasnoticias.com>.

Bahamas, which ceased to export rum to the EU after Bacardi moved its bottling operations to Puerto Rico.

On the development cooperation side, the review period has seen a continuation of efforts under the Rum Programme, described by observers as a “ground-breaking... model of public-private partnership”¹²⁷ and seen as an innovative mechanism for channelling EU funds directly to private-sector producers without much of the delays associated with purely public-to-public sector aid undertakings. Consultations suggest that the brand- and capacity-building efforts undertaken by the region’s rum producers, supported by EU funding (albeit not specifically tied to or originating from the CF-EU EPA), have had a measurable impact on the awareness of Caribbean rums in key overseas markets (in Europe and elsewhere).

Figure 9: Major CARICOM Rum Exporters - Trends in Export to the EU (Million USD)



Source: National trade data.

4.3 CARIFORUM Exports of Agricultural and Fisheries Products Outside the ACP-EU Protocols

4.3.1 CARIFORUM Non-Commodity Agriculture Exports

Apart from the goods covered by the ACP-EU commodity protocols, a number of CARIFORUM agricultural exports have seen significant post-2008 increases, although only in a few cases is there evidence of a clear change in market access due to the CF-EU EPA. Based on consultations held with agricultural producers in CARIFORUM States and national trade data, other agricultural products (apart from bananas, sugar, rice and rum) have also seen post-2008 export success in the EU market.

The Dominican Republic agricultural sector (both primary and processed) has experienced a boom in actual exports to the world during the review period, increasing from US\$886 million in 2006 to more than \$1.7 billion in 2013, with some of the star performers seeking new markets in the EU:

¹²⁷ Dunlop, A. 2004. A strong cocktail or a weak punch? A case study of EDF assistance to the ACP private sector. (Discussion Paper No. 52). Maastricht : ECDPM.

- The Dominican Republic has gained global market share in exports of cigars (HS 24.02) – with exports to Germany alone nearly doubling since 2008 – despite the effects of the global recession, as consumers increasingly view DR tobacco exports as a substitute for traditional high-end Cuban cigars. While cigars did not face a tariff under the Cotonou Agreement, the CF-EU EPA saw a change in rules of origin whereby the level of non-originating tobacco permitted moved from at least 70% to at least 60%.
- DR exporters have experienced large increases in their global exports of so-called “oriental vegetables”, which includes certain Asian-origin varieties of bean, peppers, okra, bitter melon, eggplant and breadfruit. While none of these items faced tariffs before the CF-EU EPA, stakeholder consultations suggest that DR producers had to overcome significant SPS barriers into the EU market and that EU-Dominican Republic cooperation (in particular between DG SANCO and the Ministry of Agriculture, although not specifically linked to the CF-EU EPA) resulted in a marked decrease in rejections.
- DR exports of cocoa beans (HS code 1801) to the EU have seen large increases since the signature of the CF-EU EPA, from US\$73 million in 2007 to a peak of more than \$100 million in 2010 and 2011, although the CF-EU EPA did not represent a change in tariff levels.

In CARICOM, there are some post-2008 success stories outside the Commodity Protocol goods, including:

- Belize has significantly increased its exports of citrus products – largely concentrates, oils and pulp cells of orange and grapefruit – to the EU, with the products first shipped to the Netherlands for easy access to cold storage, and then sold in a range of EU countries including the United Kingdom, Italy, Spain, France, Germany, and Switzerland. While there is some disagreement on whether the CF-EU EPA provided for a change in market access¹²⁸, consultations indicate that the stability of EU prices (vis-à-vis a more volatile and competitive market in the USA), combined with rising domestic production, was the main cause of increased Belizean exports.
- Guyana has seen large increases of its exports of frozen shrimp to the EU following the CF-EU EPA – originating from a shrimp processing plant that was certified for export to the EU by EU-based investors – mirroring increases in exports of rock lobster from The Bahamas to the EU, and Jamaican conch to the EU overseas territories. None of these items faced an import duty pre-EPA. While fisheries rules of origin were the subject of intense discussions during the CF-EU EPA negotiations, the product-specific rules did not substantially change from the Cotonou status quo.
- Jamaica has seen large increases (from virtually nil in 2007 to over \$11 million in 2011/12) of exports of ethanol (HS 2207.10) following a successful joint venture with a Brazilian firm – although consultations indicate that this investment is primarily targeting the US market.

4.4 CARIFORUM Exports of Industrial Goods

4.4.1 CARIFORUM Industrial Exports

The success of some Dominican Republic industrial exports in the US has been mirrored to some degree in the EU market despite there being no change in tariff protection under the CF-EU EPA. During the review period, DR stakeholders – particularly those located within free zones – report a significant increase in both exports to and interest in the EU market, most

¹²⁸ While the EC tariff notified during the EPA shows a non-zero specific tariff for frozen orange juice, consultations with Belizean producers indicate that their exports to the EU enjoyed duty-free access prior to the EPA.

notably in Germany, the United Kingdom, France and Italy. According to DR stakeholders, the increase is due primarily to (a) general industry/export growth spurred by DR-CAFTA combined with (b) a push by the DR government to diversify export markets away from the United States, rather than any change in tariff protection in the EU arising from the CF-EU EPA – although there are notable exceptions where changes to rules of origin in the Agreement have had an impact.

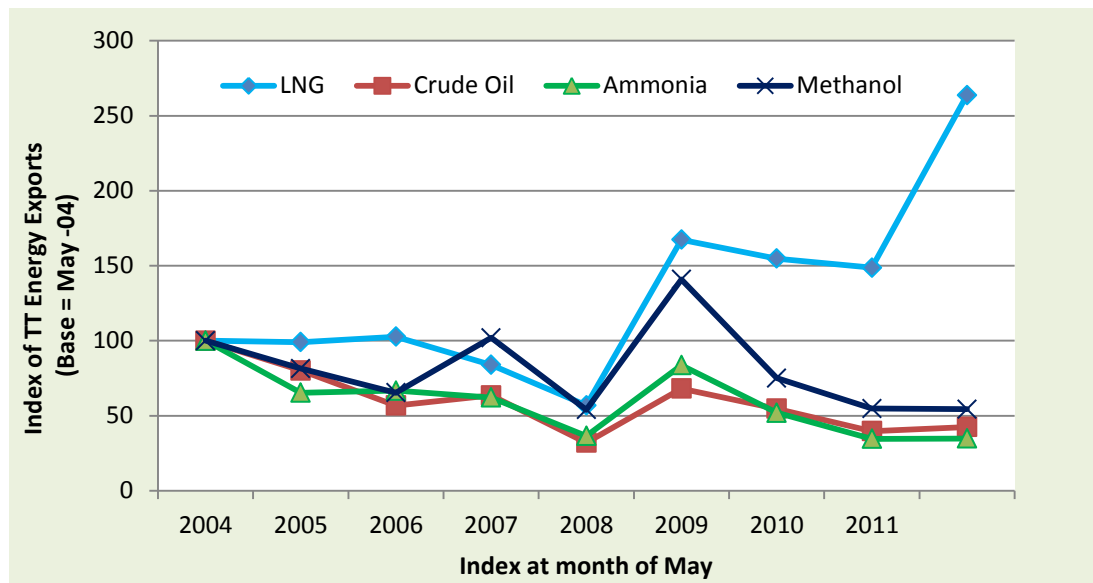
Based on country consultations and EU/DR national trade data, standout sectors following the signature of the CF-EU EPA include (with the HS code shown in brackets):

- Medical supplies (30.06) and equipment (90.18), whose exports to a range of EU Member States (including the Netherlands, Germany, France and Spain) have nearly doubled since 2006;
- Electrical equipment such as audio alarms (85.31) to Germany and surge protectors / circuit breakers (85.36);
- Textiles and garments, particularly woven cotton (52.10), knitted t-shirts (61.09) and men's suits (62.03), in part due to a relaxation of rules of origin under the CF-EU EPA which allowed for the use of non-originating fabric (the previous arrangements had called for the use of non-originating yarn);
- Leather footwear (64.03) & hides/skins (Chapter 41), primarily to the Italian market;
- Plastic products, particularly wash basins (39.22); and
- Goods from the extractive industries, particularly iron bars (72.12), ferronickel (72.02), and scrap iron/copper.

Within CARICOM, the major industrial export success stories include Trinidad & Tobago's exports of energy products to the EU, although this is due to favourable prices rather than any change in market access from the CF-EU EPA. Since 2008, Trinidad & Tobago has experienced a boom both in production and export of energy products, most notably in petroleum products and its derivatives – ranging from crude oil and liquefied natural gas (LNG) to more processed items such as jet fuel kerosene, lubricating oils/greases, ammonia and methanol. While the focus of Trinidad & Tobago's export of energy goods remains in North America, Latin America, Asia and other CARICOM countries, exports to the EU (particularly Germany France, Netherlands, and Spain) have risen in the review period as well. As the CF-EU EPA did not change the tariff status quo in the EU, the rise is likely to be attributed to increasing prices for Trinidadian energy products (shown in Figure 10), most notably for LNG, which saw two spikes during the review period (2008-2009 and 2011-2012).

Despite the traditional North American orientation of their extractive industries, Guyana, Jamaica and Suriname also continued to export alumina (HS28.18) and bauxite (HS 26.06) to the EU from 2008 to 2013, although none of these industries saw a change in market access under the CF-EU EPA. Suriname also saw large increases from 2009 to 2013 in its exports of lumber (HS 4407.99) to the EU.

Figure 10: Price Indices for Selected T&T Energy Exports to the EU
Trends: May 2004 to May 2012 (May 2004 = 100)



Source: Energy Chamber of Trinidad & Tobago.

5 Impacts on Trade in Goods (iii): Intra-Caribbean Trade

Aside from trade between CARIFORUM and the “mainland” EU-28, closer regional integration within the Caribbean Sea was also seen as a major objective of the Agreement. While the initial impetus for the CF-EU EPA negotiations was rooted in preserving preferential access to the mainland EU market for certain CARIFORUM exports, both Parties agreed to place regional integration at the heart of the Agreement, with a stand-alone Article 4 (Regional Integration) at the outset of the CF-EU EPA and commitments aimed at reinforcing intra-regional trade within the various chapters. In practice, the “regional integration” element can be divided into three areas, arguably in order of priority:

- Intra-regional trade between the CARIFORUM parties (i.e. the Dominican Republic and the Member States of CARICOM), which is referenced throughout the text and mostly in Article 238 (Regional Preference);
- Trade between CARIFORUM and France’s Caribbean Outermost Regions (the FCORs, i.e. Martinique, Guadeloupe and French Guyana), explicitly referenced in Article 239 (Outermost regions of the European Community); and
- Trade between CARIFORUM and the EU Overseas Countries and Territories – while the British and Dutch OCTs¹²⁹ are outside the scope of the CF-EU EPA, their potential integration into the Agreement is considered under Article 246 (Revision Clause).

5.1 Intra-CARIFORUM Trade: Predictions and Reality

As regards intra-CARIFORUM trade, while trade continues to grow in certain areas, the absence of implementation of regional preference is noticeable. Under the modelling exercise conducted for this study, the predicted impact of the EPA on intra-CSME and CARICOM-DR trade is actually negative. This perhaps surprising result (shown in Table 22) occurs because, in the absence of the implementation of regional preference, the additional trade liberalisation with the EU induced by the CF-EU EPA results in a very small amount of substitution away from CARIFORUM partners.

¹²⁹ Anguilla, Cayman Islands, Montserrat, Turks & Caicos Islands, Aruba, Curacao and Saint Maarten.

Table 22: Estimated Impacts on CARIFORUM Intra-Regional Trade From Modelling Exercise (%)

Importer	Change in Imports	
	Original Elasticities	Simplified Elasticities
CSME Intra-Regional		
<i>EPA Review</i>	-0.05	-0.01
<i>Full EPA</i>	-1.27	-0.14
Dominican Republic from CARICOM		
<i>EPA Review</i>	-0.02	-0.01
<i>Full EPA</i>	-0.04	-0.03

Source: Authors' calculations.

Despite the lack of movement on regional preference, the review period saw significant increases in some CARICOM Member States' exports to the DR, particularly from Trinidad & Tobago (energy products, fertiliser inputs, iron/steel, car batteries and processed foods), Barbados (paper labels), and Belize (fruit juices). Similarly, exporters in the Dominican Republic saw large increases in the CARICOM market, more than doubling the value of exports from 2007 to 2013 (US\$76 million to \$142 million). The increase in DR exports was particularly noticeable for cement to The Bahamas and Trinidad & Tobago – ironically, one of the products currently excluded under the DR-CARICOM FTA that stands to be liberalised under the Article 238 obligation – as well as plastics (esp. bottles, household goods, tubes/pipes and packing materials) and iron/steel products.

Given that the regional preference obligation under the CF-EU EPA has not been implemented thus far, none of these impacts can be traced to the provisions of the Agreement. It is worth noting that, within CARIFORUM, the scope for market opening under regional preference (as regards number of tariff lines affected) is the largest for The Bahamas given that there is no pre-existing tariff liberalisation framework between it and the rest of CARIFORUM – The Bahamas is neither a party to the CSME nor to the CARICOM-DR FTA.

5.2 Trade Between CARIFORUM and the FCORs: Predictions and Reality

5.2.1 Model Predictions

The modelling exercise predicts modest increases for CARICOM-FCOR trade under the review period, although longer-term benefits could be more substantial. As shown in Table 23, the modelling exercise predicts that – despite relatively small volumes of trade – FCOR exports to CARICOM could expand substantially over the long-term of tariff elimination, with the “full EPA” scenario predicting a nearly 14% increase in FCOR-CARICOM exports. For FCOR imports from CARICOM (conversely, CARICOM exports to the FCORs) would have not seen any measurable change from implementation of the CF-EU EPA, given (as noted above) that the Agreement largely locked in the Cotonou duty-free access to these markets. Even with a “no-EPA” downgrade to GSP, CARIFORUM exports would not (in the aggregate) have seen major declines, largely due to the dominance of energy exports from Trinidad & Tobago that would not have seen major changes in market access conditions. Data on trade between the Dominican Republic and the FCORs was not available.

Table 23: Estimated Impacts on CARICOM-FCOR Trade from Modelling Exercise (%)

Scenario	Change in FCOR Exports to CARICOM	
	Original Elasticities	Simplified Elasticities
EPA Review	2.17	1.54
Full EPA	13.49	6.72
	Change in FCOR Imports from CARICOM	
EPA Review	0.00	0.00
No EPA	-3.56	-1.67

Source: Authors' calculations.

5.2.2 Actual Changes in CARIFORUM-FCOR Trade

CARICOM imports from the FCORs over the review period show considerable fluctuation from year to year. The available data shows big variations between CARICOM members. Some, such as Belize, import almost nothing from the FCORs. Others import just a handful of products. For some countries, the data show significant levels in one year and almost none before or after, raising questions about the quality and consistency of the statistical reporting of these trade flows. Similar observations also hold true for the opposite trade direction (i.e. FCOR exports to CARICOM).

There has been no significant change in trade in goods with French Guyana over the review period. Among the CARIFORUM States, only Suriname has a trading relationship of any significance with French Guyana, due to their common border.

- On the import side, the review period saw little substantive change in Suriname's imports from French Guyana (whose annual totals between 2008 and 2013, on average, were less than US\$850,000) apart from a few large shipments of heavy transport and earth-moving equipment related to mining activities (neither of which were subject to significant tariff protection prior to the CF-EU EPA).
- On the export side, there is a slightly stronger relationship – Suriname's exports over the review period averaged approximately US\$3.7 million – although the product mix is wholly concentrated in a single category (beverages), with no further detail provided by the data.

Trade between CARICOM States and Martinique and Guadeloupe appears to have fallen in terms of key products over the review period, with the CF-EU EPA having little measurable impact. There are only a small number of CARICOM countries with any significant (i.e. more than US\$1 million of imports or exports in a given year) trading relationship with Martinique and Guadeloupe, including Dominica and St Lucia (by virtue of proximity and transport links), Guyana and Trinidad & Tobago.

Data provided by the CARICOM Secretariat and previous research¹³⁰ suggest that CARICOM's exports to the FCORs showed variable performance during the review period, including:

- The value of Dominica's main export to Guadeloupe (natural sand) fell by nearly half from 2008 to 2013, and exports of fruits and vegetables to both Martinique and Guadeloupe have seen sharp declines virtually across the board;
- The quantities of rice exported from Guyana to the FCORs either showed no appreciable change (into Martinique) or large fluctuations (into Guadeloupe) from 2008 to 2013;
- As with its other trading partners, Trinidad & Tobago's exports of energy products and related goods (e.g. fertilisers and chemicals) saw large increases in value terms during the price spikes between 2006 and 2008, although both values and quantities exported to the FCORs have fluctuated significantly over the review period. Consultations indicate, however, that exports of cement may increase over time as regional producer Trinidad Cement Limited (TCL) has begun supplying both Martinique and Guadeloupe.

On the import side, there were no significant changes in the total value of Martinique and Guadeloupe's main exports to CARICOM (i.e. dairy products, mostly yogurt and cheese, all excluded under the Agreement).

¹³⁰ "CARICOM's Trade With the French DOMs", Caribbean Export Development Agency, Barbados, July 2008.

There has been a significant increase in the Dominican Republic's trade with the FCORs, although it does not appear to be linked with the CF-EU EPA. While the expert team did not access relevant trade data, consultations and media reports suggest that – unique among the CARIFORUM States – the Dominican Republic has relatively strong trading links with Martinique and Guadeloupe. For Guadeloupe, imports from the Dominican Republic totalled more than \$5 million in 2012, and increased almost 500% from 2004 to 2012¹³¹. DR exporters have seen promising growth in their exports of citrus to the FCORs, which grew from virtually nil prior to the CF-EU EPA to more than \$170,000 annually in 2011. Consultations also indicate that the Dominican Republic exports coconut cream to the FCORs for further processing, including the manufacture of flavoured ice cream.

Despite this promising growth, consultations with the private sector suggest that the CF-EU EPA did not significantly impact Dominican Republic exports to either Martinique or Guadeloupe, in part because of on-going concerns over border measures such as the *octroi de mer*, and in part due to long-standing deficiencies in transport links.

6 Impacts on Trade Revenues

Trade revenues could be impacted under the CF-EU EPA both directly and indirectly. The *direct* revenue losses could arise either from (a) the elimination of customs duties on products in the zero and phased reduction baskets (Article 16.1 and Annex III of the Agreement) and/or (b) the elimination of other duties and charges (ODCs) – including stamp duties, customs service charges and environmental levies – although under Article 16.2-16.4 of the CF-EU EPA, the starting-point for elimination of these ODCs was deferred for seven years (i.e. 2015). *Indirect* revenue losses could arise if lower duties on EU-origin goods led to trade diversion from other sources (e.g. the US, Canada, Asia and Latin America) where duties still apply.

At the outset, it is important to note that (a) the tariff lines generating the most revenue or likely to lead to significant trade diversion were either excluded or placed in the higher phasing baskets, and (b) some CARIFORUM States delayed the implementation of their national zero baskets (due at the time of the entry into force of the EPA) and subsequent phased reduction (due on 1st January 2011 and 2013). As such, the CF-EU EPA's impact from 2008 to 2013 on trade revenues is likely to be muted as compared with higher phasing (i.e. the 15, 20 and 25 year) basket.

The impact of the CF-EU EPA on trade-related revenues was a major focus of the impact assessments written around the time when the Agreement was signed. Given the high dependence of many ACP countries on revenue from customs duties and ODCs, several observers highlighted the Agreement's potential impact on revenues as a major source of concern – both before and immediately after the signature of the CF-EU EPA. Before the publication of the goods schedules, analysts were forced to make assumptions about the scope of liberalisation. Even after 2008, publicly available information was generally limited to applied tariffs and trade values used to construct so-called “hypothetical” revenue losses, which tended to overstate actual revenue collections¹³². Table 24 below shows two sets of estimates: the first from CEPII (2008), estimating the total revenue loss arising from the Agreement, albeit without reference to the actual liberalisation schedules; the second is drawn from ODI (2008), which

¹³¹ “RD y Guadalupe tienen buen intercambio de comercio”, *El Caribe*, March 20 2013, accessed online at <http://www.elcaribe.com.do>.

¹³² Overstatement is usual in these situations because it is always simplest to assume that all revenue will be successfully collected, without undue delays. In practice this is never quite the case. Further, when tariffs change, the natural assumption is to estimate the change in revenues on the basis of unchanged trade volumes – this overstates the expected revenue loss, since trade flow adjustments partly offset the initial impact of tariff changes.

uses the actual liberalisation schedules but uses hypothetical rather than actual revenue losses¹³³.

Table 24: Estimated Revenue Losses from the CF-EU EPA

Study / Country	Estimated Losses (€'000)	
	2009-2013	2009-2033
<i>CEPII (2008)</i>		
Barbados		21,300
Dominican Republic		49,300
Jamaica		14,100
<i>ODI (2008) – losses to 2013</i>		
Antigua/Barbuda	7,625	19,241
Bahamas	133,379	186,303
Barbados	54	22,016
Belize	383	5,856
Dominica	30	3,117
Dominican Rep.	12,753	90,833
Grenada	162	4,219
Guyana	22	5,168
Jamaica	251	26,845
St Kitts/Nevis	44	3,861
St Lucia	13	32,680
St Vincent/Grenadines	2,511	40,068
Suriname	1,239	16,741
Trinidad/Tobago	152	41,295

Source: CEPII (2008) and ODI (2008).

Some approximate estimates of the revenue losses likely from implementing the EPA tariff cuts can be derived from the trade models developed for this study. These models pick up the direct effect of tariff cuts by CARIFORUM countries on their imports from the EU, taking account of the resulting changes in projected trade volumes. However, the models also track the revenue effects of the associated changes in trade flows with other partners than the EU. Hence the available estimates provide a comprehensive assessment of the likely total revenue impact. On the other hand, since models have not been set up with each individual CARIFORUM country as the designated importer, revenue effects have only been estimated for the country groups that have been modelled – these are the CSME country group (CARICOM less The Bahamas); and the Dominican Republic. Results are shown in Table 25 below.

The calculations shows that in the early years of implementation by the CARIFORUM States, revenue losses (in percentage terms) remain in the single digits, suggesting the possibility of accommodating these revenue losses with arguably modest adjustments elsewhere in the public finances. In the longer term, when all the planned tariff cuts come into effect, much more tariff revenue is lost and the needed adjustments are correspondingly greater.

Table 25: Revenue Losses Estimated by Modelling Exercise

Simulation	Country group	Change in tariff revenue (USD million)	% Change in tariff revenue
Post-EPA	CSME	-30.7	-2.03
	Dominican Republic	-43.4	-4.23
Full EPA	CSME	-201.2	-13.27
	Dominican Republic	-152.0	-14.82

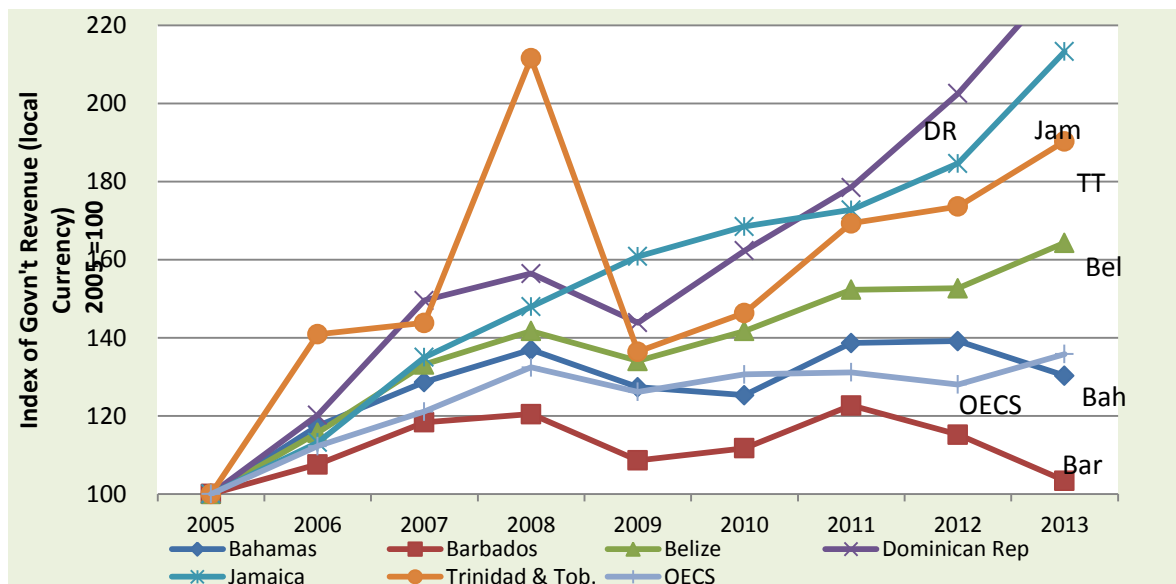
Source: Authors' calculations. Note: Above calculations are based on models using original elasticities

¹³³ Some of the estimates raise immediate questions – in the ODI (2008) estimates, for example, The Bahamas, Antigua & Barbuda and St Vincent & the Grenadines are shown as having the highest estimated revenue losses within CARIFORUM, despite their having some of the weakest commercial links with Europe in the region. This is likely to be due to the wide divergences in trade levels between CARIFORUM national and EU mirror data.

During the review period, non-EPA factors have arguably overwhelmed any impact of the Agreement on trade revenues. Notwithstanding concerns over revenue losses related to CF-EU EPA liberalisation, the review period has seen two developments that have arguably impacted trade revenues far more than implementation of the Agreement.

First, the global recession had a widespread and negative impact on general government revenue across CARIFORUM. As shown in Figure 11, many CARIFORUM States saw an increase in general government revenue in the run-up to 2008 only to see sharp declines the year after (with Trinidad & Tobago providing a particularly dramatic example due to the energy price shock in the period between 2006 and 2008). The sole exceptions (not shown in the figure) were Guyana and Suriname (both cushioned by the investor flight to gold assets during the recession) and Jamaica (which has been implementing tax packages since 2008 under wide-ranging economic reform initiatives). Compounding the general revenue loss from reduced economic activity, imports of some revenue-generating items (particularly luxury goods) declined as well, directly affected by taxes on imports.

Figure 11: Index of General Government Revenue for Selected CARIFORUM States (Local Currency), 2005-2013 (2005=100)



Source: World Economic Outlook Database 2014, accessed online at www.imf.org

Second, the revenue losses from the CF-EU EPA were probably cushioned by increasing efforts across CARIFORUM to reduce reliance on border taxes and increase collections from “behind-the-border” taxes based on consumption, sales or value-added (VAT). During the review period, four CARIFORUM States – Grenada, St Kitts & Nevis, St Lucia and The Bahamas – either implemented VAT or took initial steps towards its implementation. These reforms support a trend whereby taxes on international trade form an increasingly smaller share of total government revenue – as shown in Table 26, only four CARIFORUM States (Antigua & Barbuda, The Bahamas, Belize, and St Lucia) rely on customs duties for more than 10% of domestic revenue. In the case of The Bahamas, the share is likely to fall further given recent changes in tariff rates, the move towards VAT and possible tariff cuts from accession to the WTO.

Table 26: Share of Customs Duties in Domestic Revenue (2012, unless otherwise indicated)

Antigua & Barbuda	11%
The Bahamas	25%
Barbados	8%
Belize	18%
Dominica (2011)	8%
Dominican Republic	10%*
Grenada (2010)	9%
Guyana	9%
Jamaica	7%
St Kitts & Nevis (2011)	6.7%
St. Lucia (2011)	11%
St Vincent & Gren. (2010)	10%
Suriname (2011)	8%
Trinidad & Tobago	5%

Source: IMF Article IV Reports and national budget speeches. * Dominican Republic figure is for all taxes on trade, not customs duties alone.

Reflecting the importance placed on tax reform by CARIFORUM States, the second development cooperation priority listed under Article 8 (Cooperation Priorities) specifically refers to “the provision of assistance for capacity and institution building for fiscal reform in order to strengthen tax administration and improve the collection of tax revenues with a view to shifting dependence from tariffs and other duties and charges to other forms of indirect taxation”. Support on tax reform within the Caribbean is spearheaded by The Caribbean Regional Technical Assistance Centre (CARTAC), which has provided a range of EDF-funded activities ranging from direct support to VAT implementation to strengthening the day-to-day operations of revenue and tax administration authorities.

7 Impacts on Trade in Services and Investment

7.1 Background, Approach & Methodological Caveats

Impacts on trade in services and investment would be expected from a range of provisions in the CF-EU EPA. Within the scope of the CF-EU EPA, a primary source of potential liberalisation would be new market access created either through the more general provisions of Title II (which address broad modes of supply) or the more product/country-specific commitments set out in Annex IV, subject to horizontal commitments affecting all sectors. Apart from these commitments, CF-EU EPA impacts in the area of services could also arise from:

- Regulatory commitments that either (a) improve the competitiveness of both foreign and domestic firms in the home market and (b) provide for new market access opportunities overseas;
- Enabling measures such as (a) Mutual Recognition Agreements (MRAs) that lower accreditation and certification costs between markets, and (b) new bilateral channels for dialogue to address specific barriers to services trade;
- EU-funded development cooperation projects that either (a) strengthen the ability of CARIFORUM services firms to contest new markets and/or (b) strengthen the ability of the relevant in-country authorities to both design and implement regulatory measures that affect services trade and investment.

Outside the CF-EU EPA provisions, however, a broad range of micro- or macro-economic variables can also affect the supply of (and demand for) services trade, including changes in regulatory frameworks, GDP (both in the importing and exporting markets), consumer purchasing power and institutional capacity.

This chapter will focus on specific sectors and sub-sectors of trade in services, rather than the entire span of CF-EU EPA commitments. Mirroring the approach taken on the implementation side, the following analysis will focus on specific areas of trade in services, namely:

- Certain business services (i.e. architecture, engineering and management consultancy);
- Certain entertainment services (i.e. musicians and bands);
- Telecommunication services;
- Courier services;
- Tourism and travel-related services; and
- Maritime transport services (excluding cabotage).

Services data are subject to particularly strong constraints when evaluating the impact of a bilateral/bi-regional FTA. The primary source of aggregate statistics for trade in services is balance-of-payment (BOP) statistics, which summarise the economic transactions of a country's residents with the rest of the world. These transactions are then recorded as either credits (i.e. exports) or debits (i.e. imports) of that service. While progress has been made throughout the region in implementing standards for BOP data collection and publication, there are still important limitations to keep in mind when analysing trade in services statistics, on both the EU and CARIFORUM side.

Unlike trade in goods, there is no cross-border movement of a physical item that can be measured, valued and counted. BOP statistics cover payments, but cannot “see” the actual service that is being paid for, nor which mode of supply is being used – e.g. modes 1, 2 and 4 trigger international payments which are seen by central banks, but there is no way to distinguish whether the service provider remained in their home jurisdiction (modes 1 and 2) or travelled to the exporting market (mode 4). Mode 3 (commercial presence) is completely outside of the BOP framework as it triggers local payments only and thus needs to be supplemented by additional information.

Moreover, the breakdown of categories in the Extended Balance of Payments Services Classification (EBOPS) does not always accurately match the structure used in the GATS and the CF-EU EPA negotiations – for example, the services of musicians and bands would have to be inferred from a larger sub-category of “artistic related services”. Thus, in several instances, BOP data needs to be supplemented by additional (and in some cases anecdotal) information. While such supplementary information is readily available for certain sectors (e.g. travel and tourism), it is much more difficult for others (e.g. musicians and bands).¹³⁴

7.2 Statistical Trends in CARIFORUM Exports

Mindful of the limitations of services data, available data shows significant increases in CARIFORUM exports to the EU of certain services that are central to the CF-EU EPA. Figure 12, based on data collected by the UNCTAD Secretariat¹³⁵, shows the index of

¹³⁴ In addition to these data issues, there are also concerns in relation to data collection and limitation that also have to be taken into account: for example varying methodologies for measurement, as well as country classification particularly on the region level, whereby CF EPA partners are variously classified with Central, South America as well as the Caribbean. Though classification as “ACP” would include all CF EPA Partners, this group would be too large to generate results that are specific to the CF-EU EPA context.

¹³⁵ UNCTAD data is used to provide an initial overview of CARIFORUM services trade, as the CARICOM Secretariat does not collect data for the Dominican Republic.

CARIFORUM exports during the preparatory period (2000-2008) and the immediate post-2008 period. While travel continues to dominate CARIFORUM exports – accounting for more than three quarters of the measured value of the regional total – some areas indirectly linked to key areas of the Agreement, such as personal/cultural services and royalty/licence fees, show steady increases. The figures also reveal the measurable impact of the global recession, with nearly all categories declining from 2008 to 2010, and in certain important cases (e.g. travel), showing little recovery since.

With respect to EU member states exports of services to CARIFORUM, Figure 13 shows services exports as a % of total trade for each member state. It compares the average for the period 2006-08 with 2009 -11. The major exporters (measured in terms of % of total trade) were the United Kingdom, Netherlands, France, Sweden, Italy, Denmark and Belgium, in decreasing order of magnitude. Exports by other member states were negligible.

Figure 12: Index of the Value of CARIFORUM Services Exports (2000=100)

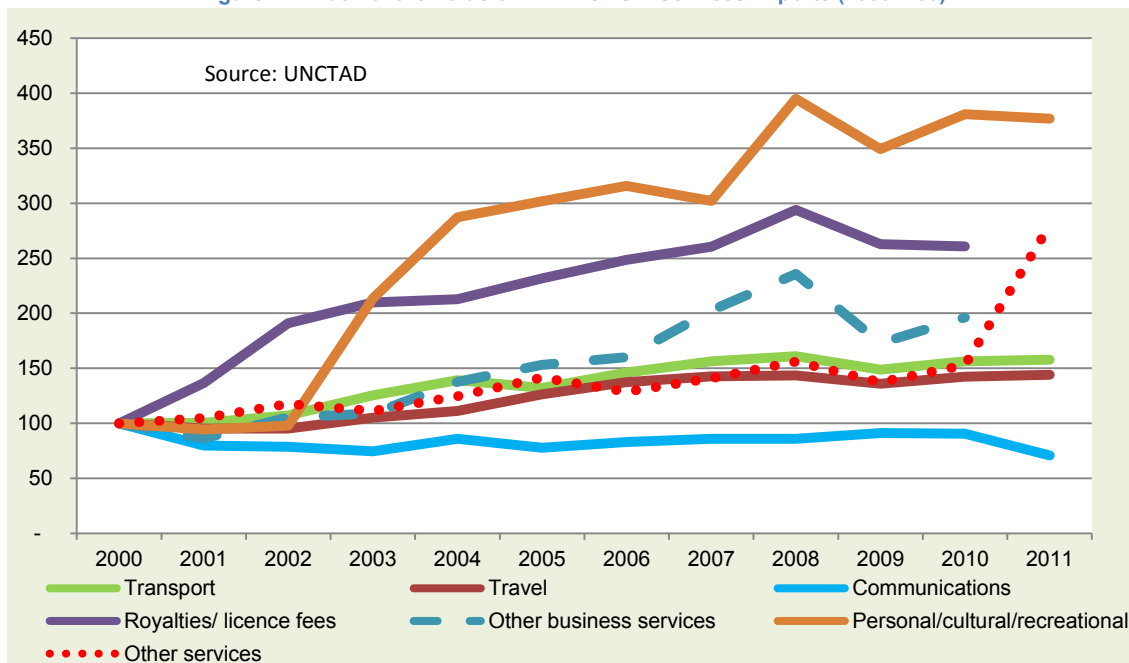
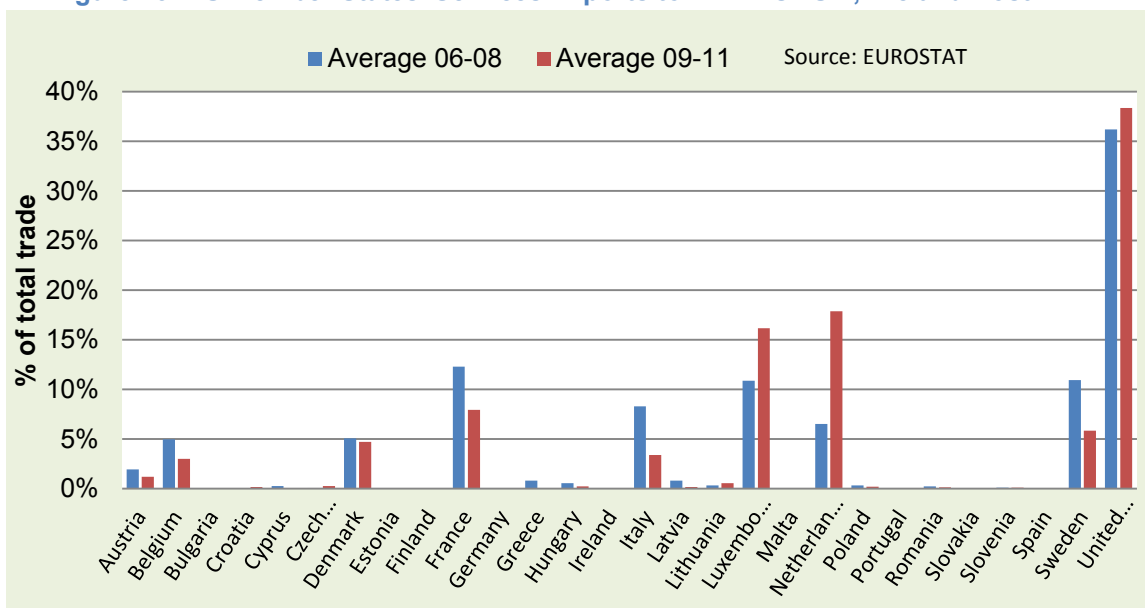


Figure 13: EU Member States' Services Exports to CARIFORUM, Pre and Post-EPA



7.3 Impacts on Tourism and Other Selected Services Sectors

The tourism sector shows little impact of the CF-EU EPA, but rather a large impact from the global recession and specific measures (such as the UK Air Passenger Duty). The importance of tourism throughout CARIFORUM is widely acknowledged: the sector accounts for approximately 1.9 million jobs within the Caribbean (i.e. including the Netherlands Antilles), or 1 out of 9 jobs in total and even rising to 8 out of 10 jobs for small economies such as Antigua & Barbuda. Investment in tourism is estimated at over US\$10 billion for 2010 – over 20% of total investment for the region, once again with large variations, for example rising to nearly 50% of total investment in Barbados. CARIFORUM countries show a significantly higher proportion of tourism receipts to total exports than the world average, implying a much higher overall sensitivity to external conditions and policy changes.

During the review period, discussions on tourism and the attention of tourism organisations such as the Caribbean Tourism Organisation (CTO) were largely dominated not by the CF-EU EPA, but rather the imposition of the Air Passenger Duty (APD) introduced by the UK that *inter alia*, placed US destinations in a lower price band than Caribbean destinations and thus increased the cost differential between the two¹³⁶.

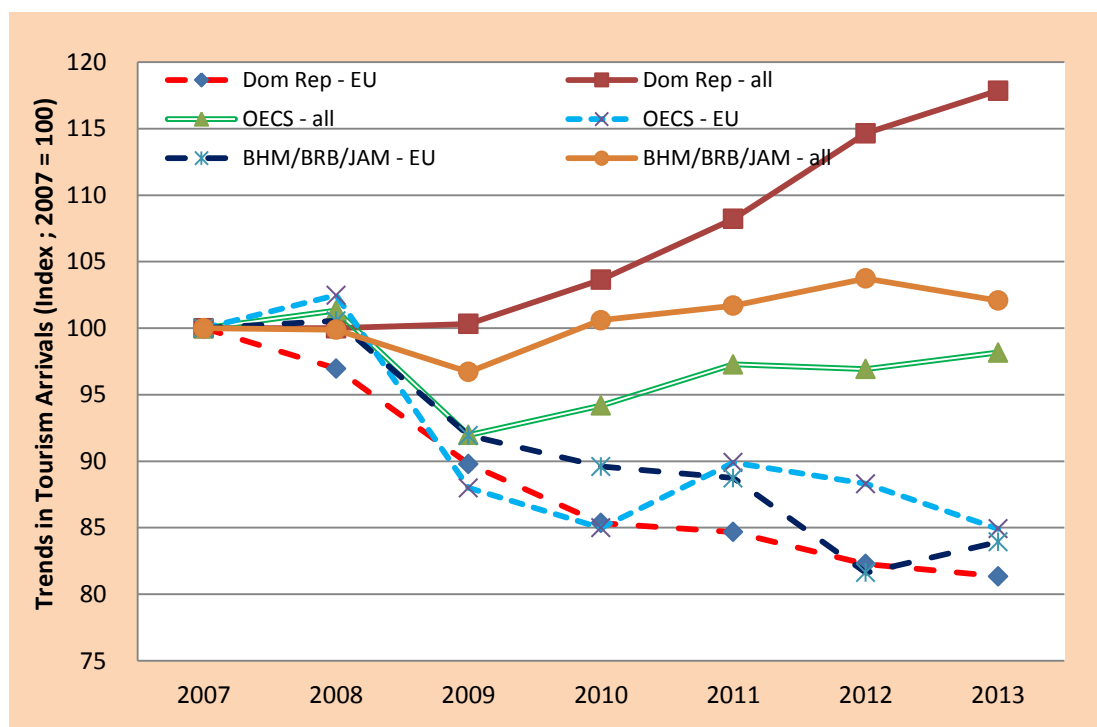
While the UK Government has – in part as a response to Caribbean concerns – sought to reform the APD¹³⁷, its actual impact was arguably swamped by other major developments in the CARIFORUM tourism sector:

- First, the impact on tourism services from 2007 to 2013 due to the global recession, which hit traditional target markets for the Caribbean (e.g. the UK, Spain and the United States) particularly hard – with overall arrivals into key CARIFORUM markets (the three solid lines in Figure 14) showing either stagnation followed by a swift recovery (the Dominican Republic), or sharp declines followed by further declines (the OECS) and/or weak recovery (collectively, The Bahamas, Barbados and Jamaica).
- Second, tourism arrival statistics show an overall decline in EU tourism arrivals into the Caribbean (the dashed lines in Figure 14), particularly from traditional – and still economically struggling – markets such as the United Kingdom, albeit slightly compensated by stronger arrivals from non-traditional markets within Latin America.

¹³⁶ “The Impact of Air Passenger Duty And Possible Alternatives for the Caribbean”, Caribbean Tourism Organisation, November 2010.

¹³⁷ “Air passenger duty: recent debates & reform”, House of Commons Library, London, May 2014.

Figure 14: Trends in Tourism Arrivals - Selected CARIFORUM Countries: 2007 -2013:
(Index: 2007 = 100)



Source: Caribbean Tourism Organisation (<http://onecaribbean.org>).

There have been some changes within the category of transport services and other business services, albeit not necessarily linked to the CF-EU EPA. The largest exporters of transport services within CARIFORUM, based on data from CARICOM (and UNCTAD for the Dominican Republic) over the period from 2004 to 2011 are Jamaica, Trinidad and Tobago and the Dominican Republic (as shown in Table 27). Over this period exports have remained relatively stable, only declining by 5.45 % in 2011 by comparison with the 2008 level. The pattern has, however, changed between the pre- and post-EPA periods, with Jamaica being ranked ahead of the Dominican Republic in the pre-EPA period and behind in the post EPA period.

For other business services, over the period from 2004 to 2011, data from the CARICOM secretariat and supplemented by UNCTAD data for the Dominican Republic, indicates that, on average, the three largest exporters of business services were Bahamas, Barbados and the Dominican Republic respectively. A comparison of trends in the pre- and post-signing period did not reveal any reversal in this pattern. Overall, over the period from 2004 to 2011, exports of Other Business Services fluctuated over the period, reaching their peak in 2008 and their lowest level in 2011. The value of other business services exports in 2011 declined by 19% by comparison with their 2008 levels.

Table 27: CARIFORUM Exports of Transport Services (US\$ M)

CARIFORUM States	2004	2005	2006	2007	2008	2009	2010	2011
Antigua & Barb.	80	85	80	96	136	140	121	123
Bahamas	55	56	57	58	53	79	118	132
Barbados	26	28	31	38	27	37	23	-

Belize	27	30	29	30	25	17	20	22
Dominica	9	12	8	8	10	10	11	11
Dom. Republic	100	128	298	352	363	352	433	440
Grenada	-	-	13	13	13	12	13	-
Guyana	7	8	8	-	-	-	-	-
Jamaica	497	451	459	447	469	344	295	284
Saint Kitts & Nevis	10	11	12	13	14	17	14	15
Saint Lucia	15	22	22	-	18	19	20	21
St Vin. & Gren.	11	11	12	12	11	8	10	11
Suriname	-	-	25	20	19	19	31	22
Trinidad & Tobago	303	224	293	295	293	285	223	-
Total	1,142	1,065	1,346	1,382	1,451	1,338	1,334	1,079

Source : CARICOM Statistics Unit and UNCTAD.

7.4 Impacts on Investment

While there was a certain level of expectation that the CF-EU EPA would boost investment, in many cases this has not occurred, largely due to the impact of the global recession. During the consultations held for this study, some CARIFORUM stakeholders – particularly those with relatively high levels of EU presence in their economies – pointed out that investors saw the conclusion of the Agreement as a strong positive signal for investors.

As with the services side, data is a constraint – FDI flows are not disaggregated to the level of individual partner countries. There are serious methodological limitations as well: while the economic literature points to the strong signalling influence on FDI flows of the conclusion of treaty obligations, it also cautions that it is extremely difficult to unpack the individual elements of the signal.

These limitations notwithstanding, aggregate indicators suggest that FDI inflows into the region declined in 2009 – largely due to the global recession – and then improved towards the end of 2012, which is consistent with trends in FDI into developing countries in the post-crisis era. FDI net inflows into CARIFORUM showed positive year on year increases. Estimates for 2013 based on the UNCTAD FDI Monitor (2014) indicate that FDI inflows into the Caribbean¹³⁸ increased by 5.3% by comparison with their 2012 levels.

EU investment in services is by far the most significant area of economic activity for FDI investment abroad. In the non-service areas of agriculture, mining and manufacturing – where stakeholders expressed the greatest interest in seeing a boost in FDI – there has been a global increase in EU FDI investment abroad, with the exception of manufacturing. However, the data does not currently break the aggregated picture into individual CARIFORUM markets.

During consultations, most stakeholders indicated that the level of EU investment into their respective territories was low and they did not see a boost upon provisional application of the EPA. In most cases, there was no concrete example of EU investment that could be provided. The significant exception was the Dominican Republic, where stakeholders noted a noticeable increase in EU investment, acquisition and consolidation in certain key industries – including financial services, retail (especially supermarkets), beverages (particularly in beer and rum), tourism, telecommunications and ports. However, the same stakeholders noted that many of these investments were in the pipeline well before the CF-EU EPA.

¹³⁸ This includes all Caribbean and not only CF EPA partners, and also excludes Belize with is often grouped in UNCTAD data sets in South America. The Report indicates that while most of the growth in Latin America and Caribbean grouping came from the Caribbean, this was mainly driven by the British Virgin Islands.

The data provided by CARICOM on investment inflows into partner countries was not always available by partner country or industry. For countries where inflows could be identified by industry, the main trends over and beyond the review period include:

- For *Antigua and Barbuda*, significant inflows were reported to tourism and the “other” category, with tourism inflows fluctuating over the period from 2004 to 2011;
- For *Belize*, inflows went mainly into agriculture, mining, quarrying and fishing;
- For *Guyana*, the main three industries and sectors accounting for inflows were agriculture, fishing/forestry, and mining/quarrying – with transport and communication dominating, and to a lesser extent tourism and energy;
- For *Jamaica* the main areas of inflows over the period from 2009 to 2011 were agriculture, manufacturing and distribution as well as information technology and tourism – and while inflows into the latter two declined over the period, inflows into agriculture, manufacturing and distribution increased in 2011;
- For *St Kitts & Nevis*, the main area of inflow reported was tourism, reaching a peak in 2008 and declining towards the end of 2011;
- For *St. Lucia*, the main industry attracting inflows (that could be discretely accounted for) was tourism, reaching its peak in 2007 and declining thereafter; and
- For *St. Vincent & the Grenadines*, the main industry for inflows was tourism, which, after a decline in 2009, continued to increase towards the end of 2011.

8 Impacts on Sustainable Development (Including Labour and the Environment)

Like regional integration, concerns about sustainable development are spread throughout the CF-EU EPA text. Sustainable development is a broad term that covers social, economic, ecological and technological ideas; it addresses not only the conservation of resources – i.e. ensuring that the needs of the current generation do not compromise those of future generations – but also notions of equity, i.e. minimising the conflict between the current needs of different communities and demographics¹³⁹.

The notion of sustainable development is a bedrock principle of the CF-EU EPA – the opening Part I of the Agreement is entitled “Trade Partnership for Sustainable Development” – and the first objective of the CF-EU EPA under Article 1 appears to focus the idea of sustainable development on poverty reduction. Given the broad scope of the trade and development provisions in the CF-EU EPA, however, the implementation of virtually any commitment that generates growth could have some poverty-reducing effect. Moreover – unlike regional integration – there is no *specific* commitment on poverty reduction in the Agreement. This chapter takes a wide perspective on sustainable development, addressing both the broader definition and specific areas – i.e. poverty reduction, social/environmental standards and environmental protection.

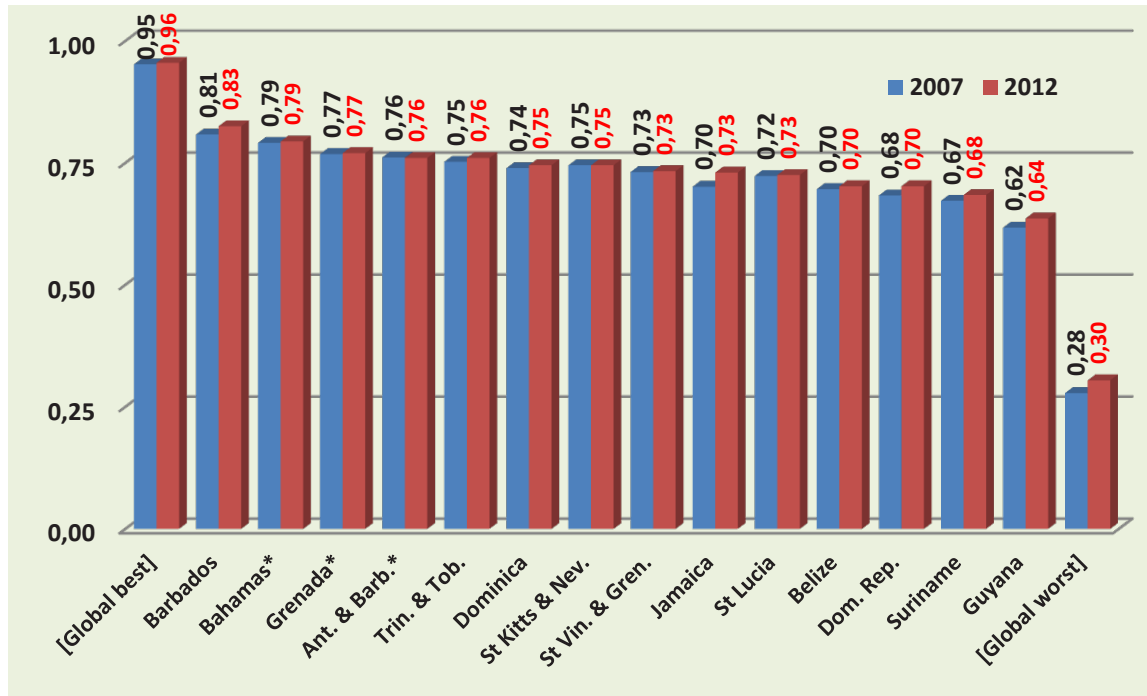
There has been relatively little change in one of the most commonly cited measures of sustainable development – the UN Human Development Index (HDI) – in individual CARIFORUM States. The HDI is a composite measure of country-level outcomes in health, education and income, which creates a single score from 0 (lowest level of human development) to 1 (highest)¹⁴⁰. Among the 187 countries examined in the 2012 dataset, the HDI scores for CARIFORUM States (shown in Figure 15) – with the notable exception of Haiti – are not only relatively closely clustered relative to the global best and worst (Norway and Niger, respectively), but also show relatively little change from 2007 to 2012. Only four countries show

¹³⁹ “What Is Sustainable Development”, World Bank website, accessed online at <http://www.worldbank.org/depweb/english/sd.html>.

¹⁴⁰ A description of the HDI components can be found at <http://hdr.undp.org/en/statistics/hdi>.

a greater than 1% change in their HDI scores over the review period of CF-EU EPA implementation (Barbados, Jamaica, Dominican Republic and Guyana), in all cases due to minor increases in life expectancy and per capita GNI.

Figure 15: Comparative Human Development Index for CARIFORUM States



Source: UNDP Human Development Index database, accessed online at <https://data.undp.org>. * denotes HDI for 2007 not available; 2010 HDI used instead. Global best and worst correspond to Norway and Niger respectively.

8.1 Poverty

There is extremely limited coverage of household income and poverty indicators for many CARICOM countries and the little data that exists does not allow for useful comparisons over time. In part due to long time delays in executing and processing census data, measures of both household incomes and poverty are only available for a handful of CARICOM countries despite the centrality of poverty eradication as the first Millennium Development Goal (MDG). The most commonly used international databases (i.e. the World Bank's Poverty and Inequality Database and the UNDP Human Development Reports) either have no entries for individual CARICOM States or only single entries that provide no basis for pre- and post-2008 comparison. The most detailed poverty assessments are maintained by the Caribbean Development Bank¹⁴¹, but once again (a) the country coverage is extremely limited and (b) those countries with multiple reports do not have a post-2008 data point that allows consideration of CF-EU EPA implementation.

In the case of the Dominican Republic, the review period continues to exhibit the "Dominican paradox" of high growth but stubbornly high poverty levels. By contrast with other fast-growing regional economies such as Brazil, Costa Rica, Peru and Colombia – which have reduced poverty rates by nearly one half – the Dominican Republic (the only CARIFORUM State with a consistent and publicly available dataset on poverty) has broadly similar levels of poverty in the pre- and post-2008 periods, albeit with a large spike during the 2003-2004 banking crisis.

¹⁴¹The CDB assessments can be found at <https://www.caribank.org/publications-and-resources/poverty-assessment-reports-2>.

As noted in a recent comprehensive study by the World Bank of poverty in the DR:

GDP per capita rose almost 50 percent from 2000 to 2011, yet many of the country's 10 million people missed out on the benefits. Moderate poverty has fallen by only half of the dramatic spike that followed the decade's only growth setback, a 2003-2004 economic crisis. Chronic poverty—in which people endure long spells of being poor—remains high. Of greater concern, almost one third of the population is poor despite having the skills and assets to generate higher income.

*The Dominican Republic also has low economic mobility, with less than 2 percent of its people climbing to a higher income group during the decade, compared to an average 41 percent in the Latin America and Caribbean region as a whole. Despite improving access to basic goods and services such as water and education, coverage and quality remain uneven, thus limiting the economic opportunities of many disadvantaged people.*¹⁴²

8.2 Labour and Employment

CF-EU EPA impacts on labour standards and employment conditions could potentially arise from several sections of the Agreement. The CF-EU EPA speaks to labour issues in several instances, both under the investment provisions of the Agreement – Articles 72 (Behaviour of Investors) and 73 (Maintenance of Standards) – and a dedicated Chapter 5 (Social Aspects). These CF-EU EPA provisions not only reaffirm existing commitments under relevant UN and ILO conventions but also seek to avoid either Party using lower/relaxed labour standards to attract FDI or to increase protection. The provisions also encourage development cooperation related to social and labour standards.

The analysis of CF-EU EPA commitments in the area of labour is best understood in relation to the ILO's notion of “decent work”. The concept of “decent work”, which was first formulated by the ILO in 1999, has become the standard conceptual framework by which labour market trends and relationships are analysed. There is a range of indicators under the ILO's conceptual framework, given that

*[Decent work] reflects a comprehensive vision that takes into account not only issues relating to access to work (participation, employment, underemployment, unemployment, among others) but also qualitative aspects that affect individuals at work, such as vocational training, health and other workplace conditions, employment security, excessive work hours and work-life balance, workplace ethics (forced labour and child labour), gender equality and non-discrimination and social dialogue and worker participation. It is thus a vision shared with other conceptual frameworks such as employment quality.*¹⁴³

As in the environmental field, the wide range of indicators – combined with data constraints in CARIFORUM (particularly within CARICOM) and the limited scope of this study – requires a focus on a relatively narrow list, including unemployment rates, changes in wages (both minimum and real) and changes in labour market participation rates (each considered in turn below).

The major impacts on employment rates from 2008 onwards have been related to the global recession rather than the CF-EU EPA. While labour data in CARIFORUM is often subject to some of the same gaps and timeliness issues as with the poverty data cited above, the handful of CARIFORUM States that regularly conduct labour market surveys shows the significant impact on unemployment rates from the global recession (There has **only been modest movement of minimum wages across the region since 2008**. Over a time period that saw large rises in the cost of food and energy-related items (ranging from transport to electricity), minimum wage rates (shown in Table 28) have not only been relatively static across

¹⁴² World Bank (2014)

¹⁴³ ECLAC/ILO, “The employment situation in Latin America and the Caribbean: Advances and challenges in measuring decent work”, UN-ECLAC and International Labour Organisation, Santiago, May 2013.

the region – increasing in less than half of CARIFORUM States since 2008 – but also remain noticeably low given the high cost of living in many countries (particularly within the smaller, tourism-heavy jurisdictions). While stakeholder consultations indicate little impact from the Agreement *per se*, there has been an impact in terms of some CARIFORUM States' ability to contemplate wage increases (particularly within the private sector) with strict limitations on expenditures – either from a recession-led decrease in revenues or the performance requirements of an IMF arrangement or both (Figure 16). From 2008 onwards, there was a marked rise in unemployment and underemployment, largely eroding the gains of previous years. In some countries, the recession compounded a situation of already-high, chronically double-digit unemployment rates, particularly among females, young people and lower-skilled workers.

The unemployment statistics across countries largely follows the pattern noted in Chapter 2, with the largely tourism-dependent economies such as The Bahamas, Barbados, Belize, Jamaica and St Lucia seeing a post-2008 increase. Individual data points from other countries also indicate a similarly severe recession (e.g. Grenada's increase from 24.9% in 2008 to 30% in 2010). Resource-dependent economies such as Trinidad & Tobago and Suriname saw a gradual decline in unemployment from 2008 to 2014. Guyana saw negligible labour market impacts

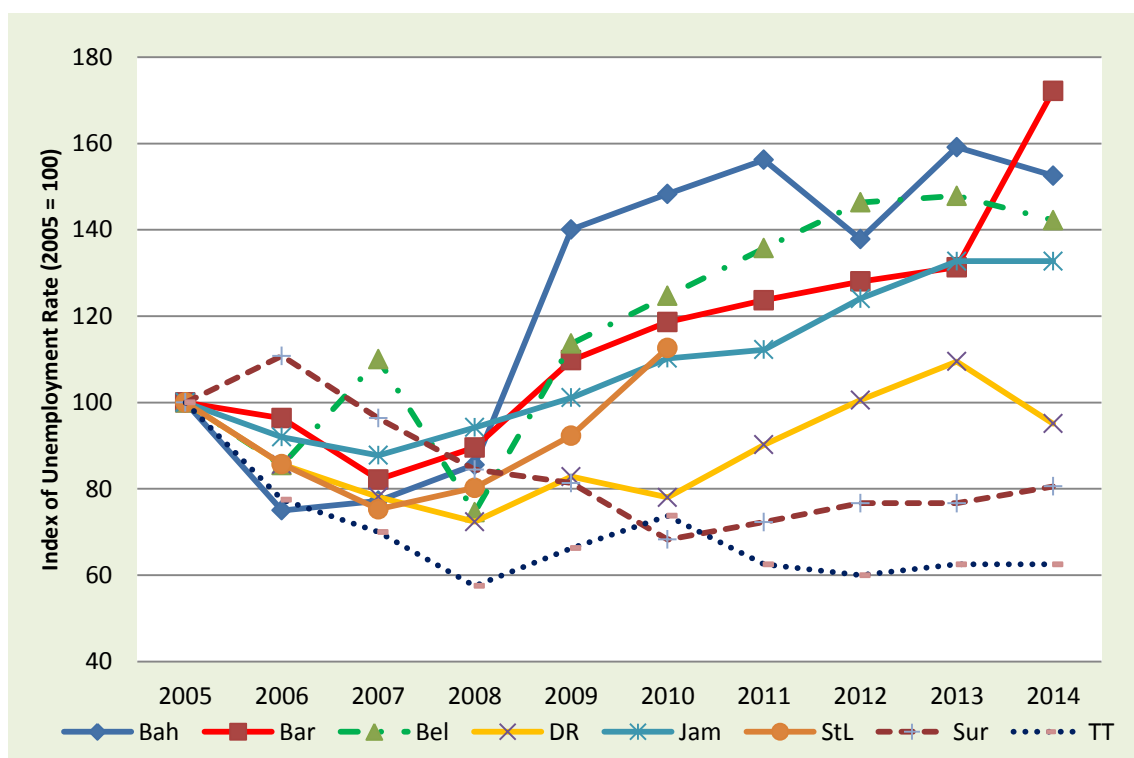
There is no clear linkage between the country-level unemployment outcomes and CF-EU EPA commitments, given that a study by the University of West Indies found that the most pronounced impacts were in sectors where CARIFORUM had not undertaken significant liberalisation or where liberalisation had not yet begun, including a range of service sectors (construction, tourism, finance, insurance, real estate, wholesale/retail trade) and manufacturing¹⁴⁴.

There has only been modest movement of minimum wages across the region since 2008.

Over a time period that saw large rises in the cost of food and energy-related items (ranging from transport to electricity), minimum wage rates (shown in Table 28) have not only been relatively static across the region – increasing in less than half of CARIFORUM States since 2008 – but also remain noticeably low given the high cost of living in many countries (particularly within the smaller, tourism-heavy jurisdictions). While stakeholder consultations indicate little impact from the Agreement *per se*, there has been an impact in terms of some CARIFORUM States' ability to contemplate wage increases (particularly within the private sector) with strict limitations on expenditures – either from a recession-led decrease in revenues or the performance requirements of an IMF arrangement or both.

¹⁴⁴ Archibald, Bynoe and Moore (2010)

Figure 16: Index of Unemployment Rates in Selected CARIFORUM Economies (Percentage of Labour Force, 2005=100)



Source: IMF World Economic Outlook database (April 2014), accessed online at www.imf.org; supplemented by Archibald, Bynoe and Moore (2010). Unemployment rates for Antigua & Barbuda, St Kitts and Nevis, and Guyana unavailable.

Table 28: CARIFORUM Minimum Wage Rates

Country	Minimum Wage	US\$	As of
Antigua & Bar.	EC\$7.50 per hour	2.78	2008
Bahamas	BSD\$4 per hour, B\$30 per day, and B\$150 per week.	4	2002
Barbados	BDS\$6.25 per hour	3.13	2012
Belize	BZ\$3.30 per hour	1.63	2012
Dominica	Varies by occupation - between EC\$4.00 and EC\$5.50 per hour	1.4-2.04	2008
Dominican Rep.	Varies by occupation - between 6,880 and 11,292 pesos per month	0.90-1.49	2013
Grenada	Varies by occupation - between EC\$4.50 and EC\$6.00 per hour	1.60-2.22	2002
Guyana	G\$202 per hour	0.982	2013
Jamaica	J\$5,600 per week	1.27	2013
St Kitts & Nevis	EC\$8.00 per hour	2.96	2008
St. Lucia	Varies by occupation - between EC\$160 and \$300 per month	0.33-0.63	1985
St. Vincent & Gren.	Varies by occupation - between EC\$32 and \$56 per day	1.4-2.59	2008
Suriname	No minimum wage - for public service SRD 600 per month	1.02	
Trinidad & Tob.	TT\$12.50 per hour	1.93	2011

Source: US State Department Country Human Rights Reports for 2011 and 2013, accessed online at <http://www.state.gov>.

While data sources vary considerably, the global recession has had some impact on labour force participation rates. Drawing on selected national sources (due to the wide variance between data provided by national statistical offices, the World Bank and the ILO), there is some evidence that the global recession had some negative impact on labour force participation rates (i.e. the labour force divided by the non-institutional population) although there is no evidence that that the impact is linked to the CF-EU EPA. In Barbados, the total labour force participation rate dropped from its 2005 peak of 70% to 66.9% at the end of 2009 as potential workers withdrew from the Barbadian labour force, discouraged by declining

working opportunities and longer job-searching spells¹⁴⁵. Due in part to the unwinding of the energy boom in Trinidad & Tobago, the participation rate declined from a 2006 peak of 64% to 61% in 2011¹⁴⁶, while The Bahamas saw a four-percentage-point decline from its a peak of 76% in 2008 to 2012¹⁴⁷.

Trends under the review period show a continuation of the so-called “Dominican paradox”. As noted earlier in this study, the Dominican Republic has seen, on the one hand, rapid economic growth following the 2003 banking crisis, and on the other hand, persistently high informality, inequality and poverty – particularly when compared with other regional economic star performers such as Colombia, Costa Rica and Brazil.

While the 2008-2013 period has seen rapid growth – especially in tourism, manufacturing, telecommunications and financial services – the benefits of growth have not been reflected in labour outcomes. A 2013 study by the IMF¹⁴⁸ noted that the largest employment gains have been registered in relatively low-skilled, low-quality sectors (e.g. mining, domestic help, wholesale/retail trade and hotels/restaurants), with real wages trending downwards over the past two decades. Perhaps more importantly, the IMF study notes that a large share of the population remains inactive and/or within the informal sector, arguably as a response to a lack of employment opportunities at an attractive wage. These stylised facts place the Dominican Republic’s relatively low (by regional standards) unemployment rate in perspective, as noted by an ILO study prepared in 2013¹⁴⁹:

The Dominican open unemployment rate hovers around 5 per cent and is in the lowest range among countries in Latin and Central America... It is important to recognize that in many developing countries, a low level of open unemployment is not necessarily an indicator of well-being, or of how far a country is from a situation of full employment. Often, it reflects widespread poverty where large numbers of people cannot afford the luxury of being unemployed and actively searching for a job; rather, they are forced into occasional and informal jobs or self-employment in informal survival activities in urban and rural areas.

8.3 Environmental Protection

There are a number of CF-EU EPA provisions that could create impacts in the area of environmental protection. As with labour standards, environmental issues are covered under both the investment provisions of the Agreement – i.e. Article 73, where the parties agree to, *inter alia*, refrain from lowering domestic environmental standards to attract FDI – and a dedicated Chapter 4 (Environment). Under the latter set of Articles (183 to 190), the commitments range from the very broad – i.e. the need to “conserve, protect and improve the environment” (Article 183.3), or the need to account for scientific and technical information when preparing environmental measures (Article 186) – to the more specific, such as the procedures for consultation on environmental issues under the CF-EU EPA (Article 189) or the liberalisation of environmental goods and services (Article 183.5).

Quantitative indicators cannot easily capture many of the key environmental impacts of the CF-EU EPA. There has been no single indicator to capture environmental outcomes in CARIFORUM since 2008 – like sustainable development, the notion of “environmental

¹⁴⁵ “Barbados: 2010 Article IV Consultation-Selected Issues”, International Monetary Fund, Washington, September 2010.

¹⁴⁶ Data provided by Central Statistical Office, accessed online at <http://cso.planning.gov.tt>.

¹⁴⁷ *Key Labour Force Statistics*, Department of Statistics of The Bahamas, accessed online at <http://statistics.bahamas.gov.bs>.

¹⁴⁸ “Growth and Employment in the Dominican Republic: Options for a Job-Rich Growth”, International Monetary Fund Working Paper #WP/130/40, Washington, February 2013.

¹⁴⁹ “Growth, Employment and Social Cohesion in the Dominican Republic”, Background Paper to the ILO-IMF Tripartite Consultation On Job-Rich And Inclusive Growth In The Dominican Republic, International Labour Organisation, Santo Domingo, 30 January 2013.

protection” is a relatively broad-based one. Databases maintained by the World Bank¹⁵⁰, UNEP¹⁵¹ and ECLAC¹⁵² address a range of indicators, including those related to:

- Biological diversity (e.g. protection of threatened areas/species);
- Management of finite resources (e.g. water use/quality, fisheries exploitation);
- Land use and density (e.g. population concentration in urban and environmentally sensitive areas);
- Consumption and disposal (e.g. energy use, CO₂ emissions, transport); and
- Equity considerations (e.g. access to freshwater and sanitation).

The methodological problems are even more pronounced for those provisions that are arguably more central to the environmental aspects of the CF-EU EPA. For example, the commitment (under Articles 73 and 188) to avoid creating trade or investment benefits to, in the language of the agreement, “enhance or maintain a competitive advantage” through a lowering of levels of environmental protection. For these areas dealing directly with the actions taken by CARIFORUM policymakers, there is no single metric of legislative compliance with the range of standards and environmental agreements to which individual countries are party, let alone an assessment that allows comparisons over time.

9 Impacts on the CARIFORUM’s Attractiveness For Investing and Business

Improving the CARIFORUM business climate is arguably a major objective of the agreement, albeit without a dedicated chapter or specifically titled provisions – although this is not entirely unusual from an FTA standpoint. The goal of using the CF-EU EPA to increase the business attractiveness of CARIFORUM States is alluded to in several areas of the Agreement – for example, under the objectives to the Agreement (Article 1)¹⁵³, in the reference to the Fundamental Principles of the Cotonou Agreement (Article 2) and in the listing of development cooperation priorities (Article 7)¹⁵⁴.

Unlike other overarching objectives (e.g. regional integration or development), however, there is no stand-alone chapter or specifically entitled provision where one can match time-bound commitments with impacts in CARIFORUM States. As regards traditional FTA practice, this is not entirely unusual – trade agreements generally do not address many of the “behind the border” obstacles to doing business within specific States, as these are considered to be intrinsically part of that State’s overall policy infrastructure that (in theory) should apply in a non-discriminatory manner; only in much deeper integration exercises (e.g. the European Union) would such measures be covered to ensure regulatory convergence and thus the operation of a true internal market. They are, however, considered to be intrinsically linked to trade policy, as seen by the focus of major policy audits such as the WTO Trade Policy Review on so-called “red tape”.

¹⁵⁰ The World Bank’s data related to Millennium Development Goal #7 (“Ensure Environmental Sustainability”) can be found at <http://databank.worldbank.org>.

¹⁵¹ The UN Caribbean Environmental Programme can be accessed at <http://www.cep.unep.org>.

¹⁵² The ECLAC database can be found at <http://estadisticas.cepal.org>.

¹⁵³ For example, Article 1(e), stating that: “*The objectives of this Agreement are: (e) Supporting the conditions for increasing investment and private sector initiative and enhancing supply capacity, competitiveness and economic growth in the CARIFORUM region.*”

¹⁵⁴ Several priorities listed under Article 7 refer indirectly to measures that could improve the business climate, including “(iii) *The provision of support measures aimed at promoting private sector and enterprise development, in particular small economic operators, and enhancing the international competitiveness of CARIFORUM firms and diversification of the CARIFORUM economies*”, and “(vii) *Support for the development of infrastructure in CARIFORUM States necessary for the conduct of trade.*”

Given the relative absence of provisions on enhancing the business attractiveness of CARIFORUM, a clear analytical definition must be chosen (with its component indicators), and each indicator matched against the relevant commitment in the CF-EU EPA text.

According to World Bank data, CARIFORUM States span the full range of rankings under their annual “Doing Business” surveys. By far the most commonly accepted global database of “business attractiveness” is the World Bank’s Doing Business project¹⁵⁵, which provides annual quantitative measures of business rankings for 189 countries – in particular, measuring the impact of business regulations facing small and medium-sized businesses over their life cycle (i.e. from start-up to liquidation).

Based on the Doing Business rankings for 2008 and 2014 (shown in Figure 17), CARIFORUM States display a remarkable range of business attractiveness, from St Lucia at the top end (ranked 64th out of 189 countries in 2014) to Haiti at the bottom end (177th out of 189). There cannot be any direct comparison of each country’s ranking between 2008 and 2014 as the total sample size varied from one year to the next. Also, one country’s relative standing could be improved or worsened by decreases or increases in another country’s performance. However – apart from changes in the first half of the cohort – the relative ranking between CARIFORUM States in the World Bank dataset has not substantially changed over the first period of CF-EU EPA implementation.

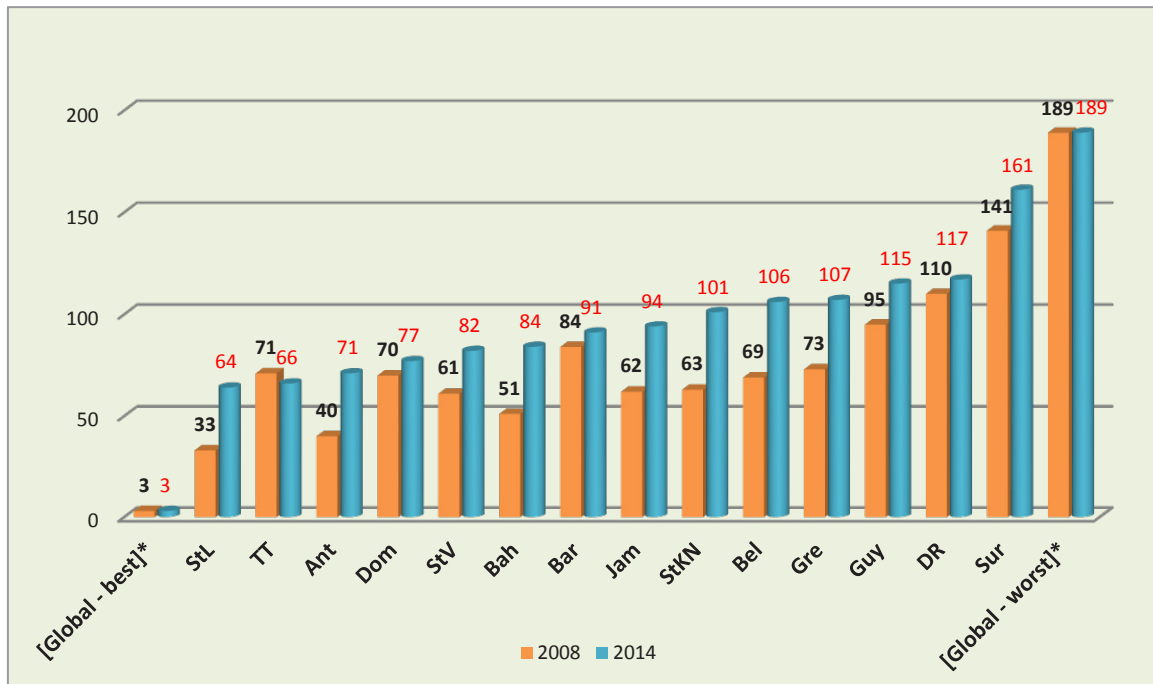
There are few *direct* links between the Doing Business Indicators and the CF-EU EPA. The Doing Business indicators are grouped under ten categories, namely:

1. Starting a business (procedures, time, cost and minimum capital to open a new business);
2. Dealing with construction permits (procedures, time and cost to build a warehouse);
3. Getting electricity (procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse);
4. Registering property (procedures, time and cost to register commercial real estate);
5. Obtaining credit (strength of legal rights index, depth of credit information index);
6. Protecting investors (indices on the extent of disclosure, extent of director liability and ease of shareholder suits);
7. Paying taxes (number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit);
8. Trading across borders (number of documents, cost and time necessary to export and import);
9. Enforcing contracts (procedures, time and cost to enforce a debt contract); and
10. Resolving insolvency (time, cost and recovery rate (%) under bankruptcy proceeding).¹⁵⁶

¹⁵⁵ Website: <http://www.doingbusiness.org>

¹⁵⁶ In the calculation of individual scores/rankings, “procedures” refers to the number of procedures required; “time” to the number of days required; “cost” is expressed as a percentage of income per capita; for other definitions see <http://www.doingbusiness.org/data>.

Figure 17: CARIFORUM World Bank "Doing Business" Rankings (2008/2014)



Source: World Bank Doing Business website (<http://www.doingbusiness.org>); no 2008 ranking is available for Barbados.
*Best and worst global rankings for 2014, corresponding to Singapore and Chad respectively.

In some areas, one can argue for a link between the CF-EU EPA and specific Doing Business indicators. The set of indicators on “trading across borders”, for example, is addressed (albeit weakly) under Article 31, where

2. *The EC Party and the Signatory CARIFORUM States agree that their respective trade and customs legislation, provisions and procedures shall be based upon:*

(d) the need to apply modern customs techniques, including risk assessment, simplified procedures at import and export, post release controls and objective procedures for authorised traders. Procedures should be transparent, efficient and simplified, in order to reduce costs and increase predictability for economic operators;

3. *In order to improve working methods, as well as to ensure non-discrimination, transparency, efficiency, integrity and accountability of operations, the EC Party and the Signatory CARIFORUM States shall:*

(a) take further steps towards the reduction, simplification and standardisation of data and documentation;

(b) simplify requirements and formalities wherever possible, in respect of the rapid release and clearance of goods;

In other areas, however, the link is either tangential or arguably non-existent. For example, minimum capital requirements are generally considered to be matters of internal law and not matters specific to the preferential relationship between parties to the FTA. Similarly, other elements of the list – dealing with construction permits, accessing utilities (e.g. electricity), paying taxes, enforcing contracts and resolving bankruptcies – are not covered in the CF-EU EPA. For other indicators, the CF-EU EPA addresses some aspects but often not the specific obstacle of interest in the Doing Business dataset. Under the “protecting investors” indicator, the CF-EU EPA addresses investment under Mode 3 (commercial presence), but not the legal aspects of investor protection nor the application of international best practices of interest to the

World Bank. Similarly, on the “registering property” criteria, there are restrictions on the acquisition of land in relation to the establishment of commercial presence, but nothing in the Agreement that speaks to the procedural aspects of land acquisition¹⁵⁷.

There have been some significant changes to individual countries’ indicators since 2008. Annex III lists the significant change (i.e. more than 15% change, positive or negative) in the quantitative level of the relevant indicators for individual CARIFORUM States. Before noting specific changes, a few general trends are noticeable:

- First, there are a number of blank cells, which indicates that the relevant indicator did not significantly change over the five-year period under review. This is particularly unfortunate for those countries with very low rankings on specific indicators: the Dominican Republic, for example, still requires 14 separate procedures to deal with construction permits over 216 days, resulting in a ranking of 121 out of 189 countries – below even low-income Sub-Saharan economies such as Togo, Mali and Guinea-Bissau – and requires 324 hours on average per year to pay taxes. The indicators do not, however, capture major reforms carried out prior to 2008 – in 2006/7, for example, the Dominican Republic made the largest reform to property registration in the Latin America & Caribbean region, passing 6 laws to restructure the registration process and cutting the time required for registration from 107 days to 60¹⁵⁸.
- Second, there are certain indicators expressed as a percentage of income per capita – e.g. the costs of starting a business, dealing with construction permits and getting electricity – where it is difficult to ascertain the source of any changes, which could arise either from the numerator or the denominator; the World Bank dataset does not provide detailed breakdowns prior to 2013.
- Third, while the table shows *changes* since 2008, it does not show the current *level* of individual indicators, which are arguably more important from a business attractiveness perspective.

The World Bank surveys suggest an across-the-board decrease in the number of days required to start a business. The change is particularly noticeable for Suriname (70% decrease), Haiti (52%), Guyana (46%) and Jamaica, St Lucia and Grenada (25% each). In the cases of the Dominican Republic, Jamaica, St Lucia and Trinidad & Tobago, the change was accompanied by a reduction in the relevant number of procedures. Here again though, reflecting the third caveat in the preceding paragraph, the largest improvements may not necessarily provide the needed boost to business creation if the actual level remains low. Suriname and Haiti, for example, each made large reductions in the number of days required to start a business from 2008 to 2014, but the current number of days required – 208 for Suriname and 97 for Haiti – lie well above most other CARIFORUM States (the OECS countries require, on average, only 15 days).

There have been significant changes – both positive and negative – in the cost and time associated with trading across borders. The World Bank data suggest a somewhat mixed picture. On one hand, there has been a virtually across-the-board decrease in the number of days required to import and export – particularly in Grenada (61% decrease on the import side), Trinidad & Tobago (46%) and Haiti (37%). For the other CARIFORUM States, reflecting the limitations of the World Bank dataset, it is not entirely clear whether the Doing Business methodology captures a reduction in the key hurdle in CARIFORUM economies – i.e. clearing

¹⁵⁷ There is an EU horizontal reservation with respect to the acquisition of land and real estate by foreign investors in all sectors of commercial presence with respect to a number of EU States (AT, BG, CY, CZ, DK, EE, ES, EL, FI, HU, IE, IT, LT, LV, MT, PL, RO, SI, SK); there are similar restrictions in the CF schedule especially with respect to the OECS states (pursuant to Alien Landholding Legislation).

¹⁵⁸ “Doing Business 2008”, World Bank, Washington, January 2008.

goods that have been imported¹⁵⁹. In the particular case of Grenada, the reduction can be largely attributed to the 2010 launch of the ASYCUDA World project – supported in part by EU funding – that has, based on stakeholder consultations, had a significant impact on clearance times.

On the other hand, the data shows a concomitant increase in the cost (measured in US\$) to import and export. Upon closer examination of yearly data, this change (US\$ cost) is concentrated in 2008-2009, and is probably due in part to the increase in the price of oil and concomitant impact on shipping costs.

10 Impacts on Institutional Strengthening & Policy Orientation

10.1 Institutional Strengthening

During the review period, several institutions have been established under the CF-EU EPA although (as noted earlier) their effectiveness has been limited by resources and mandates. Given that virtually all development cooperation projects within CARIFORUM have some kind of capacity-building aspect, it is virtually impossible to capture how EU funds have impacted institutional strengthening within the region in a single statistic. While one could, for example, measure increases in budgets or staff numbers, anecdotal experience suggests that these factors are only weakly related to the strength and effectiveness of institutions.

The CF-EU EPA did result in the creation of entirely new institutions within CARIFORUM, most notably the EPA Units at the national and regional level. This study has emphasised that the potential impact of those Units is often compromised because they take a long time to set up and due to their restrictive mandates and resource constraints. Given the large increase in resources for EPA implementation foreseen under the 10th EDF – including dedicated funds for the operations of the EPA Units – an analysis of institutional strengthening solely linked to the Agreement may be more appropriate in the context of the next Five-Year Review.

10.2 Policy Orientation

The attitudes and orientations of policymakers are notoriously difficult to quantify but there is some evidence that the CF-EU EPA has had an impact. Consultations with former negotiators suggest that, apart from the prescriptions on the policies to be adopted (and those to be avoided) on both sides, a key motivation in negotiating the CF-EU EPA was to effect a shift in regional stakeholders' thinking on trade issues: for example, how – after several decades of unilateral market access into the EU that had largely failed to diversify the region's exports – to create a policy focused on international competitiveness and innovative export capacity; or how to jump-start those elements of regional integration that had stalled, or where additional focus was required.

¹⁵⁹ The methodology (accessed online at <http://www.doingbusiness.org/Methodology/trading-across-borders>) notes that “documents required for clearance by relevant agencies—including government ministries, customs, port authorities and other control agencies—are taken into account.” But under the time taken for importing/exporting, the methodology notes that:

The time for exporting and importing is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost and is available to all trading companies, the fastest legal procedure is chosen. Fast-track procedures applying only to firms located in an export processing zone, or only to certain accredited firms under authorized economic operator programmes, are not taken into account because they are not available to all trading companies. Sea transport time is not included. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. But it is assumed that document preparation, inland transport, customs and other clearance, and port and terminal handling require a minimum time of 1 day each and cannot take place simultaneously. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.

The CF-EU EPA has, in some albeit limited ways, become a bridge between the CARICOM CSME Member States and the rest of CARIFORUM. These impacts have arguably been felt with respect to:

- CARICOM-DR: Notwithstanding on-going discussions on regional preference (and related discussion in the context of the CARICOM-DR FTA), consultations held for this study indicated that the CF-EU EPA negotiation process stimulated private sector interest and increased linkages between firms based in the Dominican Republic and some CARICOM countries (particularly Trinidad & Tobago); this networking effect was particularly pronounced for the EU trade missions funded by Caribbean Export.
- Dominican Republic – Haiti: Consultations in the Dominican Republic indicate that the CF-EU EPA is viewed by some stakeholders as a channel for discussing DR-Haiti relations, in the absence of a formal instrument governing bilateral trade. While effectiveness is hampered by other bilateral issues and by Haiti's non-application of the Agreement, the potential value-added as seen from the Dominican Republic¹⁶⁰ – apart from the grant of regional preference – is particularly high for certain border and behind-the-border measures (e.g. tariffs, SPS/TBT, Customs Cooperation) as well as EU-funded cooperation projects such as the Haiti-DR Bi-national Programme funded by the 10th EDF.
- Bahamas – CSME – Dominican Republic: Since the signature of the CF-EU EPA, The Bahamas has launched a number of initiatives to build a value-added strategy based on a regional export platform and drawing in part from the CF-EU EPA regional preference obligation as well as stronger links with public and private counterparts in CARIFORUM. For example, The Bahamas has signed an MoU with the Dominican Republic (including a joint Business Council) to trade Bahamian expertise in services for Dominican expertise in goods. The Bahamas has also initiated new dialogue with Haiti on building trade capacity by developing projects of mutual benefit, including the possibility of manufacturing juices in The Bahamas from Haitian agricultural produce¹⁶¹.

Another “EPA impact” on regional trade policy is the use of the Agreement, albeit with some modifications, as a template for future North-South negotiations. While Brazil and other developing countries expressed their concerns about the impact of the MFN Clause on South-South trade, CARIFORUM countries have leveraged the MFN Clause to essentially use the CF-EU EPA as a template for future trade negotiations with developed countries. In their on-going negotiations with Canada, for example, CARICOM has based a number of its positions (initial, fall-back and red-line) on the treatment provided for under the CF-EU EPA, and marshalled MFN concerns to avoid market opening on certain products. Consultations also suggest that the Dominican Republic's position for its negotiations with Canada, which began shortly after the signature of the CF-EU EPA, was essentially framed by the CF-EU EPA rather than the relatively more ambitious DR-CAFTA text.

¹⁶⁰ Ogando and Ayuso (2009), “Desarrollo de una agenda comercial dominico-haitiana vía el Acuerdo de Asociación Económica CARIFORO-UE: Una perspectiva dominicana”, UNIBE, March 2009.

¹⁶¹ “Regional Integration and Trade: Utilizing Trade Agreements for Market Access: A Value-Added Trade Strategy”, remarks delivered by Hon. Ryan Pinder to The Bahamas International Investment & Business Forum, Freeport, Grand Bahama, 21st February, 2013.

Part III: Conclusions and Key Issues for the Five-Year Review

1. Conclusions and Key Issues for the Five-Year Review

1.1 The EPA “Signal”

At its best, a trade agreement – particularly one as ambitious and wide-ranging as the CF-EU EPA – can act as a signal for investors and governments, far beyond the technical details of commitments and implementation. In its narrowest sense, even a wide-ranging FTA such as the CF-EU EPA can be viewed merely as a tedious technical exercise: a long checklist of legal obligations, where individual undertakings are mapped on an Excel spreadsheet and, over time, placed in the “done”, “not done” or “resources needed” column. Progress can be viewed on the basis of pre-existing trade and whether or not the Agreement increased or decreased these flows.

In its widest sense, however, a trade agreement can be much more. It can act as a significant signal, alerting firms, entrepreneurs and other relevant actors that each Party is wide open to each other’s business and that both sides welcome diverse new trading activity. Most major developments in trading relations – for example, Eastern Europe’s trade with the European Union in the early years of its market transition – were not just, or even mainly, a modest expansion of existing trade flows. Quite the contrary, what occurred was a wide-scale entry into diverse new markets and hence the development and successful expansion of wholly new market positions.

The conversion of the implementation process – from a checklist to a signal – is a challenge, but also a huge opportunity, and in the longer term may prove to be the main benefit of the CF-EU EPA.

The study has found that the “EPA signal” – i.e. the active take-up of regulatory and market challenges and opportunities – is still struggling to be heard, both in the EU and in CARIFORUM. Even in large markets and companies, despite a number of awareness-raising initiatives by both the EU and CARIFORUM, there is a surprising lack of knowledge of the opportunities afforded by the Agreement, and in some quarters, lingering concerns over its potential impact. While, in certain instances – particularly the Dominican Republic – the EPA has served some part of its signalling function, in other States it has been muted by other events and other priorities.

The global recession has had a significant impact on the resources allocated – and priority afforded – to EPA implementation in many States. The study has emphasised how external events can easily overwhelm even the most modest undertakings under the CF-EU EPA, and has clearly shown how unfortunate CARIFORUM and the EU were in the timing of the Agreement. The marked contrast between the economic modelling exercise conducted for this study and the actual changes in imports and exports – in many cases showing differences of several orders of magnitude – clearly show how quickly changes in economic fortunes can place a mutually beneficial implementation agenda on the back burner. The impact of the Agreement might, however, increase over time as tariffs on more protected and/or more traded items are eliminated.

This lack of implementation and impact is also no doubt strongly linked to capacity issues – a point emphasised by nearly every stakeholder interviewed for this study. From the public sector and the EPA institutions to private firms and their representative bodies, the need to continue and strengthen capacity-building efforts has been highlighted time and time again. The fact that the CF-EU EPA involves a much wider range of commitments than under the Lomé and Cotonou framework has exposed challenges in terms of management, resources and effectiveness of both (a) the agencies and departments tasked with overseeing implementation and (b) the firms and business support organisations meant to seize the trading opportunities under the Agreement. This highlights the need to continue efforts on, *inter alia*,

supporting the improvement of legislative frameworks and to continue supporting the work of the EPA Units.

In other areas – such as regional integration – the obstacles are more complex. The study has highlighted the implementation deficit with respect to regional integration at several junctures and has also argued that these shortfalls in regional integration are arguably just as injurious to the objectives of the CF-EU EPA as any potential shortfalls in development cooperation. The shortfalls highlighted in the study range from larger issues (e.g. the non-implementation of regional preference and the absence of discussions on a regional EPA fund) to the failure to advance on common intra-CARIFORUM legislative approaches in specific sectors.

In some cases, this shortfall can be explained by capacity issues, whereby national issues and emergencies consistently relegate regional concerns to second order priority. In other cases, this is due to fears over asymmetries in the size and capacities of regional competitors. And in other cases, it is due to delays in CARICOM integration, whereby CARICOM Member States are putting further integration under the CF-EU EPA on hold until the relevant arrangements under the CSME are finalised. In this instance, a delay in progress towards implementing the CSME is automatically a delay in CARIFORUM and the EPA. While the EU stands in some contrast with its stronger compliance mechanisms, even formal integration in the EU is also subject to delays given the differing levels of capacity in its Member states.

There may be a more positive picture on the development cooperation side at the next Five-Year Review given that many key initiatives are only now coming on stream. On the development cooperation side, while the study suggests broad EU compliance on the spread of sectors and themes committed under the Agreement, the delays in starting EPA-related projects “on-the-ground” has significantly reduced their potential impact. Most of the key CF-EU EPA programmes under the 10th EDF – for example, those related to SPS and TBT, trade in services, and the strengthening of the EPA Units – were begun only within the latter half of the review period, implying that measurable aggregate impacts are still well into the future.

While some stakeholders were sympathetic to the burdens falling on those officials managing a growing portfolio of regional projects, there is an urgent need to quickly mobilise and to prioritise these new areas of EPA-related trade cooperation – notably in the area of services, which is the subject of significant interest within the region – and private sector development.

Many of the CF-EU EPA successes show, in part, how a mix of differing liberalisation schedules, capacity constraints and initial conditions matter. This study has highlighted the areas where the Dominican Republic has been able to tap into the economic benefits of the CF-EU EPA more than some of its CARICOM counterparts – an advantage likely due to a combination of three factors. First, it is partially due to the structural liberalisation under the CF-EU EPA itself: the Dominican Republic provided for more market opening under the Agreement (in both goods and services), and the CF-EU EPA provided the Dominican Republic with new/additional access (e.g. for sugar) that it did not previously enjoy, allowing for clear and commercially viable opportunities in the EU market. Second, there are some clear initial conditions that favour the DR under the EPA: its large domestic market, its more favourable cost structures and land endowments and strong links with several EU countries, with active EU chambers of commerce constantly seeking new markets for their investors.

And third, the timing of the CF-EU EPA was fortuitous. The Dominican Republic advantage was built on the structural adjustment already undertaken to comply with DR-CAFTA, whose provisions provided for a complete overhaul of much of the Dominican Republic’s trade-related legislation and whose economic successes (e.g. the strong growth of the DR’s free zones) could be relatively easily translated into the EPA. In 2008, the Dominican Republic was emerging from a banking crisis and feeling the effects of a tourism boom that would, despite some effects caused by the global recession, reverberate throughout the export sector. On the basis of these

three factors, it appears as if the private sector in the Dominican Republic was particularly receptive to the “EPA signal”.

On the CARICOM side, circumstances have not necessarily favoured implementation but there are promising signs. This study notes a number of instances where CARICOM Member States did take up the opportunities under the Agreement, whether within the EU or the Caribbean. It has also noted areas where Member States – either acting individually or together – and regional organisations have taken the initiative, whether in negotiating mutual recognition for architecture services or in using the Agreement as a platform for closer cooperation between the CSME, Dominican Republic, Haiti and The Bahamas. It finds however that, for many governments and private firms within the region – battered by the global recession, limited by their capacity and prioritising their own regional integration project (which has seen a mix of success and delay) – CF-EU EPA implementation has become, for some, a second order priority. As the impacts of the recession are tackled at the national level and as more cooperation projects are implemented, there is a potential for more take-up on the CARICOM side of the benefits under the Agreement.

And last, but certainly not least, the study has highlighted some of the limitations inherent in the Agreement. The analysis in Part II on the impact (or noticeable lack thereof) of the CF-EU EPA on the costs of doing business in CARIFORUM is particularly instructive. Many of the key elements that speak to private sector growth and investment decisions – the lack of availability of (and stringent conditions attached to) private sector financing to the cost and quality of electricity, basic utilities, transport and logistics – are not even covered in the CF-EU EPA, and are normally not covered in any FTA as they are part of a government’s core domestic regulatory space. Yet these issues were highlighted time and time again during the consultations held for this study as key barriers to competitiveness. This suggests that, while expectations for the CF-EU EPA were and should be high, there is a limit to what it can achieve.

1.2 The Five-Year Review Agenda: Tackling Key Implementation Deficits

The study has clearly highlighted implementation shortfalls on the “big ticket” items that might provide a clear signal to private and public sector stakeholders of both Parties’ commitment to the Agreement. As a first order matter of priority, this study has emphasised the need to fulfil some of the basic steps that could clearly signal both Parties’ serious intent to reap the benefits of the Agreement, especially:

- Ratification by all CARIFORUM and EU States – including whatever support is required to bring Haiti back as an active participant in the CF-EU EPA process;
- Continued support to the Regional and National EPA Units – including the extension of current GIZ and DfID programmes – and the beginning of substantive discussions on the regional development fund to channel resources for implementation;
- Continued efforts to engage the private and public sector on the Agreement and to combat misperceptions about its provisions; and
- Continued discussions on a joint monitoring mechanism (see final section below).

The study has found shortfalls under specific areas of the Agreement that also require priority attention. These priority areas, in the order in which they appear in the Agreement, are:

- Renewed efforts to widen compliance with the Agreement’s provisions on tariff reduction, based on a speedy resolution of the differences over modifications and HS conversion of the goods schedules.

- Renewed and detailed discussions strengthening market access in services, including *inter alia*, the clear recognition of special benefits accorded under the CF-EU EPA, particularly for short-term business visitors.
- A widening and strengthening of efforts to negotiate agreements on mutual recognition.
- More effort to activate the provisions of the Protocol on Cultural Cooperation.
- Stronger support for the services sector, particularly for tourism.
- The fast-tracking and strengthening of competition and investment frameworks (i.e. legislation and institutions), including amendments where necessary to existing laws.
- A strong push to conclude negotiations on geographical indications, backed by the requisite EU-funded support.
- Establishing an online portal or notification mechanism on measures that could affect goods and services trade – this would not only act as an early warning signal of factors that could hinder the Agreement’s effectiveness but could also simplify the task of monitoring the Agreement.
- Continued engagement with the FCORs in the discussion on CF-EU EPA implementation backed by a renewed push for a practical resolution of CARIFORUM concerns on the *octroi de mer*.

1.3 Monitoring: How to Improve the Next Five-Year Review

The importance of an agreed monitoring mechanism cannot be overstated. As noted at the outset of this concluding chapter, a trade agreement should not merely be seen as a laundry list of obligations but rather as a signal of a wider trade and development relationship. This relationship (in this case between CARIFORUM and the EU) is one that – like any other – changes over time and cannot be captured exclusively by a single text committed to paper at a set point in time, particularly if the obligations therein are of indefinite duration. A comprehensive and bilaterally agreed monitoring mechanism can create a more organic sense of the CF-EU EPA – as an Agreement that operates in a wider economic context, that can (and should) be adjusted as circumstances change, and that should have increasing relevance over time to a critical mass of economic operators in the public, private and civil society spheres.

In its Introduction, the study noted the difficulties of proposing new solutions on subjects that have been exhaustively (and to date inconclusively) discussed between both sides during the review period. However, monitoring is an issue which, despite its importance to the Agreement and to stakeholders on both sides, has not yet benefited from extensive bilateral exchanges, apart from the tabling of an EU non-paper at the First TDC (and formally tabled at the Second TDC)¹⁶².

The idea of a quantitative approach has its merits – particularly on measuring compliance – and some parts of the monitoring exercise could draw on data-based indicators. The EU non-paper states that “*monitoring should be focussed on selected outcomes and impact indicators commonly agreed [and] selected to exploit regularly available information (including statistical data) from national, regional, EU and other sources*”. The use of indicators as a basis for monitoring the Agreement has clear benefits for both CARIFORUM and the EU: it allows prior agreement between both sides on the scope of the monitoring exercise, provides clarity on what sort of information needs to be collected and allows for an objectively verifiable basis for evaluating the Agreement.

¹⁶² “Annex XIX – Monitoring Implementation of the EPA”, paper submitted to the Second Meeting of the CARIFORUM-EU Trade and Development Committee, Port-of-Spain, 27 December 2012.

For one part of the monitoring methodology – both Parties' compliance with their CF-EU EPA obligations – data-based indicators could provide a picture of implementation on the basis of an arguably simplistic and binary assumption that a Party to the Agreement is either implementing or not implementing a given obligation. Table 29 below provides a partial and indicative listing of some of those indicators, grouped into broad categories, including:

- The institutional and legislative obligations under the Agreement (e.g. ratification, implementation of regulatory frameworks in competition, public procurement, IP and other areas);
- Activities (including outreach and information) by EPA Focal Points and institutions (e.g. Caribbean Export, CROSQ and others) managing funds related to the Agreement;
- The amounts allocated, contracted and paid at the national, regional and bilateral levels for EPA priority areas;
- Market access and liberalisation commitments (e.g. tariff reductions);
- Reviews, dialogues and negotiations (e.g. on future liberalisation in services); and
- The activation of contingent obligations (e.g. dispute settlement).

Table 29: Indicative & Partial List of Compliance Indicators for EPA Implementation

CF-EU EPA Obligation / Area	Indicator
<i>Institutional & Legislative Obligations</i>	
Ratification	<ul style="list-style-type: none"> • Number of EU and CARIFORUM countries notifying ratification of EPA
Competition	<ul style="list-style-type: none"> • Number of competition authorities established • Number of functioning legislative frameworks established
Intellectual Property	<ul style="list-style-type: none"> • Number of key conventions & treaties ratified
[...]	
<i>Activities by Key National & Regional Bodies **</i>	
Implementation matrix/roadmap	<ul style="list-style-type: none"> • Number of CARIFORUM countries with Implementation Matrix/Annual Work Plan • Percentage of Matrix completed (per country) • Evaluation of Matrix (per country)
Information, outreach & technical support (per institution)	<ul style="list-style-type: none"> • Number of publications, studies & brochures • Number of seminars/workshops • Number of other EPA-related technical exercises • Number of requests/responses to/from EPA enquiry points
<i>Development Cooperation</i>	
General – NIP, CRIP and bilateral funding for EPA implementation and priority areas	<ul style="list-style-type: none"> • Total NIP funds* per CARIFORUM country • Total CRIP funds* for CARIFORUM region • Total EU bilateral funds* per country / region
<u>Specific – EPA Priority Areas</u> <ul style="list-style-type: none"> • Human, legal & institutional capacity • Fiscal/tax reform • Private sector development • [...] 	<ul style="list-style-type: none"> • Total NIP/CRIP funds* per priority area for each CARIFORUM country and CARIFORUM region
<i>Market Access</i>	
Tariffs & non-tariff measures	<ul style="list-style-type: none"> • Number of countries applying latest tariff reductions • Number of countries applying ODC phase-out • Number of countries complying with national treatment and removal of QR obligation • Number of EU countries phasing out agricultural export subsidies • [...]
[...]	
<i>Reviews, Dialogues & Future Negotiations</i>	<ul style="list-style-type: none"> • Number of times EU & CARIFORUM representatives meet to discuss/review/negotiate, inter alia: <ul style="list-style-type: none"> ○ Rules of origin ○ Customs cooperation ○ Agriculture & fisheries ○ Trade in services (negotiation) ○ Cultural cooperation ○ Geographical indications (negotiation) ○ [...] • Number of mutual recognition agreements signed / number of sectors covered

Contingent Obligations	Number of times contingent obligation invoked under the Agreement, including: MFN Clause (goods/services), dispute settlement, administrative cooperation, modification of commitments and trade defence.
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**Funds in all instances to be sub-divided into allocations, contracted amounts and payments. ** Key regional bodies includes those institutions responsible for EPA-related projects using NIP, CRIP or EU bilateral funds.*

The use of quantitative indicators for measuring compliance does have its methodological problems, however, and both Parties should avoid a one-size-fits-all approach. The immediate drawback of a purely indicator-based approach, however, is that the indicators do not provide a sense of *how well* a country is implementing its CF-EU EPA commitment – for example, whether a relevant ILO convention is being applied in practice even if it has been ratified. Moreover, any attempt to create a “scorecard”-type approach to implementation will run into the dilemma of how to weigh certain factors of the Agreement – for example, whether compliance on tariff reduction is equally valuable in terms of the objectives of the CF-EU EPA as, say, a review of the rules of origin, or the implementation of a certain EU-funded project.

For what is, however, arguably the most important metric of monitoring – the use of the Agreement by its target stakeholders and the specific impact of the Agreement on them – a purely numerical approach may be insufficient. Part II of this study has revealed (particularly in the early stages of implementation) how little of an impact the CF-EU EPA has had on broad indicators in CARIFORUM. While some of the factors for the Agreement’s relatively low impact may change over time, others may not. The experience of this study suggests that the use of overly broad indicators (e.g. FDI flows, poverty rates, Doing Business rankings) may yield little usable information as there are simply too many other variables affecting the aims and objectives of the Agreement.

This suggests that a single, five-yearly monitoring exercise should be broken down into more frequent – but more targeted and detailed – sector-specific “snapshots” that are then compiled with more aggregated indicators at the five-year mark. Barring a major and unexpected expansion of trade between CARIFORUM and the EU, the use and impact of the Agreement is likely to be concentrated on a selected group of countries, sectors and stakeholders. The relevance of the Agreement to these stakeholders may be difficult to capture in a single indicator or statistic. A more qualitative and sector-specific approach might provide a better sense of how to adjust the provisions of the Agreement. The difficulty – as experienced by the expert team for this study – is that a single one-week country mission (even with active follow-up by phone and email) cannot adequately capture the many “stories” of all potential EPA stakeholders within the EU and CARIFORUM, particularly when private sector firms are geographically dispersed within a single country, and where the heavy travel schedules of regional stakeholders often do not allow a full suite of consultations in a given window of time.

Alternately, the EPA Focal Points on the EU and CARIFORUM side – through the TDC, as this is the main technical body overseeing the Agreement and has, arguably, the most familiarity with the details of implementation – could subsequently discuss, in turn, four annual sector “snapshots”. These snapshot studies would rotate across major areas of the Agreement, e.g. (i) agriculture & fisheries, (ii) industry/manufacturing, (iii) services and investment; and (iv) trade-related issues. Each sectoral “snapshot” would address the related issues that impact the sector in question: for example, rules of origin and SPS/TBT barriers (for relevant agriculture and industrial products) and development cooperation projects within each sector. Each study would also address specific aspects of intra-regional and EU-CARIFORUM trade for the sector in question.

At the fifth TDC (i.e. for the stipulated Five-Year Review), the findings of these sector-specific dialogues could then be compiled in a single document and appended to the more quantitative indicators (on e.g. ratification, application of tariff reductions) of compliance listed earlier. While the EPA Focal Points would be largely responsible for drafting the sector-specific snapshots, the key regional bodies tasked with managing EPA funds would have a clear responsibility to canvass stakeholders and provide a picture of the continuing relevance of the Agreement.

This will arguably make the Five-Year Review not only more detailed but also more manageable for both the EU and CARIFORUM. A series of focused annual discussions of individual parts of the CF-EU EPA may provide a more fruitful dialogue than trying to tackle *all* areas of the Agreement in one five-yearly sitting.

ANNEXES

(Annexes A & B are Background Technical Reports – presented as separate reports)

Annex A – A Qualitative Analysis of Services & Investment Issues in the
CARIFORUM – EU EPA

Annex B: Economic Modelling: Impact of Tariff Liberalization on Trade in Goods
in the CARIFORUM – EU EPA

Annex C: References

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Annex D. Study Terms of Reference (Excerpt)

2. Description of the Assignment

Global objective

The present study will serve to provide a basis for discussions between the parties during the first review of the agreement. A procedure for periodic review was agreed when the Agreement was signed (see Declaration attached in annex); and the reviews should take place every five years (with the first coming five years after signature).

Specific objective

The study is therefore intended to enable decision-makers on both sides to:

- review objective data related to the EPA,
- review the implementation of the EPA by both parties (compliance),
- take stock of economic results in the key categories relevant to the Agreement and its achievement of development objectives,
- compare the actual results achieved to date – both favourable and unfavourable – to those that were expected ex ante, where possible,
- identify and analyse any unintended effects of the EPA, (i.e. those that were not anticipated ex ante),
- assess the extent to which the economic developments identified may be attributed (i.e. associated in a cause-effect relation) to implementation of the EPA (or its gaps), or to the overall context,
- identify remedial actions in order to improve compliance with and the effectiveness of the Agreement.
- identify economic (and social and institutional) results in key categories relevant to the Agreement and its achievement of development objectives.

The upcoming review should be conducted on the basis of objective data which the present study must collect, in order to enable the parties involved to properly analyse the situation and to take appropriate decisions about adapting the EPA or its implementation to new developments, if so required.

A general problem in the CARIFORUM region is the weakness in gathering of statistical data and the unreliability of existing data. In addition, the present study is being undertaken in the absence of an agreed, joint monitoring system, which might have been used to draw on regularly collected data and to develop a joint interpretation of this information.

The study should inform the discussions in the forthcoming CARIFORUM-EU Joint Council and other meetings that will review and take stock of the EPA implementation process and consider the results of the Agreement so far.

Requested services

The study is:

- to make a preliminary assessment of the real impact of the Agreement in terms of trade and investment flows, sustainable growth, development and environmental protection (e.g. impact of the Agreement on GDP, employment, wages, household income, working conditions, poverty reduction etc.), regional integration, strengthening of institutional and productive capacity, and the position of the CARIFORUM region as a location to invest and do business in/with;
- to envisage CARIFORUM-EU trade relations after 2008 in the absence of an EPA (i.e. on the basis of standard GSP market access for all CARIFORUM countries except Haiti) and compare this scenario with real trade flows in the same period; in other words, to:

- establish a counterfactual hypothesis in which CARIFORUM States – instead of concluding an EPA with the EU – chooses to maintain its tariffs on imports from the EU and to export to the EU under the terms of the GSP;
- compare the current situation with the counterfactual ("the non EPA case");
- to this end, to evaluate trade impacts by using a state of the art Partial Equilibrium Model, taking into account tariff lines at the 6-digit-level of the Harmonised System (HS). This evaluation should be undertaken for both imports from and exports to CARIFORUM States since 2008. Available trade flow data should be used to undertake a comparison between ex-ante simulations of both EPA and non-EPA cases;
- to collect and assess data regarding the implementation of and compliance with the EPA by the EU Party (the study would also have to identify developments specifically for the outermost regions in the Caribbean) and the 14 CARIFORUM signatory countries that apply its terms, in the following areas:
 - Trade in goods
 - Trade in services
 - Investment
 - Regional Integration
 - Development co-operation
 - General institutional and procedural provisions, and
 - Any trade-related areas where there are commitments prior to 2013.

This would include evaluation of "best endeavour" commitments. Where analysis points to a lack of change, the study should also examine the reasons for changes not having occurred. The study should also assess the reaction of importers and exporters to the price effects produced by the tariff changes, and their possible repercussions for demand (trade volumes).

Methodology

Given the difficulty of obtaining reliable data, the consultant will need to undertake a fact-finding mission to the Caribbean region and visit, at least, the following countries: Barbados, the Dominican Republic, Guyana, Jamaica, Trinidad and Tobago, St Lucia, and one other OECS country.

The experts should have meetings with officials from or representatives of: the CARICOM Secretariat, including its CARIFORUM Directorate; the OECS Secretariat; other regional organisations, such as the Caribbean Export Development Agency, the Caribbean Development Bank, and the Caribbean Tourism Organisation; EPA implementation units in the CARICOM Secretariat and in the countries visited; national governments (trade, finance and development cooperation officials, NAO offices); statistical offices; the business community, including representatives of business support organisations; significant sections of the local labour force; NGOs; relevant academic institutions; international organisations (IMF, WB, ECLAC); the European Commission (DGs TRADE and DEVCO) and EEAS HQ services; EU Delegations in CARIFORUM States.

Annex E. Individuals and Organisations Interviewed

Country	Type of Body	Name	Current Position/Organisation	
International				
Belgium		Junior Lodge	Independent consultant	
Belgium		Ramesh Chaitoo	Independent Consultant	
Canada		Audel Cunningham	Independent consultant	
Switzerland	World Trade Institute	Anirudh Shingal	Senior Research fellow	
Switzerland	WTO	Martin Roy	Counsellor, Trade in Services Unit, WTO	
Trinidad	International Labour Organisation	Giovanni Di Cola	Country Office	
UK	Ocean Shipping Consultants	Stephen Wray	Senior Consultant	
USA		Branford Isaacs	Independent consultant	
USA	World Bank	Sebastian Saez	Senior Trade Economist	
USA	World Bank	Rohan Longmore	Economist	
	EPCSA	Richard Moton	Secretary General	
CARIFORUM				
Antigua and Barbuda	Business Sector	Antony Bento	Managing Director, Antigua Distillery	
	Ambassador	Colin Murdoch	Vice-Minister, Commerce and Industry	
	Chamber	Errol Samuel	President, Chamber of Commerce	
	Coalition	Julianne Jarvis	Coalition of Service Industries	
	EPA Unit	Barbara Williams	EPA Implementation Unit	
	EPA Unit	Ambassador C. Henry	Director, EPA Implementation Unit	
	Finance	Joy Lewis	Statistics Division	
	Finance of Finance	Denise Knight	Senior Economist, Ministry of Finance	
	Ministry of Finance	George Brown	Customs	
	Ministry of Justice	Lebrecht Hesse, Solicitor General	Ministry of Justice	
The Bahamas	Ministry of Justice	Colin Hodge	Legal Drafter, Ministry of Justice	
	Ministry of Justice	John Charles	Legal Consultant, Ministry of Justice	
The Bahamas	EPA Unit	Rita Kaufmann	EPA Unit	
	Min Fin Services	The Hon. Ryan Pinder	Minster of Financial Services	
Barbados	Barbados Coalition of Services	Lisa Cummins	Director	
	Business Sector	Geoffrey Goddard	Assistant General Manager, Chickmont Foods Ltd	
	CARTAC	Denise Edwards-Dowe	Revenue, Admin Adviser, CARTAC	
	CDB	June Alleyne Griffin	Consultant, CARTFund Admin	
	CDB	Valarie Pilgrim	Operations Officer, Caribbean Development Bank	
	CEDA	David M. Gomez	Manager, Trade & Export Develop, Caribbean Export	
	CPDC	Shantal Munro-Knight	Executive Coordinator, Caribbean Policy Development Centre	
	CROSQ	Winston Bennett	CEO, CROSQ	
	CTO	Charlene Drakes	Exec Assistant, Caribbean Tourism Organization	
	CTO	Bonita Morgan	Director, Resource Mobilization and Development	
	CTO	Hugh Riley	Secretary General	
	EPA Unit	Amb. Errol Humphrey	Consultant, EPA Implementation & Coordination Unit	
	FAO	Raymond van Anrooy	Fish & Aquaculture Officer, FAO	
	FAO	Cedric Lazarus	Livestock Development Officer, FAO	
	GIZ	Ginelle Greene	Private Sector Officer, GIZ	
	GIZ	Elisa Whitehouse	Advisor to the Public Sector, GIZ	
	GIZ	Dr Rainer Engels	Exec Project Mgr, GIZ Barbados	
	OTN	Chantal Ononalwu	CARICOM Office of Trade Negotiations	
	OTN	Malcolm Spence	Office of Trade Negotiations	
	PSTT	Shardae Boyce	Private Sector Trade Team	
	PSTT	Joel Richard	Head, Private Sector Trade Team	
	SBA	Lynette Holder and Andrea Taylor	CEO, Small Business Association	
	SBA	Andrea Taylor	Business Operations Manager, Small Business Association	
	Belize	Business Sector	Nikita Usher	Chief Admin Officer, Marketing & sales Citrus Product of Belize Ltd (CPBL)
		Business Sector	Alvin Henderson	Manager, Royal Shrimp
		BAHA	Delilah Cobb	BAHA
		Beltraide	Lejla Melanie Gideon	Beltraide
Beltraide		Ruby Pascascio	Sr, Project officer, Beltraide	

	Beltraide	Nicholas Ruiz	Exec Director, Beltraide
	Bureau	Jose Trego	Director, Belize Bureau of Standards
	Chamber	Kim Aikman	CEO, Belize Chamber of Commerce
	Chamber	Kay Menzies	President, Belize Chamber of Commerce and Industry
	Coalition	Sue Courtenay	Exec Director, Belize Coalition of Service Providers
	EPA	Margaret Ventura	GA36/BZE CartFund Project Directorate for Foreign Trade Ministry of Trade, etc.
	Min Agriculture	Roberto Harrison	Chief Agricultural Officer , Ministry of Agriculture
	Min of Tourism and Culture	Abil Castaneda	Chief Tourism Officer, Ministry of Tourism and Culture
	Min of Tourism and Culture	June Neal-Sanker	Tourism Officer
	Min of Trade	Michael Singh	CEO, Ministry of Trade, Investment Promotion, Private Sector Development and Consumer Protection
	Min Trade	Frantz Smith	Investment Unit, Ministry of Trade
	Min Trade	Richard Reid	Ministry of Trade
	Min Trade	Yashin Dujon	Director of Foreign Trade, Ministry of Trade
	PM Office	Alan Slusher	Advisor, Office of the Prime Minister
	PM Office	Ampara Masson	Director , Office of the PM; Office of Private/Public Dialogue
Dominica	Business Sector	Anthony LeBlanc	President, Dominica Association of Professional Engineers
	Business Sector	Edmund Baksh	Plant manager, Dominica Coconut Products
	Business Sector	Lenard Andre	Chairman, Dominica Board of Architects
	Bureau	Roland Royer	Technical officer, Dominica Bureau of Standards
	Coalition	Lester Riviere	CEO, Coalition of Service Industries
	Coop	Garner Eloi	Manager, Dominica Essential Oils & Spices Coop
	DEXIA	Gregoire Thomas	Dominica Export Import Agency (DEXIA)
	EPA	Yvannete Baron-George	EPA Coordinator, Head Implementation Unit, Ministry of Trade ...
	Business Sector /Huskers	Cecil Joseph	Dominica Huskers Association
	Min Agriculture	Eisenhower Douglas	PS, Ministry of Agriculture and Forestry
	Min Employment	Careen Provost	PS, Ministry of Employment, Trade, etc.
	Min Fin	Irwin Phillip	Customs Division
Dominican Republic	ADOEXPO	Glady Pimentel, Melissa Yunes	ADOEXPO
	ADOZONA	Jose M. Torres	Executive VP, ADOZONA
	Agency	Dirk van Welie	Import-Export Agency (Holland)
	AIRD	Circe Almanzar	Association of Industries, AIRD
	Amb	Amb. Federico Cuello	DR Ambassador to UK
	CEDA	Ileana Ciprian Alba Diaz	Caribbean Export
	CEDA	Escrption J. Oliveira Gomez	Deputy Exec Director, Caribbean Export
	CEI-RD	Nidia Martinez Quezada	New Business Specialist, Export & Investment Centre (CEI-RD)
	CEI-RD	Gianna Franjul	Development Manager for Exports, CEI -RD
	Chamber	Christina Baber	Federation of European Chambers of Commerce
	Chamber	Jose Gautreau De Moya	Project manager, Santo Domingo Chamber of Commerce
	Chamber	Frank Pichardo	Chamber of Commerce - Holland
	Chamber	Lisette Dumit	International Director, Santo Domingo Chamber of Commerce
	Chamber	Fernando Ferran	Santo Domingo Chamber of Commerce
	DICOEX	Irina Beliaeva	Economic Studies Coordinator, DICOEX
	DICOEX	Katrina Naut Mayive Mustafa Wendy Adams Neumann Maximo Pena de Leon Yolanda H. Reyes	DICOEX
	Embassy	Reiner Davina	Netherlands Embassy and Chamber of Commerce
	Embassy	Gabriele Weber Frauke Pfaff	German Embassy and Chamber of Commerce
	Embassy	Leonora Dipp	UK Embassy and Chamber of Commerce
	Embassy	Monica Vazquez	Economic and Commercial Counsellor, Spanish Embassy

	Embassy	Thomas Plisson	Commercial Attache, French Embassy
	Embassy	Pierre Ausina	Financial Attache, French Embassy
	EU Del	Agnieszka Osiecka Humberto Perez	EU Delegation
	JAD	Osmar Benitez	Executive President (JAD)
	JAD	Jose Vincente Galindo	Project Manager, JAD
	JAD	Claudia Chez Pimental	Trade Office, JAD
	Min Agriculture	Agnes Cishek	Vice Minister of Sectoral Planning in Agriculture
	Min External Affairs	Luis Omar Fernandez Aybar	Executive Secretary to the Commission on Trade Negotiations, Ministry of External Affairs
	Min External Affairs	Cesar Dargam Espailat	Deputy Minister for Economic Affairs & Negotiations, Ministry of External Affairs
	Min External Relations	Ivan Ogando Lora	Advisor, Ministro de Relaciones Exteriores
Guyana	Business Sector	Leslie Ramalho	General Manager, Noble House Seafoods
	Business Sector	Ramroop Jiwanram	Finance Manager, Noble House Seafoods
	Business Sector	Dianne Jodah	Sales/Admin Manager, Noble House Seafoods
	Business Sector	Jean-Francois Gerin	CEO, Amazon Caribbean Guyana Ltd
	Business Sector	Leslie Ramalho	General Manager, Guiana Seafoods, NV b
	CARICOM	Philomen Harrison	Head of Statistics, CARICOM Statistics
	CARICOM	Deoram Persaud	CARICOM Statistics
	CARICOM	Christopher Richard	CARICOM Statistics
	CARICOM	Kevin Sears	CARICOM Statistics
	CARICOM	Nigel Lewis	CARICOM Statistics
	CARIFORUM EPA Unit	Carlos Wharton	Director, EPA Implementation Unit
	CARIFORUM EPA Unit	Alexis Downes Amsterdam	Legal Officer, EPA Implementation Unit
	CARIFORUM EPA Unit	N. Bardouille	Information & Pubic Education Specialist
	CARIFORUM EPA Unit	R. Wilson	Staff
	CARIFORUM EPA Unit	S. Bishop	Staff
	Chamber	Vishnu Doerga	Junior Vice President, Georgetown Chamber of Commerce & Industry
	Chamber	Bonita Marissa Lowden	Exec Director, Georgetown Chamber of Commerce & Industry
	Chamber	Clinton Urling	President, Georgetown Chamber of Commerce & Industry
	EU DEL	Joachim Jakobsen	EU Delegation
	EU DEL	Robert Kopecky	Ambassador, Head of EU Delegation
	GNBS	Candelle Walcott-Bostwick	Head, Conformity Assessment Department, Guyana National Bureau of Standards
	GO-INVEST	Dhanpaul Dhanraj	Officer in Charge, GO_INVEST
	GO-INVEST	Shawn Doris	Investment & Facilitation Officer, GO-INVEST
	GO-INVEST	Roxanne Sumner	Investment Facilitation Officer, GO-INVEST
	GO-INVEST	Alexis Monize	Research Officer, GO-INVEST
	GRD	Jagnarine Singh	General Manager, Guyana Rice Development Board
	GRD	Kuldip Ragnauth	Extension Manager, Guyana Rice Development Board
	GUYSUCO	Roxanne E. Greenidge	Marketing & sales Mgr; Guyana Sugar Corporation
	GUYSUCO	Tara Persaud	Financial Controller, Guyana Sugar Corporation
	Marketing Corp	Nizam Hassan	General Manager, Guyana Marketing Corporation
	Min Fin	Maxime Bentt	Head of Trade & Prices, Statistical Bureau
	Min Foreign Trade	Neville Totaram	PS, Ministry of Foreign Trade
	Min Foreign Trade	Rajdai Jagarnauth	Deputy Director, Ministry of Foreign Trade
	Min Tourism	Indranauth Haralsingh	Director, Guyana Tourism Authority
	OTN	Nigel Durrant	CARICOM Office of Trade Negotiations
	Private Sector Commission	Clint Williams	Private Sector Commission
	Private Sector Commission	Ronald Webster	CEO, Caribbean Container, Inc.
	Revenue Authority	Karen Chapman	Deputy Head (ag), Customs & Trade Administration, Guyana Revenue Authority
	Revenue Authority	Sean Richmond	Customs & Trade Administration, Guyana Revenue Authority
		Patrice Pratt-Harrison	Managing Director, International Procurement

Jamaica			Institute
	Consulting	Aaron Parke	A-Z Consultants
	Consulting	Lincoln Price	Independent Consultant
	Business Sector	C.H. Johnston	Chairman, Jamaica Producers Group Limited
	Business Sector	Capt. Suendermann Diedrich	General Manager, ZIM-Carib Star Shipping Limited
	Bureau	Karen Watson Brown	Team Leader, Regional & International Office, Bureau of Standards
	Central Bank	Alex Isaacs	Director
	Chamber	Francis Kennedy	President, The Jamaica Chamber of Commerce
	Chamber	Oliver Chen	4 th VP, The Jamaica Chamber of Commerce
	Chamber	Trevor Fearon	CEO, The Jamaica Chamber of Commerce
	EU DEL	Koenraad Burie	EU Delegation, Kingston
	EU Del	Amb. Paola Amadei	EU Delegation, Kingston
	Exporters Assoc	Marjory Kennedy	President, Jamaica Exporters Association
	Fair Trading Commission	Dr. Delory Beckford	Legal Counsel
	JAMPRO	Marjorie Straw	Manager – Special Projects, JAMPRO
	JAMPRO	Clifford Spencer	Trade Unit, JAMPRO
	JMA	Imega Brees McNab	Executive Director, Jamaica Manufacturers' Association
	Min Fin	Tameka Walker	Ministry of Finance & Planning
	Min Finance	Aeyon Cruickshank	Ministry of Finance and Planning
	Min Finance	Marion Daley	Assistant Commissioner of Customs , Ministry of Finance & Planning
	Min Foreign Affairs	Marcia Thomas	Under Secretary, Foreign Trade Division, Ministry of Foreign Affairs and Foreign Trade
	Min Foreign Affairs	Richard Brown Kacy West David Prendergast	Ministry of Foreign Affairs and Foreign Trade
	Ministry of Foreign Affairs and Foreign Trade: Brussels	Symone Betton	Foreign Service Officer
	Office Utilities Regulation	Evona Channer	Chief Telecoms Officer
	OTN	Natalie Rochester	CARICOM Office of Trade Negotiations
	PIOJ	Dianne Davis	Deputy NAO, PIOJ
	PIOJ	Ida Williams	EPA Project Manager, PIOJ
	PIOJ	Jodian Aris	Senior Economist, PIOJ
	Private Sector Org	Dennis Cheung	CEO, Private Sector Organisation of Jamaica
	Shipping Assoc	Monique Morrison	Shipping Association of Jamaica
Solicitor General	Dr Kathy-Ann Brown	Deputy Solicitor-General , Director International Trade Division Attorney General's Chambers	

	St Lucia Coalition of Services	Yvonne Agard	Executive Director St Lucia Services Coalition
	EPA	Lisa Philip	EPA Coordinator, Ministry of External Affairs
	Invest St Lucia	St Lucia	Senior Investment Officer, Invest St Lucia
	Invest St Lucia	Alana Lansiquot,	Chief Investment Facilitation Officer, Invest St Lucia
	Saint Lucia Industrial & Small Business Association	Ms Flavia Cherry	President
	Min External Affairs	Thomas Samuel	Trade Advisor, Ministry of External Affairs
	OECS Sec	Virginia Paul	Head, Trade Policy Unit, OECS Secretariat
	OECS Sec	Allan Paul	Hubs & Spokes Project, OECS Secretariat
	Suriname	Business Sector	June Bromat
Business Sector		Winston Ramaurarsing	PROPLAN Consultants
Business Sector		CEO	Kings – Importers of Alcoholic Beverages
Business Sector		CEO	Amazon Gold – Exporters of Gold

	Business Sector	Ratan Kalka	Manager Business Support Services, Suriname Business Development Centre
	Business Sector	Robin Bihesa	Owner, SUBISCO – Import 7 Distribution
	Business Sector	Sudesh Ramkhelawan	Mgr – Kuldipsingh – Importer / Distributor of Building Products
	Business Sector	Penelope Dijkseel	Sales Mgr – PARBO beer
	Association	Dayenne Wielingen-Nerwey	Suriname Trade & Industry Association
	Bureau	F. Remy Grawde	Head, Suriname Bureau of Standards
	Mfg Assoc	Wilgo Bilkerdijk	Suriname Business Forum & Suriname Manufacturers Association
	Min Agriculture	Susyanie Kartodikromo	Ministry of Agriculture
	Min Agriculture	Soenita Rosan	Ministry of Agriculture
	Min Agriculture	Edmund Rosenblad	Vet Services, Ministry of Agriculture
	Min Agriculture	Radjendre Debi	Head – Plant Quarantine, Ministry of Agriculture
	Min Finance	Glenn Kartopawriro	Customs Department, Ministry of Finance
	Min Finance	Chairmi Konigferander	Tax division, Ministry of Finance
	Min Trade	His Excellency Don Tosendjojo	Minister of Trade & Industry
	Min Trade	Henna Djosetiko Yvette Rokadji Romana Mohan Saskai Nahan Ginna Leysner Vega Urtha Hoever Treesje Wirosono Paul Soebai Kenneth Codrington Patricien Bisoen	Trade Division, Ministry of Trade & Industry
	Min Trade	Drs Kai Lin & Romeo Stakel	Industry Division, Ministry of Trade & Industry
	Rice Assoc	Ngaginder Soechit	Rice Exporters Association
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Note: Sources of information on the FCOR:

- i) Reports commissioned by the CDB and CEDA (see reports prepared by A-Z Consulting (Jamaica Ltd) in the references)
- ii) Consultations with the following institutions and persons (included in the listing above):
 1. CDB - Valarie Pilgrim

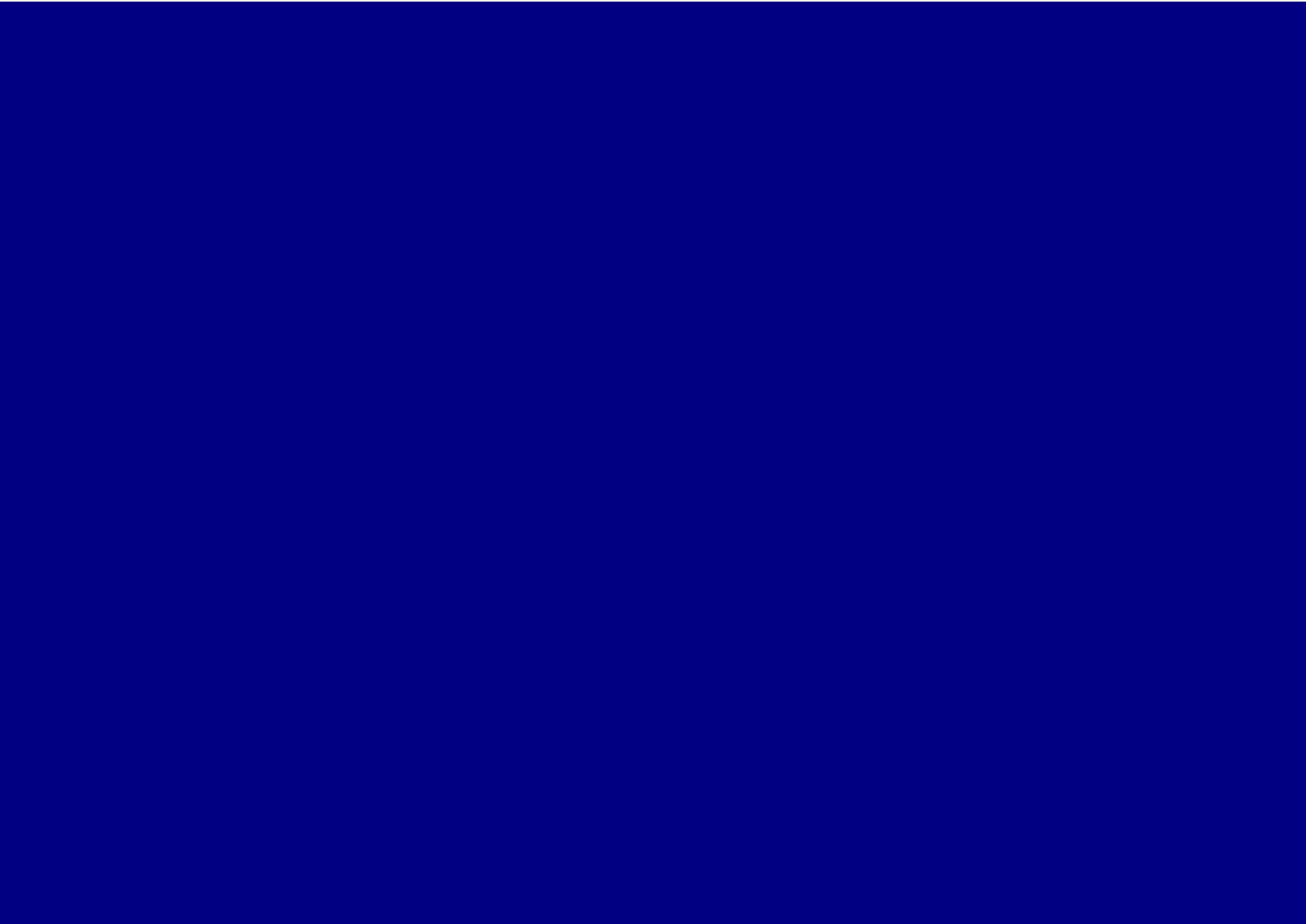
2. Caribbean Export – David Gomez
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4. Invest St Lucia - Alana Lansiquot & Earlan Lababie
5. Dominica Export Import Agency (DEXIA) – Gregoire Thomas
6. Dominica Huskers Association – Cecil Joseph
7. A-Z Consulting Jamaica – Aaron Parke

Annex F. CARIFORUM Doing Business Indicators 2008-2014

(Figures show percentage change from 2008 to 2014 for quantitative value of Doing Business Indicator. Significant (i.e. greater than 15% change) improvement in business climate is highlighted in yellow; significant worsening is highlighted in pink).

	Ant. Barb.	Bahamas	Belize	Dominica	DomRep	Grenada	Guyana	Haiti	Jamaica	St Kitts Nevis	St Lucia Vin.	St Lucia	Suriname	Trin. & Tob.
Starting a Business														
Procedures (number)					-22%			-8%	-17%		-13%	-17%		-22%
Time (days)		-23%		-14%	-16%	-25%	-46%	-52%	-25%	-3%	-17%	-25%	-70%	-13%
Cost (% of income per capita)	-11%	1%	-13%	-39%	-44%	-38%	-85%	1%	-26%	-58%	-41%	-22%	-24%	-11%
Paid-in Min. Capital (% of income per capita)								-41%					-64%	
Dealing with Construction Permits														
Procedures (number)														
Time (days)								-4%	-40%			-13%	-11%	
Cost (% of income per capita)	-12%	-17%		-39%	-56%	-38%	-69%	-14%	-52%	27%	38%	-16%	-65%	19%
Getting Electricity														
Procedures (number)														
Time (days)														
Cost (% of income per capita)														
Registering Property														
Procedures (number)	17%												50%	
Time (days)		-55%				-39%	121%	4%	-35%				-45%	-33%
Cost (% of property value)	-1%	-3%	2%	-3%	-27%		2%	6%	-30%		-1%	1%		
Getting Credit														
Strength of legal rights index (0-10)								50%						
Depth of credit information index (0-6)														
Public registry coverage (% of adults)					349%			57%						
Private bureau coverage (% of adults)					69%									84%
Protecting Investors														

	Ant. Barb. &	Bahamas	Belize	Dominica	DomRep	Grenada	Guyana	Haiti	Jamaica	St Kitts Nevis	St Vin. Gren.	St Lucia	Suriname	Trin. & Tob.
Extent of disclosure index (0-10)														
Extent of director liability index (0-10)														
Ease of shareholder suits index (0-10)														
Strength of investor protection index (0-10)														
Paying Taxes														
Payments (number per year)	27%													
Time (hours per year)	13%													
Total tax rate (% profit)	-11%	4%	-5%											
Trading Across Borders														
Documents to export (number)														
Time to export (days)	-16%	19%	-15%	-19%	-33%	-53%	-10%	-25%		-24%	-20%	-22%	10%	-21%
Cost to export (US\$ per container)	10%		1%	17%	28%	15%	38%	18%	9%	101%		24%	10%	22%
Documents to import (number)	40%													
Time to import (days)	21%		-10%	-22%	-23%	-61%	-15%	-37%	-6%	-29%	-13%	-19%		-46%
Cost to import (US\$ per container)	-3%	20%	-2%	18%	13%	8%	43%		11%	12%	-2%	5%	43%	15%
Enforcing Contracts														
Time (days)														
Cost (% of claim)														
Procedures (number)	-2%													
Resolving Insolvency														
Time (years)														
Cost (% of estate)														
Outcome														
Recovery rate (cents on the dollar)	2%	2%	2%	1%	5%		3%					2%	16%	9%



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EUROPEAID/129783/C/SER/multi

Lot 1: Studies and Technical assistance in all sectors



2013/325520

MONITORING THE IMPLEMENTATION & RESULTS OF THE CARIFORUM–EU EPA AGREEMENT

Final Report

Annex A: Background Technical Report

A Qualitative Analysis of Services & Investment Issues in the EPA

August 2014



This project is funded
by the
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and LINPICO

Monitoring the Implementation & Results of the CARIFORUM – EU EPA AGREEMENT

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Annex A: Background Technical Report

A Qualitative Analysis of Services & Investment Issues in the EPA

Prepared
By

Keisha-Ann Thompson - Services Specialist

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Acronyms

ACE		Architects' Council of Europe
ACP		Africa, the Caribbean and the Pacific
ACSAC		Association of Commonwealth Societies of Architects in the Caribbean
AMSPP		Accompanying Measures for Sugar Protocol
APD		Air Passenger Duty
APP		Agriculture Policy Programme
ASEAN		Association of South East Asian Nations
AVE		<i>Ad Valorem</i> Equivalent
BAM		Banana Accompanying Measures
BOP		Balance of Payments
CAMRAC		Caribbean Architects Mutual Recognition Agreement Committee
CAFEIN		CARIFORUM EPA Implementation Network
CAHFSA		Caribbean Agricultural Health and Food Safety Agency
CARICOM		Caribbean Community
CARIFORUM		CARICOM + Dominican Republic
CARTAC		Caribbean Regional Technical Assistance Centre
CARTFund		Caribbean Aid for Trade and Regional Integration Trust Fund
CDB		Caribbean Development Bank
CDE		Centre for the Development of Enterprise
CEPII		Centre d'Etudes Prospectives et d'Informations Internationales
CES		Constant Elasticity of Substitution
CET		Common External Tariff
CF		CARIFORUM
CF-EU EPA		CARIFORUM-EU Economic Partnership Agreement
CGE		Computable General Equilibrium
COMTRADE		UN Commodity Trade Database
CRIP		CARIFORUM Regional Indicative Programme
CROSQ		CARICOM Regional Organisation for Standards and Quality
CSME		Caribbean Single Market and Economy
CSP		Country Strategy Paper
CSS		Contractual Services Supplier
CTA		Centre for the Development of Agriculture
DFID		Department for International Development
DFQF		Duty-free and Quota-free
DG		Directorate General
DR		Dominican Republic
DR-CAFTA		Dominican Republic – Central American Free Trade Agreement
EBA		Everything but Arms
EBOPS		Extended Balance of Payments Services Classification
EC		European Commission
ECCB		Eastern Caribbean Central Bank
ECJ		European Court of Justice
ECOWAS		Economic Community of West African States
ECTEL		The Eastern Caribbean Telecommunications Authority
EDF		European Development Fund
EIB		European Investment Bank
EPA		Economic Partnership Agreement
EU		European Union
FAO		Food and Agriculture Organisation
FCOR		French Caribbean Outermost Region
FDI		Foreign Direct Investment

FTA		Free Trade Agreement
GATS		General Agreement on Trade in Services
GDP		Gross Domestic Product
GI		Geographical Indication
GIZ		Gesellschaft für Internationale Zusammenarbeit
GSIM		Global Simulation Analysis of Industry-Level Trade Policy
GSP		Generalised System of Preferences
GTAP		Global Trade Analysis Project
HDI		Human Development Index
HIPCAR		Harmonization of ICT Policies in the ACP Countries
HS		Harmonised System
IF		Investment Facility
ILO		International Labour Organisation
IICA		Inter-American Institute for Cooperation on Agriculture
IMF		International Monetary Fund
IP (1)		Intellectual Property
IP (2)		Independent Professional
ISDS		Investor State Dispute Settlement
ITC		International Trade Centre
LDC		Less Developed Country
LNG		Liquefied Natural Gas
MDC		Medium Developed Country
MERCOSUR		Common Market of the South
MFN		Most Favoured Nation
MOU		Memorandum of Understanding
MRA		Mutual Recognition Agreement
MTS		Multilateral Trading System
NAO		National Authorising Officer
NGO		Non-Governmental Organisation
NIP		National Indicative Programme
OAS		Organisation of American States
OCT		Overseas Country and Territory
ODC		Other Duties and Charges
ODI		Overseas Development Institute
OECD		Organisation for Economic Cooperation and Development
OECS		Organisation of Eastern Caribbean States
OTN		Office of Trade Negotiations
PMU		Project Management Unit
RoW		Rest of the World
RPSDP		Regional Private Sector Development Programme
RPTF		Regional Preparatory Task Force
RTC		Revised Treaty of Chaguaramas
RTP		Regional Transformation Programme
SCCCTF		Special Committee on Customs Cooperation and Trade Facilitation
SIA		Sustainability Impact Assessment
SMART		Single Market Partial Equilibrium Tool
SME		Small and Medium Enterprise
SPA		Special Programme of Assistance
SPS		Sanitary and Phyto-sanitary Measures
SSC		Services Sector Component
TBT		Technical Barriers to Trade
TDC		Trade and Development Committee

TF		Trade Facilitation
TOR		Terms of Reference
TPR		(WTO) Trade Policy Review
TRI		Trade Related Issues
TRIMs		Trade Related Investment Measures
TRIST		Tariff Reform Impact Simulation Tool
UK		United Kingdom
UN		United Nations
UNCTAD		United Nations Conference on Trade and Development
UNCPC		United National Central Products Classification List
UNDP		United Nations Development Programme
UN-ECLAC		UN Economic Commission for Latin America and the Caribbean
UNEP		UN Environment Programme
US or USA		United States (of America)
USD		United States Dollar
USTR		United States Trade Representative
VAT		Value Added Tax
VCLT		Vienna Convention on Law of Treaties
WIRSPA		West Indies Rum and Spirits Producers' Association
WIPO		World Intellectual Property Organisation
WITS		(World Bank) World Integrated Trade Solution
WTO		World Trade Organization
WTO I-TIPS		WTO Integrated Trade Intelligence Portal Services

1. Introduction

The main thrust of the EU-CARIFORUM Economic Partnership Agreement (EPA) was to translate the Cotonou preferential type of arrangement (non-reciprocal) to a more effective and WTO compatible one, which meant asymmetrical reciprocity. Additionally, it was felt that such commitments would also work to lock in reforms, particularly those that in principle would be pro-development. Services are also an important aspect of the economies for all parties. The important role of services and the need to understand this critical area has been stressed. Stakeholders have emphasised the need to look beyond the commitments made and have noted that little is really understood or has been articulated in terms of the actual regulatory environment in which trade in services is taking place in some sectors. For the most part the focus has been on static commitments. The analysis provided in this Background Technical Report on Services & Investment is intended to provide further elaboration to the discussion in the Main Report on some of the issues and concerns in relation to implementation of the EPA regulatory commitments in Title II – Services and Investment.

Increasing attention is being paid to regulatory considerations which in effect set the parameters for effective market access. Assessing this can, therefore, add significant value in the context of the EPA. This was the intent behind many methodologies proposed for assessing implementation for this Background Technical Report and in earlier drafts as well as discussions at the inception of this Project. Since that time and after field visits it was apparent that implementation efforts were only in some instances starting. As such this Report, ***is an attempt to capture instead many of the regulatory challenges that face implementation.*** Hence, the focus on implementation “***Issues and concerns***”, which it is hoped, will guide decision making as the Agreement continues to be implemented. It attempts to analyse the extent of implementation challenges of the relevant provisions, based on those issues identified by stakeholders in consultations (with priority given to fifteen (15) areas of significance to meeting obligations in Title II. Much of the discussions on trends in services and investment, and specific commitments, as well as impact can be found in the Main Report¹, for the sectors under consideration.

So as not to lose sight of the importance of regulations, we proceed with a discussion of their importance in the context of services and investment, and suggest indicators and attempt to show their information value. Next we proceed to look at Investment Issues in non-service sectors, using a *Gap Analysis approach adapted for this review*, followed by specific consideration of fifteen (15) implementation issues and concerns in Trade in Services under the EPA, before concluding.

¹ Final Report- Monitoring the Implementation & Results of the CARIFORUM –EU EPA Agreement.

2. Overview of Regulatory Issues

In this Background Technical Report we **highlight the important role of regulations in creating an enabling environment for trade in services** within the EPA and generally. This is because regulation is the primary trade policy tool for addressing trade flows in the area of services and investment (Mattoo and Sauve, 2003). Further, the EPA explicitly recognises the right of Parties to regulate their services sectors, but also imposes regulatory discipline and a general obligation to regulate in a particular manner. It is important that EPA **Partners balance this right to regulate against the general obligations contained in the EPA.**

The scope of examination of services is limited to the examination of issues specific to :

- Certain business services (i.e. architecture, engineering and management consultancy);
- Certain communication services (i.e. telecommunication services and courier services);
- Certain entertainment services (i.e. musicians and bands);
- Tourism and travel-related services; and
- Maritime transport services (excluding cabotage).

2.1 Services Trade Restrictiveness

In this sub-section we utilise available data and information generated after the signing of the EPA to get an overall picture of the general conduciveness of the regulatory conditions in the markets for services and investment in EPA Partners. This gives an idea of the actual conditions of access facing these services, and service suppliers generally. This analysis is undertaken independently of the commitments made, since it is **both the actual laws in place and the operation** of these laws that will determine how trade actually takes place. For this, we utilise the results contained in the World Bank Restrictiveness of Trade in Services and Investment (RSTI) database. It is noted that the country and sectoral coverage is not comprehensive, nor is the coverage of modes of supply and sectors². Given the limited country coverage, particularly for EU Member States where only 20 Member states are covered, any comparisons, should be done on a country-to-country or region to region-to-region basis. This is not possible for all EPA Partners given that the index is only available for one CF country, the Dominican Republic.

² The database covers 103 countries that represent all regions and income groups of the world. The only CF country for which an index has been calculated, though grouped with Latin America and the Caribbean, is the Dominican Republic, and results are reported for only 20 EU member states.

For each country, five major services sectors are covered, that encompassing a total of 19 subsectors:

Financial services: retail banking (lending and deposit acceptance) and insurance (automobile, life and reinsurance)

Telecommunications: fixed-line and mobile

Retail distribution

Transportation: air passenger (international and domestic), maritime shipping, maritime auxiliary, road trucking and railway freight

Professional services: accounting, auditing, and legal services (advice on foreign/international law, advice on domestic law, and court representation)

Each subsector in turn covers the most relevant modes of supplying the respective services, yielding overall 34 country-subsector-mode combinations:

Mode 1: Financial services, transportation and Professional services

Mode 3: All sub-sectors

Mode 4: Professional services

As an example in the case of Professional services, over all modes, we take one EU Member State, say Portugal, and make a comparison with the Dominican Republic (DR) (the only CARIFORUM country for which the index is currently calculated)³. The database shows that for Accounting services in both countries, overall there is a virtually open environment for mode 1 and mode 3 indicating that regulations or “restrictions” in and of themselves do not necessarily retard trade. In respect of mode 4, however, the level of restrictions is higher.

Table 1: Services Trade Restrictions Compared

Dominican Republic	Overall	Mode 1	Mode 3	Mode 4
Professional - Accounting and Auditing	33	0	25	50
Portugal	Overall	Mode 1	Mode 3	Mode 4
Professional- Accounting and Auditing	40	41.67	20	60
<i>Source: http://iresearch.worldbank.org/servicetrade/default.htm</i>				

This indicates that the treatment provided in the EPA for certain categories of services, especially in respect of Mode 4, which includes professional services (Engineering and Architecture) as well as other Business Services (management consultancy)⁴ from CARIFORUM, is a significant concession, given the state of restrictions generally. This therefore puts CARIFORUM (CF) at an advantage in terms of the effective “access” for these categories of services, provided that implementation, in particular administrative or other policy barriers, do not impair the relevant commitments made. This makes the effective implementation of these obligations that much more significant in the context of EU-CARIFORUM trade in services. These commitments therefore would have to be taken into account in assessing services trade restrictiveness in the EPA context.

Of all the services sectors covered in the database, and on which this Report focuses, the level of restrictions is highest in respect of Mode 4. This is particularly so in professional services. Given that services can be supplied by more than one means, an examination of restrictiveness has to be complemented with an examination of modal substitutability⁵. This is a simple average of the most relevant modes by which the particular service is traded. The idea behind this is not simply that a service can be supplied by one mode of supply, but that modes can act as substitutes⁶. For instance, if a service is supplied mainly by way of Mode 3, and most restrictions relate to Mode 4, then the actual effect on services trade is less significant. Whereas, if most restrictions are on Mode 4 and this is the primary means of supplying the service then this has a more significant impact on services trade in this Sector. It is important to establish this parameter, as regulations that affect a mode in which the service is not traded have no practical effect and will yield no useful information on the manner in which actual trade may be affected. An attempt has been made in this Report to make some generalisations about the modal substitutability, based on the number of modes by which a service is actually traded.

³ It should be noted however, that is the EPA commitments capture the regulatory status quo; the analysis of specific commitments shows that generally the restrictions on specific modes (horizontal) are very similar across the CARIFORUM, particularly in respect of Mode 3.

⁴ Mode 4 is the dominant mode of supply, see analysis of modal substitutability and tradability.

⁵ Modal substitutability is defined in this Report as the ability of a service to be supplied by different modes of supply. The estimate of substitutability is given as number of possible modes for that service/ total modes of supply (4).

⁶ To the extent that it is technically feasible.

In sub-sectors such as telecommunications, tourism, transport, professional services, and maritime transport, Mode 3 is a viable mode of supply⁷. For services such as the professional services and tour guides, Modes 1 and 2 are also means by which these services are supplied, so that they exhibit the highest degree of substitutability. If, for example barriers related mainly to Mode 4, they can alternatively be supplied by another mode, which is supported by advances in technology and legal frameworks to support E-commerce.

Table 2 : Mode Assessment

Mode Assessment			
Service	Most Relevant Mode - RTSI	Modal Substitutability ¹	Tradability Index ²
Architecture	1,3,4	0.75 (1,3,4)	High (1)
Engineering	1,3,4	0.75 (1,3,4)	High (1)
Management Consultancy	1,3,4	0.75 (1,3,4)	High (1)
Telecommunication Services	3	0.25 (3)	Moderate to High (1)
Courier	not covered by RTSI	0.50 (3,2)	n/a
Musicians/ Bands	not covered by RTSI	0.25 (4)	Moderate to High (1)
Hotels and restaurants (incl. catering)	not covered by RTSI	0.25 (3)	n/a
Travel agencies and tour operators services	not covered by RTSI	0.25 (3)	n/a
Tourist guides services	not covered by RTSI	0.75 (2,3,4)	n/a
Maritime (excluding cabotage)	1, 3	0.50 (1,3)	n/a
1/ Number of modes over the average modes of supply (4)			
2/ Tradability ⁸ is the likelihood (probability) that trade is taking place and is determined by the interplay of three factors—trade costs, technology, and comparative advantage (including in institutions)—as well as exporter-, importer-, and sector-specific factors. One service is more tradable than another if the probability that it is in fact traded is higher. The assumption is made that the more tradable a service, the less likely that it is impeded by regulatory barriers. This looks at Modes 1 and 2.			

Less substitutable are maritime and courier services and the least substitutable are those for which one mode of supply is dominant, such as telecommunications and musicians. Limitations therefore in these sub-sectors and modes will mean a greater restrictive effect than for a sector with a host of restrictions, but that has a high modal substitutability.

Also relevant to the analysis of restrictions is the assessment of the level of tradability of specific services. The more tradable a service, the implication is that it is subject to fewer regulatory barriers, and hence the cost of trading is lower. It should be borne in mind that the index does not capture Modes 1 and 2, and so may overstate the impact of restrictions⁹. Developments in the area of e-commerce could have a significant effect on the tradability of services, where this

⁷ It is noteworthy that though this mode 3 is a means of providing the services for almost all the categories of services examined in this Report, it is the mode that is least captured by services trade statistics.

⁸ See Marel and Shepherd 2013.

⁹ The existence of electronic transaction laws and data protection in the relevant jurisdictions will also mean that for services that can be supplied by this mode, the effect of restrictions will be less as long as there is an environment that facilitates such trade.

is technically feasible. This is therefore an important area or opportunity for, “regulatory harmonisation”¹⁰.

The other sector that is relevant in terms of Mode 4 restrictions and of great export interest to CF is that of Musicians and Bands. The level of substitutability here is low, and often musicians benefit from live shows, more than any other possible mode of supply. This speaks to a need to address entry requirements, and enforcement of intellectual property rights as well as mechanisms for cross-jurisdictional enforcement¹¹.

2.2 Regulatory Capacity

A key element of meeting the relevant regulatory objectives, particularly in light of the commitments on market opening made in trade agreements, is the ability to review, design, monitor and implement the relevant regulations and to ensure that there is an environment which is conducive to the EPA, while taking national objectives into account.

Much was made of the capacity gap on the part of CARIFORUM compared to the EU in the literature that at the time of negotiations, particularly in the area of services. In discussions with stakeholders it was indicated that this deficit has hampered, to some extent, the implementation of commitments (see discussions of “Legal Capacity”¹²). In particular, the resources necessary to review the relevant legislative frameworks, and design the appropriate changes to facilitate meeting commitments, while preserving legitimate regulation of the service sector, were cited. For example, changes would be towards ensuring universal access; preventing anti-competitive activity; curing information asymmetries; ensuring quality of the services; consumer protection; amongst others. It is noteworthy that no stakeholder consulted indicated that a thorough regulatory audit was conducted, where all the relevant laws and details were looked at, along with the relevant provisions that would affect trade in services. In preparation for the CARICOM-Canada negotiations, some countries were in the process of putting forth their offers, and the Consultant had an opportunity to observe this process, which included getting the feedback from relevant Stakeholders and noting the type of restrictions. However, given the limited timeframe and capacity within which the offer had to be made, it is doubtful that a thorough regulatory audit was in fact conducted. In many instances reliance was placed on knowledge of existing limitations from the WTO and the EPA Schedules. It stands to reason therefore that beyond the commitments made, work may be needed on understanding the regulatory environment that exists. A few CF implementation plans in fact speak to a need to acquire Technical Assistance to identify or effect the relevant regulatory change required.

One of the underlying motivations for this Background Technical Report is that there may be actual divergences between the de facto and de jure measures (Kaufmann, Kraay and Mastruzzi 2005) which have practical implications for the conditions of access of the relevant service into the particular market. It is **these practical effects** of the law implemented post-signing of the EPA that are relevant to this assessment.

¹⁰ It should also be borne in mind that the UNCITRAL model laws closely track EU law; and further, most countries in CF adopt the principles of the UNCITRAL model laws, implying that there is some degree of convergence, once the provisions are tracked appropriately.

¹¹ A full analysis of IP enforcement in the context of regulatory frameworks is outside the scope of this Paper, but its importance is recognized in Articles 139(1) to (5) and in particular the implementation of the relevant international treaties by the parties. In respect, for example, of live performances, the unauthorized taping or otherwise capturing the visual presentation of those performances, would pose a significant economic loss to CF service suppliers, undermining potentially any market access gains under the EPA, through Article 83(2).

¹² This term is utilized in this Report to refer to the capacity gap in relation to design, implementation, monitoring of relevant legal instruments to regulate trade in services.

These findings support the observations from consultations with CF stakeholders in respect of the pace of implementation, as follows:

- Progress on the review of relevant laws has been slow or has not started
- Drafting capacity is low, for the development or the revision of relevant laws
- Capacity, in terms of human resource capability, as well as financial resources to monitor and revise laws is low
- Although the Regional Road map sets a basis for implementation, the difficulties are compounded by the fact that for some countries this is the first agreement of its kind. In fact, Stakeholders with more experience with regional integration agreements (RIA) and Free Trade Agreements (FTA) generally indicate clearly that they believe that implementation has been easier for them because they have had to meet similar obligations on other agreements.

This highlights another significant dimension for capacity building in the area of regulation – correct transposition. This is significant in the context of the EPA, in that while espousing similar regulatory principles, these must be adapted to the relevant jurisdiction having regard to its particular legal system. Institutional design is also critical. It is clear therefore that while regulatory capacity may be higher in the EU, and perceptions of quality follow suit, more needs to be done in the area of services and investment on the part of both parties, to overcome the challenges, cooperation on these regulatory issues may be one way to achieve this.

3. Investment in Non-Services Sectors

This section focuses on inward FDI into CF, as this was the main area of interest in relation to non-service sectors in the discussions with stakeholders. These are Forestry, Agriculture including Fisheries, Agro-processing and Manufacturing. It was felt that these sectors provided the greatest opportunities for diversification and niche market development. The EPA's provisions on commercial presence cover all these.¹³

This section therefore attempts to highlight the main issues and concerns in relation to the EPA in this area, the objective being to assess whether there exists a legal framework conducive to FDI inflows. Given the lack of detailed data, and in fact low levels of bilateral flows as indicated by Stakeholders, as well as shocks such as the global economic crisis, we focus on the relevant framework. To the extent that Parties entered into the EPA in good faith, this section does not analyse the extent of compliance or violations of treaty provisions in individual jurisdictions. Further delays in implementation make it impractical to assess any real trade effects resulting directly from the EPA, particularly in an area such as investment. Given the expectation of increased inflows as a result of the signing of the EPA, and the impact of the global economic crisis, which cannot be separated from the processes, being considered, we look instead on whether the expectation of increased investment inflows was ***legitimate*** given the relevant treaty obligations undertaken by the Parties. The impact on actual inflows, however, depends in part on the implementation of these obligations among other factors. Notwithstanding, it is useful to determine whether issues and concerns in respect of non-service sector investment are addressed in the treaty context, thereby allowing for investment frameworks that support such inflows.

¹³ See Article 66 of the CF-EU EPA.

Berger, Busse, Nunnenkamp and Roy (2010) provide empirical evidence that liberal admission rules promote FDI. Franck (2007), notes that the evidence on the relationship between FDI and treaty provisions remains anecdotal: little is available empirically but indications are that there seems to be a growing realisation of a signalling effect for host countries, provided that investors are aware of the existence of the treaty and its provisions. What can be inferred from Berger et al (2010) is that RTAs which focus only on liberalisation are ineffective in promoting FDI, legitimating an examination which shows that issues go beyond market access and national treatment obligations, such as regulations. In relation to investment, and Commercial Presence¹⁴, the EPA covers both pre- and post-establishment, but goes beyond the GATS coverage of services and supply of services to commercial presence in non-service sectors. Further, it includes provisions on investor behaviour and regulatory principles, which were included in an effort to exploit the signalling properties of the EPA (Sauvé and Ward 2009).

3.1 Overview of FDI Trends

This section seeks to highlight those implementation issues and concerns arising from Stakeholder Consultations as well as from responses to formal questionnaires.¹⁵ The available data legitimizes these concerns as shown below.

The UNCTAD World Investment Report 2013 indicates that for 2012, there was a decline in investment flows, given the global economic situation and the crisis in the Eurozone, which dampened investors' willingness to pursue cross border investments. This implicated greenfield projects, mergers and acquisitions; although expectations at the time of negotiation as well as the signing of the EPA were that investment inflows from EU Partners into the region would see an increase. Stakeholders indicate that this has not been the case, consistent with global trends.

As shown below total net inflows into CF increased significantly in 2008. Although it would be tempting to ascribe this to the conclusion of negotiations and signing of the EPA towards the end of the year, direct causality cannot be ascribed, given the detailed data required to conduct the necessary enquiry.

Some authors and the Office of Trade Negotiations (OTN) point, however, to the strong signalling influence on FDI flows of the conclusion of treaty obligations. In fact some stakeholders, particularly those with relatively high levels of EU presence in their economies, have pointed out that investors saw the conclusion of the EPA as a strong positive signal.

Though inflows declined in 2009, they improved towards the end of 2012, consistent with trends in FDI into developing countries in the post crisis era. FDI net inflows into CF showed positive year on year increases. Estimates for 2013 based on UNCTAD FDI Monitor (2014) indicate that FDI inflows into the Caribbean¹⁶ will increase by 5.3% over their 2012 levels.

Data are not available for the level of investment from Partner countries such as the EU into specific CF countries in the level of detail required. It is instructive however, to look at the level and percentage of FDI flows to certain activities for the EU-27 available from Eurostat.

¹⁴ Title II, Chapter 2 of the EC-CARIFORUM EPA.

¹⁵ At the time of writing only a few countries responded to the questionnaires- Jamaica, Barbados, and the Dominican Republic.

¹⁶ This includes all Caribbean and not only CF EPA partners, and also excludes Belize with is often grouped in UNCTAD data sets in South America. The Report indicates that while most of the growth in Latin America and Caribbean grouping came from the Caribbean, this was mainly driven by the British Virgin Islands.

EU investment in services is by far the most significant area of economic activity for FDI investment abroad. In the non-service areas of Agriculture, Mining and Manufacturing, where stakeholders expressed the greatest interest in seeing a boost in FDI, there has been an increase in EU FDI investment abroad with the exception of manufacturing. However, the data does not separately present the situation in CF.

The feedback provided by stakeholders, was that the level of EU investment into their respective territories was low, and they did not see a boost upon provisional application of the EPA. In some cases there was no concrete example of EU investment that could be provided. It is noteworthy that the UNCTAD World Investment Report 2013 (p.21), notes that of the most promising sectors for investment, Mining was prominent among the non-service activities for Latin America and the Caribbean.

Table 3: Selected Economic Activities as % of Total FDI

<i>Selected Economic Activities as % of ALL FDI Activities (EU 27)</i>						
	2004	2005	2006	2007	2008	2009
Agriculture; Fishing	-0.09%	0.05%	0.04%	0.06%	0.01%	0.07%
Mining and Quarrying	3.87%	0.01%	4.10%	4.46%	4.02%	6.06%
Manufacturing	26.17%	24.00%	11.98%	15.47%	24.14%	5.15%
Services	60.44%	61.54%	74.66%	68.67%	58.79%	74.89%
Hotels and Restaurants	-0.15%	0.64%	-0.01%	0.02%	0.26%	0.14%
Transport, storage and communication	4.02%	6.38%	0.32%	6.75%	5.20%	5.71%
Source: Eurostat						
<i>Notes: Partner - World, Financial Account, Direct Investment Abroad</i>						

Stakeholders pointed to resources¹⁷ as a positive factor for attracting investment into the region, while at the same time representing an area where it was felt that tremendous potential was underexploited because of the lack of the necessary investment. UNCTAD (2012) reports that of the CF Partners for which data were available, the top five destinations for attracting investment inflows in 2011 were (not in order of ranking):

- Barbados
- Bahamas
- Jamaica
- Dominican Republic
- Trinidad and Tobago

In respect of mergers and acquisitions for EU Partners in 2012 declined overall from their 2008 levels, after rebounding in 2009. For 2012 declines were registered for only two economies. This is not as significant however, as compared to Greenfield Investment, the dominant type of investment in CF. For Trinidad and Tobago and the Dominican Republic these flows declined in 2012 from their Pre-EPA levels (2008). For CF Partners overall these flows represented generally the same percentage of World greenfield investment projects in 2012 when compared to 2008, but represented an increase over 2009, possibly signalling a rebound from the effects of the global economic downturn.

¹⁷ From a regional perspective it is worth noting, that sun, sand and sea **are not often** considered in the context of "resource seeking investment", though a case can be made the investors may be motivated by this in the area of Tourism.

Against the background of these trends and based on feedback from consultations we can define a set of core issues to see how closely these are captured by the EPA. To the extent that the EPA does address the issues, then one can at least make the case that the EPA sets an important platform for further investment into non-service sectors. Where Gaps exist then the enabling framework or pre-conditions required at the framework level need to be closely examined, to arrive as close as possible to an "ideal" EPA framework for non-service investment (FDI inflows).

Table 4: M & A by EU Partner 2000-2012

Number of cross-border M&As by region/economy of purchaser, 2000-2012 (EU Partners)														
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 v 2008
World	6 280	4 368	3 114	3 004	3 683	5 004	5 747	7 018	6 425	4 239	5 484	6 065	5 400	-1 025
Developed economies	5 431	3 651	2 314	2 072	2 706	3 741	4 446	5 443	4 732	2 666	3 713	4 384	3 745	-987
Small island developing states (SIDS)	7	9	11	15	2	27	25	23	21	19	10	5	14	-7
Austria	82	68	51	53	64	62	77	104	75	42	35	37	51	-24
Belgium	183	109	45	42	32	49	63	77	61	15	19	44	56	-5
Bulgaria	1	-	2	-1	1	1	2	2	6	3	3	3	2	-4
Croatia	2	2	4	7	-	1	2	6	3	1	1	1	-1	-4
Cyprus	15	18	6	2	3	3	23	21	46	160	280	168	142	96
Czech Republic	-	3	4	-	-	7	14	12	10	6	11	14	11	1
Denmark	140	125	50	40	60	112	85	82	102	43	45	35	37	-65
Estonia	3	4	1	2	5	3	8	10	4	-	2	9	6	2
Finland	114	82	83	58	22	56	66	66	109	32	57	69	18	-91
France	437	284	176	86	114	253	265	404	381	191	226	269	239	-142
Germany	579	302	193	127	111	226	229	264	286	196	137	266	239	-47
Greece	49	55	23	15	4	13	20	17	27	7	1	3	-5	-32
Hungary	4	-4	1	13	5	8	13	14	10	5	2	-	1	-9
Ireland	141	91	48	38	52	48	94	128	82	32	30	49	78	-4
Italy	128	132	61	39	12	52	59	121	119	45	50	48	54	-65
Latvia	4	1	-	1	4	1	1	4	-1	-	4	1	-1	-
Lithuania	-	2	2	3	1	3	2	2	7	2	5	5	2	-5
Luxembourg	28	24	18	1	11	26	39	42	53	34	33	43	58	5
Malta	-	-	1	-	3	1	1	1	1	4	4	2	4	3
Netherlands	271	181	106	76	21	91	146	173	221	104	169	143	100	-121
Poland	6	3	1	4	7	15	8	30	28	3	21	16	5	-23
Portugal	25	21	16	9	13	10	16	25	36	20	17	2	5	-31
Romania	-1	-	1	2	1	-	1	-1	7	3	6	-	-	-7
Slovakia	2	8	1	-	3	2	2	1	7	2	5	3	-	-7
Slovenia	4	13	7	7	7	6	7	6	4	4	5	-2	2	-2
Spain	123	81	47	59	62	82	109	156	106	50	64	47	40	-66
Sweden	219	145	89	50	106	154	185	207	161	94	177	210	132	-29
United Kingdom	688	527	330	279	446	544	681	814	600	231	351	499	363	-237
TOTAL EU EPA Partners	3 247	2 277	1 367	1 012	1 170	1 829	2 218	2 788	2 551	1 329	1 760	1 984	1 638	-913

Source: UNCTAD cross-border M&A database (www.unctad.org/fdistatistics).

Note: Cross-border M&A purchases are calculated on a net basis as follows: Purchases of companies abroad by home-based TNCs (-) Sales of foreign affiliates of home-based TNCs. The data cover only those deals that involved an acquisition of an equity stake of more than 10%. Data refer to the net purchases by the region/economy of the ultimate acquiring company.

Table 5: Greenfield projects in CF EPA Partners 2003-2012

Value of greenfield FDI projects, in CF EPA Partners, 2003-2012 (Millions of dollars)										
Destination region/economy	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua and Barbuda	-	-	-	-	-	82	-	-	-	-
Bahamas	586	64	52	-	18	61	5	64	333	24
Barbados	-	3	-	-	-	-	29	137	303	16
Belize	-	-	-	-	-	-	3	5	-	43
Dominican Republic	1 400	417	1 496	827	749	2 044	1 399	330	5 143	584
Grenada	-	-	-	-	3	-	-	5	5	-
Guyana	-	40	563	412	10	1 000	12	160	15	302
Jamaica	415	514	260	369	29	317	41	23	491	27
Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	64
Saint Lucia	145	-	-	-	12	-	3	144	64	-
Saint Vincent and the Grenadines	-	-	34	-	-	-	-	-	-	-
Suriname	328	-	-	-	-	101	-	-	384	34
Trinidad and Tobago	1 088	1 384	1 008	1 542	797	372	296	22	114	119
Total CF EPA Partners	3 962	2 422	3 411	3 150	1 618	3 977	1 787	889	6 854	1 213
World	771 315	710 848	702 894	910 601	943 950	1 582 134	1 041 927	901 152	913 828	612 155
% of World	0.51%	0.34%	0.49%	0.35%	0.17%	0.25%	0.17%	0.10%	0.75%	0.20%
Least developed countries (LDCs)	36 890	22 897	19 786	18 194	26 152	65 204	36 054	39 854	33 654	21 824
Landlocked countries	44 524	18 762	15 351	16 899	23 410	53 430	25 449	29 366	39 438	17 931
Small island developing states (SIDS)	8 827	3 787	1 539	3 539	3 425	5 325	3 132	5 957	7 429	2 283

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) and Authors Calculations
Note: Data refer to estimated amounts of capital investment.

3.2 Issue Identification

As noted before, the EPA stands as a strong positive signal to investors; however, other factors influence actual investment decisions. Generally throughout consultations, stakeholders indicated that they had positive and open investment regimes. What we look at, therefore, are the issues of relevance in relation to the EPA, based on FDI trends as well as stakeholder views¹⁸. The main issues, based on frequency raised in consultations and importance¹⁹ by stakeholders are presented below.

3.2.1 Investor State Dispute Mechanisms

UNCTAD (2013) points to the increase in investor-state dispute settlement (ISDS), as confirming investors' increased use of this mechanism. The report further notes that the highest number of cases ever filed in one year occurred in 2012. EU private sector representatives that had operations in CF countries as well as official representatives, noted concerns in relation to transparency, time in litigation, as well as questionable decisions and enforcement. They pointed to instances where, although the necessary legal structures were in place for investors to take action, the decision of the Courts was not implemented. Additionally, it was felt that reform was required to address some of these issues, which they perceived as being systemic. Most CF stakeholders from the public sector noted that investment laws in place allowed for these issues to be addressed, and further indicated that in some instances special Commercial Courts had been established to deal with these issues, improving the administration of justice²⁰ in this area. They however, acknowledge that in some instances investment laws in this area may need amendment. Where Parties were in the process of review they noted lack of "legal

¹⁸ A detailed comparison of investment regimes was beyond the scope of this Report.

¹⁹ Importance will vary according to the individual CF Partner.

²⁰ An important aspect of international law, which relates fundamentally to the notion of good faith, is that of justice; i.e. is the outcome acceptable in an evaluative and justificatory sense? (Kim 2005).

capacity”, human resources as well as legislative drafting expertise as hurdles. Notwithstanding these difficulties, investors still had recourse, if not in the domestic legal environment, in international fora.

3.2.2 Effective and Continuous Links

Many stakeholders noted that in order for FDI to be beneficial to CARIFORUM states, the character of investment coming into the region must generate lasting links with the host economy. Concern was often expressed that the most important aspect of FDI inflows for stakeholders would be the positive externalities, in terms of knowledge transfer, and skills development, as well as integration with other sectors (e.g. Agriculture-Tourism, Wood Products-Tourism). As such, countries had to be free to address the issue of “screwdriver” operations.

3.2.3 Investor Protection

The EPA does not address investor protection substantively. It was noted that at the time of negotiations the EC did not have competence in this area. Community law, however, recognises this as an important element of investment treaties. Also, many BITs with EU partners contain these provisions. It therefore stands to reason that this would be an important issue for EU investors.

All CF countries with the exception of the Bahamas, have a BIT with at least one EU Partner, giving a total of 33 BITs as of November 2013²¹. Jamaica has the highest number of BITs with an EU partner (six), with Trinidad and Belize second (four) and Barbados and Haiti (three each) third, collectively accounting for 20 of the 33 BITs signed (31 of which have entered into force). The majority of these agreements are concentrated in five CARIFORUM partners.

Of the 27 EU partners however, BIT's with CF are concentrated in only seven CARIFORUM Countries. The largest number of BITs in the region is held with the United Kingdom (10), with Germany trailing close behind with nine. All BITs pre-date the EPAs.

²¹ Of these, two have not yet entered into force, one between Italy and Belize and the other between Suriname and the Netherlands.

Figure 1: Distribution of BITs across CF

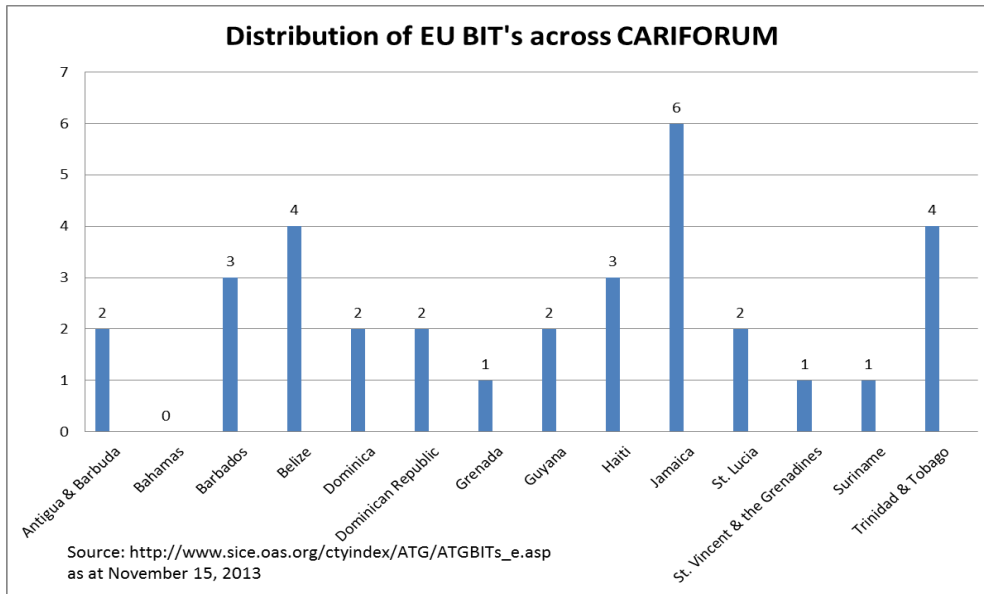
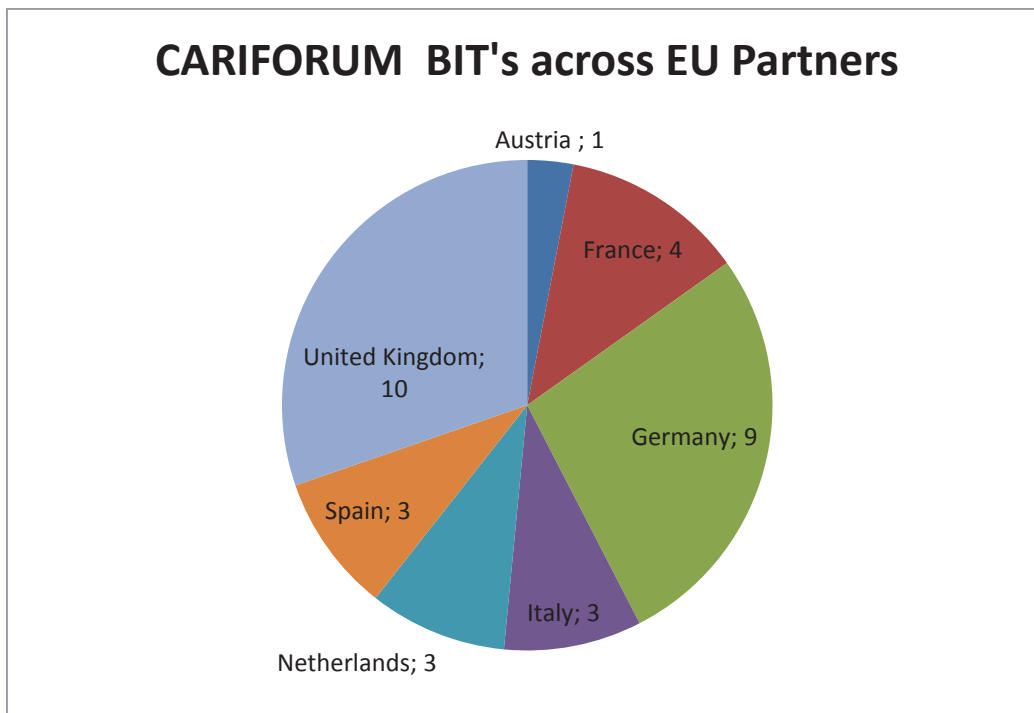


Figure 2: CF BITS with EU Partners



The advantage of adjusting the regulatory frameworks in line with the EPA is that it limits the potential for “disintegration”, whereby individual CARIFORUM countries will try to compete for these investment resources by lax treatment of foreign investment, which is potentially destabilising for the country if the wrong types of investment are allowed. Adjusting the regulatory frameworks in line with the EPA would aid not only the process of regional

integration, but also specialisation within the region with inflows going to those sectors where the greatest opportunities lie.

3.2.4 Effectiveness of court process (transparency, timeliness, effective remedies²²)

EU representatives holding investment in the region noted that court processes needed to be improved. While changes have been made, for example the establishment of special commercial courts, timeliness of decision making as well as enforcement of court decisions remains a concern which hampers investors' ability to enforce their substantive rights.

3.2.5 Information asymmetries

In respect of investment into non-service sectors (also services generally) it was felt that more needed to be done to promote the regional opportunities to EU investors, and at the same time allowing strengths of each CF Partner to be highlighted. The consultations revealed that initiatives were underway to develop such a regional plan, under the Caribbean Association of Investment Promotion Agencies (CAIPA), as well as other regional promotion activities. Some stakeholders noted a concern that such regional initiatives often led to the majority of benefits going to the "usual suspects", and as such, they expressed concern about support at the national level for national plans and promotional activities. It was felt that this would allow for a more balanced distribution of inflows within CF, making allowance, of course, for demand pull factors (Akinkugbe 2003).

In respect of EU activities to promote the region, it was indicated that not much of this type of sensitisation has occurred in the EU, although it was shown that, for the most part, private sector actors who had an interest in the region did try to seek out information. In respect of the OCTs it was indicated that some cross-border investment was taking place; however, this was not perceived to be as a result of, or influenced by the EPA.

3.2.6 Pro-development Investment

Stakeholders pointed to the negative effects of foreign investment in some sectors and the importance of being able to control these outcomes in sectors like forestry, and tourism²³. There was also a need for ensuring more equitable flows into CF partners, so that the development advantages can be spread over all CF countries.

4. GAP Analysis

Against the six defined issues, we assess applicable EPA provisions along the lines of the four criteria to determine whether a GAP exists: ***the rationale being that where the EPA allows for these issues at the treaty level, domestic legal frameworks in compliance with these treaty obligations will achieve some level of regional convergence in their regulatory frameworks, thereby allowing countries to more effectively attract FDI on the basis of their specific advantages.*** If the EPA does not address the relevant issue, there is a GAP (G); where it does; there is NO GAP (NG). To the extent that a gap exists then the treaty cannot achieve the required convergence.

²² This includes the implementation of Court Decisions.

²³ Environmental concerns, for example.

All trade agreements stand as potential frameworks within which actual trade and investment can take place, whether or not actual trade takes place is often less a function of treaty obligations, than of other factors. However, in the area of investment the literature suggests a correlation between treaty provisions and investment flows (as a signal)²⁴.

The criteria employed to evaluate each issue for classification as G or NG is as follows:

1. Is there a specific provision?
2. Is the provision a positive obligation?
3. Does the treaty stipulate guidelines or standards?
4. Does the treaty mandate cooperation²⁵?

For the final classification, if the answer to all of the above four (4) questions in relation to the specific issue is yes, then there is no gap (NG), however a response in the negative to any of the above means that a gap exists (G).

Table 6: GAP Analysis- Investment in Non-Service Sectors

Issue Number	Issue	EPA Provision	Assessment	Comments
1	Investor State Dispute Mechanisms	Article 66 (Coverage), Footnote 2 Article 62 (Future liberalisation), Article 74 (Review) Article 87 (procedures)	NG	Despite the lack of specific provisions, domestic mechanisms and international ones, as well as EPA specific adjudicatory processes can be invoked. ²⁶
2	Effective and Continuous Link with the host economy	Article 65 (Definitions), footnote 1 ²⁷ Article 72 (Behaviour of Investors)	NG	Though not defined, operational criteria are provided for through incorporation of GATS disciplines and applicable jurisprudence. Also EPA articles recognise this.
3	Investor Protection	None	G	No EPA Treatment
4	Effectiveness of court processes	Article 87 (Procedures)	NG	This provides that mechanisms be put in place for the effective enforcement of specific legal obligations (since the national systems of enforcement are required), that is investors must be able to enforce their legal rights. While non-ratification may seem to pose a hindrance here it does not on two counts: one, often courts in CF have regard to international obligations in discharging the matters before them; and second incompatibility with domestic legal norms cannot invalidate the treaty obligation (VCLT).
5	Information asymmetries (Availability of information to investors)	Article 7 (Development Cooperation), Article 74 (Review) Article 86 (Transparency)	NG	Facilitating interaction and dialogue between parties. Reviews on the functions of investment frameworks as highlighted in Article 74 would also bring to the fore issues in relation to the performance of trade flows, as well as distribution between CF States, in

²⁴ This is shown as being particularly relevant for Tourism (see Section on Implementation Issues and Concerns – Tourism).

²⁵ Cooperation in the context of Regulatory issues focuses on non-financial forms of cooperation, unless otherwise indicated.

²⁶ Non-ratification may seem to be a concern; however, States have committed to provisionally apply the EPA. Non-ratification, however, will not hinder adjustment to relevant laws to give effect to the letter and the spirit of treaty provisions. Further, incompatibility with domestic norms cannot invalidate or remove the obligations made under treaty (see Article 46 of the VCLT). So that investor disputes can still be effectively enforced in the domestic context.

²⁷ There seems to be some typographical discrepancy.

Issue Number	Issue	EPA Provision	Assessment	Comments
				addition to addressing problems of the legal framework. It is not clear that the 3 year review was conducted (2011) neither three year reviews anticipated (2014) ²⁸ .
6	Pro-development Investment Flows	Article 72 (Behaviour of Investors), Article 73 (Maintenance of Standards), Article 3 (Sustainable Development) , Article 8 (Cooperation Priorities) Article 60 (Objective, Scope & Coverage)(1) Article 60(4) , Article 73 (Maintenance of Standards), Article 86 (Transparency)	NG	See comments in relation to Cooperation. Also ability to import TRIMS disciplines, as well as a general recognition that regulation is allowed. Enhancing the capacities of Investment Promotion Agencies in CF, as well as allowing countries to calibrate their investment policies to their peculiar circumstances.

4.1 Conclusion – GAP Analysis

A number of mechanisms have to be put in place to effectuate a particular kind of investment platform in the context of the EPA. **Actual flows will, however, respond to the effectiveness of implementation.** Based on the Gap analysis above, more work may therefore need to be done to actively promote FDI flows into the region, in terms of enquiry points, cooperation, and establishment of modalities that allow for cooperation in the sense of business to business links. In essence, CF must be able to both attract and benefit from these flows. Generally, this points to the importance of fulfilling positive treaty obligations, so that the lack of an appropriate framework does not pose a limitation on these flows. Where there was found to be a gap, i.e. investor protection, the EPA, while not specifically providing for it, specifies that mechanisms must be in place.

The onus is therefore on effective implementation, and addressing the specific constraints to this. In the regulation context it is necessary that EPA Partners must properly incorporate the treaty obligations into National Law.

²⁸ When asked about these, stakeholders indicated that they were not aware of them. Although some stakeholders indicated that their national regimes were under review, and in some countries, new investment regulations had been passed.

5. Implementation Issues and Concerns – Trade in Services

As noted in Article 246 (Revision) of the EPA, experience gained during implementation is relevant. Such experience is also relevant in respect of Article 62 (Future Liberalisation). This Section attempts to discuss fifteen implementation issues and concerns identified by stakeholders, as areas of significance to meeting obligations in Title II. In particular, measures that are of general applicability are also discussed. Such measures relate to, for example, e-commerce in respect of cross-border provision of services, and Universal Service, Competition rules that affect Mode 3 in all sectors examined in this Report, as well as to issues that generally impact on market access provisions, and which would affect a particular mode of supply (rather than a specific sector)²⁹. The specific **Implementation issues and concerns** are addressed below, based on Consultations conducted during 2013 and 2014. The team met in person with private and public sector stakeholders and some civil society representatives, in CARIFORUM and EU stakeholders in Brussels, Dominica, Guyana, Barbados, Trinidad & Tobago, Jamaica, Belize, Suriname, Antigua & Barbuda, St Lucia and the Dominican Republic.³⁰

5.1 Legitimate Objectives

Legitimate Objectives in the context of regulation in Title II of the EPA are not seen as a positive obligation. Article 60(4) provides that parties retain the right to regulate and introduce new regulations to meet legitimate policy objectives. Notwithstanding, it is important to examine this issue. Adlung and Miroudot (2012), note that commitments in services are 'multi-dimensional', in the sense that they relate to four types of transactions (modes of supply), and as noted extensively in the literature rely on regulation to control flows. This allows for virtually unlimited possibilities of non-tariff protection. In essence, regulations affect the degree of liberalisation. "Legitimate Objectives", therefore, in the context of the EPA, though not defined can be viewed as the limits on such flexibility in respect of liberalisation (market access and national treatment), implicating Article 62.

It is noteworthy that a significant departure of the EPA from the GATS is that the EPA bound the regulatory status quo: this means that there should not be a gap between the level at which commitments were bound, and the actual regulatory environment, at the time the concessions were made³¹. Another critical element is that the measures or limitations inscribed in country Schedules often relate to legal requirements, so that administrative practice is often not considered. Partners' commitments, while signalling the level of market access committed, are not guaranteed, where there may be a need to regulate or re-regulate for "legitimate objectives".

Further, in situations where Partner countries do not engage in frequent trade in the area, many impediments may not be obvious, as market access has not been tested. This underscores the need for balance between the specific obligations (Schedules) and the general obligations. One of the ways that this balance is attempted in the EPA is through the requirement that regulation be done for "legitimate objectives".

²⁹ However as noted in earlier sections, a service is capable of being supplied in some instances by more than one mode of supply, certain modes dominate for some sectors, for example, Mode 3 for courier, Hotels, and Telecoms as well as Maritime.

³⁰ A list of persons interviewed can be found in Annex II, of the Main Report- *Monitoring the Implementation and Results of the CARIFORUM –EU EPA Agreement*.

³¹ This is in respect of de jure measures.

The EPA recognises the need to respect WTO commitments, it is not unusual therefore that we should have regard to GATS practice in this area³². A mechanism is lacking under the EPA for members to evaluate whether this balance of obligations has been achieved in implementing the relevant regulation³³. Some stakeholders indicated that this information would be useful, though not suggesting or requesting that specific criteria be laid down in respect of legitimate objectives. They note that it would be unfortunate for such a high degree of discretion to erode the potential of the EPA.

Rather than specific criteria for what are “legitimate objectives”, which will necessarily vary depending on the country’s circumstances at any point in time, an evaluative mechanism under the EPA could be implemented so that Partners could have knowledge of and raise concerns about relevant regulations³⁴. This is particularly important where markets are not being tested, but there is great potential market access opportunity as under the EPA. In this sense, as often described in WTO “speak”, it helps to preserve the balance of rights and obligations, erosion of which stands as an obstacle to effective implementation of the EPA. In fact throughout Chapter 5 (Regulatory Framework), the ideas of *non-discrimination*, *competitively neutral*, *not more burdensome than necessary*, *reasonable and objective* and does not constitute an *unnecessary burden to trade*, can all be found. This speaks to the fact that while there is a general freedom to regulate, this discretion is not without limits. The provisions on Maritime Transport³⁵ (Article 109) rely heavily on adherence to these. (See, for example, specific Maritime services listed at Article 109 (6)³⁶)

5.2 Mode 4 Access

It has been noted in interviews with stakeholders, and relevant data show that restrictions remain the dominant barrier to trade in services for certain categories of services, particularly in business services³⁷, and sectors such as Entertainment, where the main mode of supply is Mode 4.

Article 60, of Title II on Services and Investments general provisions, essentially states that the provisions of the Title do not apply to immigration measures. This is the main area where stakeholders indicated that the main problem of effective market access resides. In particular, for the services examined specifically in this Report, Mode 4 is an important mode of supply – Architecture, Engineering, Management Consultants, and Entertainers³⁸. These categories of services were specifically given market access under Article 83³⁹. Also subject to reservations⁴⁰ in Members’ Schedules, temporary entry for key personnel and business service sellers (Article 81 and Article 82) are allowed to stay for 90 days in any 12-month period and graduate trainees for up to one year. Contractual Service Suppliers (CSS) suppliers and Independent Professionals (IP) represent a significant concession as compared to GATS offers in this area (Sauve and Ward 2009). This comports with significant liberalisation in EU Members’

³² See for example WTO Dispute Settlement cases in the area of GATT Article XX and GATS Article XIV, Chapeau.

³³ For example in the context of GATS members are required to notify of measures and other Members can pose questions on such new measures. Additionally, WTO dispute settlement provisions often attempt to restore the balance of rights and obligations where this is upset.

³⁴ See below on Transparency also GATS working party on domestic regulation.

³⁵ Excluding cabotage.

³⁶ Competition provisions are also directly relevant to the regulation of the provision of maritime services of the other Party.

³⁷ Architecture, Engineering and Management Consultancy.

³⁸ Only 10 CF Partners provide market access in respect of entertainers

³⁹ For CSS, access is permitted for 29 sub-sectors, and for independent professionals access is permitted for 11 sub-sectors.

⁴⁰ For mode access in terms of Architecture and Engineering only five EU member states (Estonia, Bulgaria, Greece, Hungary, and Slovak Republic) have scheduled reservations related to residency, period of experience. For entertainers, France has scheduled reservations in respect of management functions.

Schedules - 12 EU Member States have completely liberalised for Architecture, and Engineering, and for Management Consulting 14⁴¹. For Entertainers, however, all EU members states have noted reservations, and in one instance remains unbound.

While not being a part of the Agreement, visas were raised in consultation as the main obstacle to realisation of benefits under the EPA from these concessions. Stakeholders noted the perceived difficulty of addressing these issues in the context of the EPA, given the dichotomy that exists between immigration and trade rules. Effective market access is in fact contingent upon such access⁴². Lindsay (2013) refers to this as “Access without Entry”.

Another reason given for the lack of realisation of benefits in this area is that MRAs have not yet been finalised, though work is far advanced in some areas. Notwithstanding, for other categories of natural persons to provide access (non-professional), entry, which is predicated on visas (for those countries not exempt from this requirement), will remain a significant hurdle, notwithstanding the conclusion of MRAs. This is particularly so for Entertainers⁴³.

Notwithstanding actual implementation, at the policy level, procedures for a Schengen visa also have been simplified⁴⁴. Further, European Parliament and Council Regulation No 509/2014⁴⁵ has formalised and enlarged the traditional list of criteria that determine the third countries whose nationals are subject to, or exempt from, the visa obligation for exemption of visa adding also foreign trade. Since May 2009, four CARIFORUM States – Antigua & Barbuda, The Bahamas, Barbados and St Kitts & Nevis – are exempted from a visa obligation to enter the EU Schengen countries for short stays. In 2014, Dominica, Trinidad & Tobago, Grenada, St Vincent & the Grenadines, and Saint Lucia were transferred also from list of countries subject to visa obligation the list of under the visa exemption. The exemption from the visa requirement will apply from the date of entry into force of an agreement on visa exemption to be concluded by each of these countries with the European Union.

No Information was available to suggest that visa procedures were simplified in the UK and Ireland for CF.

The high cost and burden placed on those CF countries that do not have consular representation was also raised.

UNCTAD (2103a, p.21) notes that difficulties in respect of Mode 4 access **present an area of potential cooperation between RTA partners**. This is already provided for in the context of the EPA, in respect of assistance to “facilitate the implementation of commitments under this Title, and achieve the objectives of this Agreement”. Examples of such cooperation include, particularly in relation to business travel, card schemes in certain FTAs as well as the Blue Card scheme in the EC.

⁴¹ This includes the UK and Ireland, who are outside the Schengen area. Other EU Members noted some form of reservation.

⁴² It should be noted that some CF countries have received visa waivers to travel to the EU, for short stays. It is anticipated in the next review additional CF member states may be added.

⁴³ The EC has made proposals in respect of “touring requirement” for short stay visitors.

⁴⁴ Regulation (EC) 810/2009 of the European Parliament and of the Council of 13 July 2009, Establishing a Community Code on Visas (Visa Code).

⁴⁵ OJ L 149, 20.05.2014, p. 67

5.3 MRAs

Under the EPA MRAs stand as an important element to gain entry into the EU market. The OECD notes that regulatory barriers are much less in engineering and architecture, as these are controlled by product related regulation and also a number of MRAs have been developed. While work is advanced in this aspect between the EPA partners (see TDC Minutes) some more work needs to be done at the CARICOM level for the Agreements to be finalised. Notwithstanding, however, some countries' legislation as we have seen allows reciprocity- that is a mechanism whereby the qualifications of non-nationals can be investigated and a suitable designation arrived at, in both the EU and in CF. This is for example the case in Antigua and Barbuda, whose Engineer's Registration Act was amended in 2009 to allow for consideration of other national accreditations.

MRA preparatory work is being coordinated by the Caribbean Architects Mutual Recognition Agreement Committee (CAMRAC) which has representatives from each body. While efforts on the engineering side have not progressed as far, engineering representative bodies on both sides met in 2011 to discuss further collaboration and have signed Joint Declarations on Cooperation.⁴⁶

5.4 Residency/ Domicile Requirements

Most limitations on market access and national treatment inscribed in Members' schedules have more to do with residency requirements. Since these are scheduled limitations they do not pose market access barriers, given that they define the limits of liberalization under the EPA. Findlay and Warren (2000) note that Domicile or residency requirements are distinct from registration or licensing requirements; though, as in some countries, they may constitute part of the criteria for obtaining registration under the relevant Act, to use the particular professional designation such as, "Engineer" or "Architect". Licensing requirements are allowed under the EPA. In the EU there has been a move away from Domicile requirements. Findlay and Warren (2000) note that these requirements are on the retreat in most OECD countries. In the EPA they constitute a large number of the limitations imposed. Residency requirements inscribed related to either a requirement for permanent residency or residency; however, no mention has been made of domicile requirements. However, in some jurisdictions both domicile and residency may be required. It is the case in some CF jurisdictions that the relevant laws need to be reviewed to ensure that both requirements accord with the commitments made.

5.5 Enquiry Points (Transparency)

Arguably, the most important practical requirement relates to Article 86, since throughout the Consultations with stakeholders the need for market intelligence was highlighted. One of the main reasons that CF - services were not testing market access in the EU was the lack of information on precisely where opportunities lay. While there are some projects that have sought to address this, and Caribbean Export indicated that such a project was being

⁴⁶ On the CARIFORUM side, the declarations have been signed by Caribbean Council of Engineering Organisations (CCEO) which serves the Caribbean Commonwealth States; the Colegio Dominicano de Ingenieros, Arquitectos y Agrimensores (CODIA) (College of Engineers, Architects and Surveyors of the Dominican Republic) and the Orde van Raadgevende Ingenieurs in Suriname (ORIS). The EU counterparts are European Federation of National Engineering Associations (FEANI) and European Network for Accreditation of Engineering Education (ENAAE), and another with the European Society for Engineering Education (SEFI).

developed, if Enquiry Points were resourced enough to provide relevant information to stakeholders and investors this would help to ameliorate information constraints in CF.

Most CF Stakeholders used the Ministry of Trade, and/or Investment, Promotion Agencies, as well as Service Coalitions as Enquiry Points. Although these have clearly been designated under the EPA by all EPA Partners, no comprehensive assessment on the functioning of these bodies has been undertaken. This was attempted for this Report by way of questionnaires designed specifically for the review.⁴⁷ These indicated, to the extent that responses were submitted, that some enquiries were made to the relevant enquiry points in some CF Partners and they were able to provide the relevant information. In some instances, however, requests to known enquiry points in CF did not yield a response though web portals had been established. For example, the Jamaica Coalition of Service Providers website, did not produce a response to enquiries made via the web portal nor emails to some coalitions, such as in Guyana. Many CARIFORUM stakeholders indicated that more needed to be done to allow the relevant enquiry point to be operational, such as increasing resources and personnel.

Though difficulties were noted in getting information in the EU during consultations, it was also the case that requests in some instances were not being sent to the listed Enquiry points in the relevant EU Member State, for the sector and service activity for which information was being sought. For example, if there was an interest in setting up a consulting firm in Croatia, no specific information request was made to the Enquiry point listed for Croatia. Rather, the EU help desk was often consulted. This was partly because the EU help desk is more well-known and visible, and useful, many try to seek information on services and investment though this portal. However, the EU Help Desk only treats with trade in goods.

On difficulties in getting information from Enquiry points that were contacted in the EU by stakeholders, this seemed to stem from functional issues during the review period, such as for example, email addresses that do not work, change of personnel, etc. This was the case for example in Belgium, Germany, France, the Netherlands and the United Kingdom. The infrequency makes them novel and may leave these issues of requests may also leave unnoticed.

This is one of the, if not the most, important practical requirements for actual trade to take place between the relevant Partners. If there is a perception that there is a dense regulatory framework, for example as can be suggested by the World Bank Doing Business reports, then this could act to dampen actual trade even outside of the commitments made. ***If investors or service providers cannot access the relevant market information, then it is less likely that they will attempt to enter that market. In many instances, it was revealed that this had to do more with a “perception” that the information was lacking, or that it would be difficult to find. This perception was fuelled by the lack of awareness of the relevant enquiry points.***

There is a critical need for market intelligence, a need that seemed to have been communicated to the relevant regional entities to coordinate CF efforts in these areas. One of the critical areas related to promotion of the region in respect of investment, so that EU investors could have the information on the region as well as on individual CF Partners. Five years on, these efforts need to be fast tracked. The fact that the EPA stands as a clear signal to foreign investors implies that relevant information should be readily available.

⁴⁷ The response rate to these questionnaires was however low and at the time of writing only a few CF countries had responded.

It is also noteworthy that EU-CF EPA requirements fall short of GATS requirements, not being subject to these notification requirements in respect of measures that affect trade in services. A requirement for notification would increase awareness of measures coming into being post EPA and allow for queries. As Mattoo and Sauvé (2003) note, “Transparency is an essential component ...in revealing the basis for, and the full range of costs and benefits of regulatory decisions and their implementation”.

5.6 Competition

Competition is one of the main obligations that runs throughout the Regulatory Chapters, and is a basic obligation that must be met by Contracting Parties. There is no jurisdiction in International Trade Law, that explicitly addresses these regulatory issues, save for the fact that embedded in the requirement for non-discrimination under WTO law, and indeed in other aspects of International Law, there is general consensus that the effect of such measures is assessed in relation to the **conditions of competition** in the relevant market. That is, the regulatory playing field must be such that conditions of competition are not skewed in favour of domestic service and services suppliers, and on that basis like treatment will be accorded to all like services and service suppliers. Some Authors (Brusik, Alvarez, and Cernat, 2005) indicate that these provisions are necessary so that the gains of trade liberalisation can be assured, **integration through cooperation and consistency** in the development and administration of laws is promoted and the anti-competitive effects that come with market opening (dominance, cartels, etc.) minimized. These anti-competitive safeguards may be even more relevant in respect of the EPA, which unlike the GATS in the area of services does not treat with subsidies. The competition regime in the EC is well established, and in fact has influenced the development of norms and institutional design in many jurisdictions. This is also an area where the benefits of non-financial forms of cooperation can be significant.

In some CF jurisdictions, such as in Jamaica and Barbados the regimes are well developed⁴⁸, while in others they are still in the process of putting the necessary framework in place. Of the CF-Partners only six have both competition laws and institutions established, these are the Dominican Republic, Bahamas, Jamaica, Trinidad and Tobago, Guyana and Barbados.

Though the need to implement competition laws is driven by policy, there are obligations to do this under the Revised Treaty of Chaguaramas (RTC) and the EPA, both of which are legally binding.

Movement towards implementing fully the necessary regimes has been slow. The Consultations revealed that there is recognition and indeed an acceptance of the fact that competition norms are critical and effective enforcement is paramount. Some of the reasons given for the slow pace of implementation are as follows:

- Limited Human Resources, particularly in the area of legislative drafting
- The law making process itself, parliamentary system
- Financial resources to set up necessary authorities
- Drafting of rules based on best practices and norms in **developed country** jurisdictions without taking the legal⁴⁹ and socio-economic realities of the relevant jurisdiction into account

⁴⁸ Though some issues remain.

⁴⁹ For instances important difference arises in the administration of justice because of a prevalence of common law (and mixed in some instances) in CF versus the prevalence of civil law in the EC.

- Poor or incorrect drafting of relevant laws, necessitating amendments

Table 7: CF Status of Competition Framework

CF- EPA Partners' Competition Legal Framework		
	Authority	Status of Enactment
Antigua and Barbuda	Not yet established	The Draft OECS Competition Bill in process of review
Bahamas	Sector regulator- The Utilities Regulation and Competition Authority (URCA)	The Utilities Regulation and Competition Authority Act (2009)
Barbados	The Barbados Fair Trading Commission	The Fair Competition Act CAP. 326C
Belize	Not yet established	Draft Bill
Dominica	Not yet established	The Draft OECS Competition Bill in process of review
Dominican Republic	Procompetencia	General Defense Competition Law No. 42-08
Grenada	Not yet established	The Draft OECS Competition Bill in process of review
Guyana	The Competition and Consumer Affairs Commission of Guyana (CCAC)	Competition and Fair Trading Act of Guyana (2006)
Jamaica	The Fair Trading Commission (FTC)	The Fair Competition Act
Saint Kitts and Nevis	Not yet established	The Draft OECS Competition Bill in process of review
Saint Lucia	Not yet established	The Draft OECS Competition Bill in process of review
Saint Vincent and the Grenadines	Not yet established	The Draft OECS Competition Bill in process of review A Competition Bill has been drafted and a series of stakeholder consultations are being undertaken to finalise the Bill before taking it to the Parliament of Suriname.
Suriname	Not yet established	
Trinidad and Tobago	The Fair Trading Commission	Fair Trading Act (2006)
Total CF-EPA Partners with competition regimes		6
Total CF-EPA Partners in process of enactment		8
Source: http://www.caricomcompetitioncommission.com		

- Lack of focus on effective design of relevant institutional structures⁵⁰, both in terms of administration and investigative functions
- Lack of competition culture (Beckford, 2010) among legislators and the judiciary⁵¹

This latter point is crucial in the context of the EPA and efforts towards meeting not only **the letter of the obligations but also their substance**. Ineffective laws and institutions will have serious economic consequences stemming from a lack of benefits of trade liberalisation, but can also have serious consequences for the administration of justice and the effectiveness of remedies in jurisdictions where **perceptions** of inadequacy are often reported in myriad international surveys.

Effective implementation of the relevant obligations in regard to cooperation could, to a great extent help to overcome or mitigate some of these issues⁵². At the meeting of the group of experts of UNCTAD on competition policy in July 2013, it was noted that there was an increase of cross-border anti-competitive practices, like cartels. One of the ways that has effectively been put forward to deal with this related to “Cooperation in the joint prosecution of anticompetitive cases would lighten burdens and improve regional cartel control”⁵³. The

⁵⁰ This is nowhere more obvious than in the case of Jamaica Stock Exchange v. The Fair Trading Commission, where we see that more attention needs to be placed to these aspects of law making and administration. These missteps are indeed not only alien to the area of competition law, but have also plagued other regulatory areas of international trade administration, Customs, Anti-dumping, where constitutional principles were not honored.

⁵¹ For example, in the Privy Council Case, National Commercial Bank Jamaica Limited v. Olint Corp. Limited, Privy Council Appeal No. 61 of 2008, although competition issues were raised the Board and indeed the Jamaican Courts, essentially skirted the issues, and some would argue that because of the lack proper analysis along the lines of competition principles, resulted in not only precedent that could be harmful and have a domino effect, but more importantly retarded the development of already limited regional jurisprudence in this area.

⁵² Regard however, must always be had to the relevant legal system and principles applicable in the particular jurisdiction.

⁵³ http://unctad.org/meetings/en/SessionalDocuments/ciclpd25_en.pdf_page_11.

representative of the Caribbean Community, at the meeting shared the Community's experience in dealing with cross-border anti-competitive issues. He stressed the need for technical assistance to facilitate the exchange of information with regional groupings and Small Island developing States. Title II of the EPA is littered with provisions that speak to cooperation, particularly in relation to regulatory issues at the sector level. However, any analysis of this issue would indeed be incomplete without reference to the substantive obligation in this respect, or rather the *grundnorm*, of EPA Competition disciplines⁵⁴ (Article 130).

Stakeholders interviewed, however, could not definitively indicate whether such cooperation took place or is taking place. In fact many stakeholders involved in the process at the level of the EPA-TDC, indicated that there was a lack of mechanisms to effect these provisions⁵⁵. In response to specific questions to stakeholders on the latter issue, they could not specifically identify initiatives either between individual CF states or EC member States in respect of cooperation in the context of the EPA competition matters. More formal questionnaires were provided to EPA Partners to provide more detailed information where available in respect of these issues⁵⁶. Interviews with stakeholders showed that there was an awareness of competition issues being relevant to the EPA. On the part of the private sector, though expressing concerns throughout consultations, only one area stood out where there seemed to be penetration by the EU services providers into the relevant market - this was in respect of tour guides. The opinion was expressed that this was welcomed from the perspective that these guides provided knowledge about geographical, cultural and environmental issues and conditions, essentially improving the quality and range of the service offered, for example providing insurance cover. This benefited the tourism industry in that Partner significantly; however, there were negative effects on the indigenous groups that usually provided these services. Though these market issues were present, no mention was made that any actions on the part of these tour guides were "anti-competitive".

5.6.1 Courier

Article 90, states that measures "shall" be maintained or introduced to combat anti-competitive practices and commits the EU and CF to introduce measures aimed at preventing anti-competitive behaviour. As noted earlier within CF only six States – Dominican Republic, Bahamas, Jamaica, Trinidad and Tobago, Guyana and Barbados- have a regulatory authority in place. In the EU The Postal Directive includes the relevant provisions on anti-competitive practices required by that Art 90.

For Countries without regulations governing Courier services, such as Bahamas, Barbados, Belize, Dominica, Grenada, St.Kitts and Nevis, Suriname, Trinidad and Tobago, St. Vincent and Grenadines, this obligation can be met through the use of Competition laws and Institutions⁵⁷, provided there are no sectoral exclusions in the competition law or any other law. In this sector, for example, EC⁵⁸ has addressed the competitive effects of mergers between a Foreign Service supplier and a local courier through its competition laws. Where laws and institutions are in place in CF, in some instances further reforms are need in CF to allow for effective operation of the regimes. This is for example the case in Jamaica, where the FTC because of issues of natural justice the competition authority, until its laws have been revised has been able to effectively carry out investigations, but cannot make a formal finding which is enforceable by the

⁵⁴ Chapter 1 of Title IV the EC-CARIFORUM EPA, "Competition".

⁵⁵ See discussion on cooperation below.

⁵⁶ Questionnaire emailed to All CARIFORM EPA Coordinators and the EC (DG Trade) over the period, April 16-17, 2014.

⁵⁷ See CARIFORUM-EPA, Article 93.

⁵⁸ See recent opinion in respect of UPS merger, European Commission.

Courts. The FTC then has to take the matter through the Court system and this attracts court costs, as opposed to placing it before the Competition Commissioners.⁵⁹

Also, consultations did not yield information on any reviews conducted in CF to ensure that any sectoral exclusion or other limiting provisions do not impact on commitments made under the EPA in relation to specific service sectors. For instance, customs regulations as well as refusal to deal would be most relevant in the context of courier services. In one instance, in Jamaica it was noted that local couriers could not branch out to provide international delivery services, by contracting with these international companies, for airfreight and delivery. This limits their ability to meet the market demand for “door-to-door” services⁶⁰. For those CF countries that do have competition regimes, Barbados, Trinidad and Tobago, Bahamas, Jamaica, Dominican Republic, and Jamaica, they vary in terms of the treatment of mergers.

Given the critical importance of these services to **trade facilitation**, and the effect of competition on prices for these services, it is imperative not only that Competition rules be implemented in CF, and that there be the development of a competition culture (Beckford 2010). EPA obligations in respect of competition can help to address some of these issues, including cooperation.

⁵⁹ See *Digicel v Claro*.

⁶⁰ See recent opinion in respect of UPS merger, European Commission, http://europa.eu/rapid/press-release_IP-13-68_en.htm.

Table 8: Inventory of laws affecting Courier Services in CARIFORUM

Measures Affecting Courier Services in CARIFORUM		
Country	Measure	Summary Description of Measure
Antigua and Barbuda	Post Office Act, Cap. 335 Postal Act (1909; 1955; 1989) Post Office Offences Act, 1878.	S.13 Within the limits and along the coasts of Antigua and Barbuda, the postal administration shall have the exclusive privilege of conveying from one place to another within Antigua and Barbuda, all letters, and the exclusive privilege of performing all the incidental services of receiving, collecting, sending, despatching and delivering all letters within Antigua and Barbuda, and all letters going to or coming from parts beyond Antigua and Barbuda except in cases stated in the Appendix.
Bahamas	n/a	
Barbados	n/a	
Belize	n/a	
Dominica	n/a	
Dominican Republic	Decreto No. 402-05 que aprueba el Reglamento para el Despacho Expreso de Envíos en la República Dominicana	
Grenada		
Guyana	The Post and Telegraph Act, Cap 47:01	
Jamaica	Fair Competition Act Post Office Act	Fair Competition Act establishes the Fair Trading Commission (FTC) to, inter alia, carry out, on its own initiative or at the request of any person such investigations or inquiries in relation to the conduct of business in Jamaica as will enable it to determine whether any enterprise is engaging in business practices in contravention of the Act and the extent of such practices. The Act is designed to cover all activities carried out for gain or reward or in the course of which goods or services are manufactured, produced or supplied. Post Office Act provides for the appointment of a Postmaster-General on whom is conferred the exclusive privilege of conveying from one place to another within the Island, or into or out of the Island, whether by land, sea or air all letters, and the exclusive privilege of performing all incidental services of receiving, collecting, sending, dispatching, and delivering all letters, subject to certain stated exceptions, including letters carried by a private friend; letters sent by a messenger concerning the affairs of the sender or receiver; letters concerning goods and other property with which the letter is delivered without hire or reward, and letters involving court proceedings.
Saint Kitts and Nevis	n/a	
Saint Lucia	Protection Against Unfair Competition Act, Cap. 13.28	This Act provides for protection against unfair competition. By virtue of section 3 of the Act any act or practice, in the course of industrial or commercial activities, that is contrary to honest practices constitutes an act of unfair competition. It is an act of unfair competition according to section 6 of the Act to mislead the public with respect to an enterprise or its activities, in particular, the products or services offered by an enterprise by any, act or practice, in the course of industrial or commercial activities. The section also states that misleading may arise out of advertising or promoting or occur with respect to the quality or quantity or other characteristics of products or services or the price of products or services or the manner in which it is calculated. Discrediting another's enterprise or activities by advertising or promotion or occurrences with respect to the quality or quantity or other characteristics of products or services or the price of products or services or the manner in which it is calculated constitutes an act of unfair competition under section 7 of the Act.
Saint Vincent and the Grenadines	n/a	
Suriname	n/a	
Trinidad and Tobago	n/a	

Source : Previous Inventories, EPA 5-Yr study Questionnaire responses (some countries)

5.6.2 Telecoms, Maritime and Tourism – Anticompetitive Practices

Telecoms (Article 97), Maritime (Article 109 (5)) and Tourism (Article 111) all contain a requirement for measures to combat anti-competitive practices. Here there are specific requirements in respect of cross-subsidisation, use of information, timely provision of information, cargo sharing agreements⁶¹, and availability of port services on a non-discriminatory basis. It is important that domestic competition laws give effect to these provisions. It is noted that in some jurisdictions this may be addressed specifically through the relevant telecoms legislation or competition law. In addition, all competition laws currently in place in CARIFORUM – Dominican Republic, Bahamas, Jamaica, Trinidad and Tobago,

⁶¹ For a discussion of competition law in Maritime see Phang (2009).

Guyana and Barbados- pre-date the EPA, so careful review is required to ensure that these issues are sufficiently addressed to the extent that there **are no sectoral exclusions that conflict with commitments**, and that competition authorities have jurisdiction in these areas.

Under the EPA, Regulatory authorities for telecommunications must be legally distinct and functionally independent from any supplier of telecommunications services, and their roles and responsibilities must be publicly available, decisions and procedures must be impartial and suppliers have the right to appeal any decision by a regulatory authority. These and other competitive safeguards can be found throughout CARIFORUM, even in those cases where the industries are subject to a high level of state control.

Table 9 : Inventory of CF Telecoms Measures

Measures Affecting Telecoms Services in CARIFORUM		
Country	Measure	Summary Description of Measure
Antigua and Barbuda	Telecommunications Act of 1951; amendment 1994 Amendment 2003	
Bahamas	Telecommunications Act, Cap.282a	S.3(1) The Crown reserves the exclusive right to provide telecommunication for public correspondence in Barbados. S.3(2) Without affecting the generality of the above, the Minister may grant a licence to any person to construct, maintain and operate telecommunication facilities in the circumstances outlined in the Appendix.
Barbados		
Belize	Public Utilities Commission Act and the Telecommunications Act 2002	Under the Public Utilities and Commission Act, the PUC is established to regulate the electricity, water and telecommunications sectors in Belize. The Telecoms Act provides that the PUC establish a universal service fund.
Dominica	Telecommunications ACT #8 of 2000	AN ACT TO PROVIDE FOR THE REGULATION OF TELECOMMUNICATIONS; TO ESTABLISH THE NATIONAL TELECOMMUNICATIONS REGULATORY COMMISSION; AND TO PROVIDE FOR RELATED OR INCIDENTAL MATTERS (Gazetted 26th October, 2000.) WHEREAS the Government of the Commonwealth of Dominica (hereinafter called the Government) is a party to the Treaty establishing the Eastern Caribbean Telecommunications.
Dominican Republic	Ley General de Telecomunicaciones No. 153-98 (he General Telecommunications Law No. 153-98)	The General Telecommunications Law No. 153-98 aims to promote the development of telecommunications, promote fair, efficient and sustainable competition, defend and preserve the rights of consumers, promote universal service and efficiently manage the radio spectrum. The provisions of Law No. 153-98 are supplemented by the regulations and decisions issued by the Dominican Institute of Telecommunications (INDOTEL) (www.indotel.gob.do)
Grenada	Telecommunications ACT #31 of 2000	An Act to provide for the regulation of telecommunications, to establish the National Telecommunications Regulatory Commission and to provide for related or incidental matters.
Guyana	Public Utilities Commission Act 1999 as amended by the Public Utilities Commission Amendment Act No. 16 of 2010, Telecommunications Act as amended and Competition and Fair Trading Act , Post and Telegraph Act	
Jamaica	Office of Utilities Regulation Act The Telecommunications Act	Office of Utilities Regulation Act establishes the Office of Utilities Regulation (OUR) as the statutory regulator for all prescribed utility services including telecommunications. The OUR is mandated to, inter alia, promote efficiency, encourage competition, and protect the interest of consumers, and also the development and use of indigenous resources. The OUR is conferred with various statutory powers; it may, for example, hold an enquiry on its own motion or on the basis of a complaint into the operations of any prescribed utility service and, if necessary, order that remedial measures be taken. Telecommunications Act Act defines telecommunications as the transmission of intelligence in any form or combination of forms by means of guided or unguided electromagnetic, electrochemical or other forms of energy, transmitted between persons and persons, things and things or persons and things. The Act provides that the Office of Utilities Regulation (OUR) established under the Office of Utilities Regulation Act is the statutory independent telecommunications regulator for the purposes of the Act. The OUR is charged with, inter alia, receiving and processing applications for licences and making recommendations to the Minister in relation thereto, investigating conduct which appears to be in contravention of the Act, and promoting competition among carriers and service providers. The Act mandates the OUR in exercising its functions to observe the basic rules of due process
Saint Kitts and Nevis	Telecommunications ACT #2 of 2000	An Act to provide for regulation of telecommunications; to establish the National Telecommunications Regulatory Commission; and to provide for related or incidental matters.
Saint Lucia	Telecommunications ACT #27 Of 2000	Amendment 2003 extended period of licence. Amendment 2006 extended period of licence.
Saint Vincent and the Grenadines		AN ACT to provide for the regulation of telecommunications, to establish the National Telecommunications Regulatory Commission, and for related or incidental matters. The Telecommunications Act is an Act to provide for the regulation of telecommunications in Saint Lucia. One of the principal objects of the Act as stated in section 2(2) is to ensure open entry and market liberalization in telecommunications. Section 28 prohibits a person from establishing or operating a telecommunications network or providing a telecommunications service without a licence. Before granting an individual licence under the Act, section 31 of the Act requires the Minister to take into account whether foreign and domestic investors will be encouraged to invest in telecommunications.
Suriname		The Government of Suriname provisionally created a public authority, the Telecommunications Authority Suriname (TAS) in 1998, with a view to regulate and supervise telecommunications common carriers and service providers. In 2004 the law that established the TAS was repealed, and the TAS was established on a definitive basis and was accorded a more independent role.
Trinidad and Tobago	Telecommunications Act. (S.B. 2004 No. 151)	
	Telecommunication Act CAP 47:31 (2001)	

Source : Previous Inventories, EPA 5-Yr study Questionnaire responses (some countries), ECTEL website, CARICOM Competition Commission

Table 10: Telecoms Authorities in CARIFORUM

CARIFORUM TELECOMS AUTHORITIES	
CARIFORUM PARTNER	TELECOM AUTHORITY
Antigua & Barbuda	Antigua & Barbuda Telecommunications Division, Telecommunications Division, Ministry of Telecommunications, Science and Technology. The Telecommunications Officer along with complementary Telecommunications Division staff, administer the telecommunication laws in Antigua & Barbuda.
Barbados	Telecommunications Unit, The Unit is presently under the Division of Energy and Telecommunications in the Prime Minister's Office.
Belize	Public Utilities Commission
Dominica	National Telecommunications Regulatory Commission
Dominican Republic	Instituto Dominicano De Las Telecomunicaciones (Dominican Institute of Telecommunications)
Grenada	National Telecommunications Regulatory Commission Grenada
Guyana	Public Utilities Commission
Haiti	Conseil National des Telecommunications
Jamaica	Office of Utilities Regulation
Montserrat	Montserrat Info-Communication Authority
Saint Lucia	National Telecommunications Regulatory Commission St Lucia
<i>Saint Lucia</i>	<i>National Telecommunications Regulatory Commission St Lucia</i>
St Kitts & Nevis	National Telecommunications Regulatory Commission of St Kitts & Nevis
St Vincent & the Grenadines	National Telecommunications Regulatory Commission St Vincent & the Grenadines
Suriname	Telecommunicatie Autoriteit Suriname
The Bahamas	Utilities Regulation and Competition Authority
Trinidad & Tobago	Telecommunications Authority of Trinidad & Tobago

5.7 Universal Service

Universal service is variously defined in different jurisdictions, but the underlying idea is that a certain level of service must be accessible by all. The obligation in the EPA is to ensure that this obligation is not more burdensome than necessary, and that it is competitively neutral and non-discriminatory. For Courier Services this obligation is contained in Article 91 and for Telecoms Article 100. All signatories under the EPA have the right to define their universal service obligations, ensuring that the Agreement does not have the effects noted above. Further, where such effects are found there is the requirement for a mechanism to compensate suppliers in telecommunication services. All CF-Partners have Telecoms regulators. All the relevant statutes in force have provision for universal service. In some jurisdictions such as in the OECS there is also the requirement of a Universal Service Fund as well as in Jamaica.

5.8 Tourism

The importance of Tourism throughout the CF region is generally acknowledged. Most of the data on tourism however, focus on travel receipts. In respect to Mode 2 (consumption abroad) this gives a good idea of the level of activity in the Tourism Sector. Specific data on FDI into the sector are lacking, however. Travel receipts generally dominate service sector activity in most CF countries. Therefore any measures that increase the cost of travel to these destinations,

such as the Air Passenger Duty in the UK, can have a significant impact. Stakeholders note that this measure has in fact had a significant effect on receipts.

Table 11: CF Services Exports by Category

CF Services Exports												
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total services (US\$ Million)	10420.177	9898.173	10123.32	11050.66	11943.61	13202.03	14209.29	15038.51	15426.82	14299.27	15073.16	20154.26
Transport	8.20%	8.68%	9.04%	9.72%	9.95%	8.55%	8.79%	8.89%	8.93%	8.89%	8.87%	6.69%
Travel	76.01%	76.26%	74.50%	75.39%	73.78%	75.73%	76.55%	75.18%	73.74%	75.38%	74.83%	56.62%
Other services	15.79%	15.06%	16.46%	14.90%	16.27%	15.72%	14.66%	15.94%	17.33%	15.73%	16.30%	32.89%
Communications	5.28%	4.43%	4.27%	3.71%	3.95%	3.24%	3.21%	3.14%	3.06%	3.51%	3.31%	1.93%
Royalties and licence fees	0.21%	0.30%	0.41%	0.41%	0.38%	0.38%	0.38%	0.37%	0.41%	0.39%	0.37%	0.03%
Other business services	5.29%	4.80%	5.74%	5.43%	6.35%	6.38%	6.21%	7.42%	8.42%	6.66%	7.17%	27.41%
Personal, cultural and recreational services	0.10%	0.09%	0.10%	0.19%	0.24%	0.23%	0.22%	0.20%	0.25%	0.24%	0.25%	0.19%
Memo item: Commercial services	97.79%	97.72%	97.60%	98.14%	98.17%	98.06%	98.25%	98.16%	98.09%	97.99%	97.79%	98.24%
Memo item: Other commercial services	13.57%	12.78%	14.06%	13.03%	14.44%	13.78%	12.91%	14.10%	15.42%	13.72%	14.08%	31.38%

The main source market for tourists to CF countries remains the United States, with the EU second. This is dominated by the UK for the Caribbean generally (UNCTAD WIR 2013). It is noteworthy that for the DR the tourism profile is slightly different, with other Europeans dominating, such as Germany⁶². Tourism arrivals in Caribbean SIDS are largely predicated on improved economic performance in markets such as the US and the UK⁶³.

DR Tourism

Data from the Dominican Republic indicates that Tourism revenues have declined from the EU over the period 2009 to 2013, overall. However, while revenue from the EU has declined CF revenue (from Trinidad, Haiti and Jamaica) has increased overall. It is noteworthy that the main sources of tourism revenue from the EU over the period were France, Germany, Italy, Spain and the UK. Consultations with in the DR noted for example that CARIFORUM partners such as Antigua and Barbuda arrivals are now better than more traditional sources of visitors and receipts, such as for example Spain. It was suggested that there needs to more of a focus on the Caribbean and the development of these partnerships, as well as to develop linkages between other sectors in the region, such as Agriculture. The Hotel associations in the region need to focus efforts on greater cooperation.

Table 12: DR Tourism Revenue

Total tourism revenue in millions of US \$					
	2009	2010	2011	2012	2013
CARIFORUM	11.89	17.94	16.01	17.62	18.27
EU	1,123.45	1,035.90	998.00	938.26	952.82
Total	1,135.34	1,053.84	1,014.01	955.88	971.09

Source: Datos Banco Central

⁶² <http://www.onecaribbean.org/content/files/Strep3DRtoHaiti2010.pdf>

⁶³ UNCTAD WIR 2013.

UNCTAD's World Investment report for 2013, indicates that TNC's are the most promising source of FDI, critically important for the growth prospects for tourism in CF. As can be seen below a number of the TNC's of CF EU Partners are ranked in the top fifty. Data on FDI inflows into CF however, show that while these inflows have been increasing on average, the flows are variable into host economies in CF. No detailed data are available on these inflows. However, stakeholders indicate that the level of inflows since the signing of the EPA has been below expectations. This is in a context where the EU has dominated investment outflows, and in particular shows increasing FDI abroad into services activities.

For developing and developed countries FDI flows into the service sector dominate. In 2011 the flows into Hotels and Restaurants dominated the inflows into other service sectors, and in fact increased over their 1991 levels. UNCTAD (2013) reports that flows into Small Island Developing States (SIDS) continued to recover in 2012. Further, it is noted that natural resource rich countries accounted for the majority of the increase. This is noteworthy since Tourism is not often thought of as "resource seeking".

Velde et al. (2005) indicate that for Tourism there is a positive empirical relationship between GATS commitments and FDI into this sector. Given the GATS plus nature of the EPA, as well as regulatory disciplines that make for a more open and transparent environment for investment (trade in services via mode 3), such expectations are not unreasonable. The implementation of these regulatory commitments however, which would impact, for example, investor behaviour, competition and TSA's in tourism may have a role to play. The impact of the EPA therefore on Mode 3 activity does not seem to have generated any significant changes. In particular, Velde (2005) notes that because GATS commitments did not commit the status quo, barriers are still possible; but the EPA does in fact commit the status quo.

All CF countries have regulations that govern this sector, such as Hotel Acts, Environmental Acts, Tourism Development Acts as well as investment laws⁶⁴. In all the CF Partners visited the only country that had significantly amended its investment laws, post EPA, was Jamaica. It indicated, however, that this was in relation to government's thrust to rationalize, rather than as a result of EPA commitments⁶⁵.

Given that the commitments under the EPA capture the regulatory status quo, and the sector is open, particularly for investment, one needs to examine closely the regulatory framework for FDI, particularly inward FDI into this sector. Current trends may be indicative that further progress can be made by lifting remaining barriers, as well as addressing regulatory issues (environment, transparency, competition, etc).

5.9 Labour

To the extent that the EPA in Article 72(b) mandates that States through domestic legislation (where necessary) "ensure that" investors act in accordance with core labour standards, then this is a positive obligation upon all EPA Partners. This provision would also ensure that investors manage and operate investments consistently with these standards as provided in Article 72(c). Under Article 26 of the Vienna Convention on Law of the Treaties (VCLT) this is a

⁶⁴ See Velde et al (2005, p. 16) for an inventory

⁶⁵ It is noteworthy that as at May 15, 2014 this change was not notified as a measure affecting trade in services.

binding obligation. Further, under Article 27 of the VCLT, it must be adhered to, notwithstanding any domestic law to the contrary. These are established principles of international law, binding all States whether or not, party to the relevant treaty. The EPA and the International Labour Organisation (ILO) Conventions represent binding obligations on EPA Partners. In respect of ILO Conventions, they have been ratified in all the areas indicated under the EPA by most CF Partners⁶⁶. Although the EPA has not been ratified in all Partners, provisional application means that there is a need to ensure conformity.

Ratification, however, needs the proper legislative action to give effect to the obligation. In the case of CF, although, for example, all countries have labour laws, the degree to which these are consistent with the ILO standards varies. Based on a 2007 review⁶⁷ of CARICOM by the ILO all countries reviewed required some form of amendment or enactment to be in compliance. There is also the issue of conflict of norms, which should be avoided. So that even though the laws of general applicability may have been amended, and all persons operating in the jurisdiction (unless there is a specific 'carve out' for a sector or industry in a given piece of legislation), should adhere to these standards. For legal certainty however, these issues should be explicitly addressed in the context of investment laws - the specific law applicable to investors. At the time of writing this report, no comprehensive review of investment laws was available and indeed these would have been beyond the scope of this Report. What is clear is that the obligation requires the following actions:

1. Effective implementation of Ratified Conventions in domestic law – labour legal framework⁶⁸
2. Amendments to Investment Laws to mandate investors to conform to ILO core standards – investment legal framework, including mechanisms to monitor how investors are operating or managing their investments⁶⁹
3. Review of other laws to ensure that there are no exceptions or exclusions that conflict with the EPA; that is, no exclusions beyond those enumerated at Article 66 and in the Schedule of Specific Commitments, in respect of Mode 3

At the time of writing no clear information was available as to whether the foregoing actions were in fact undertaken. In a few CF EPA Partners indications were that investment laws had been recently reviewed or in the process of review – Jamaica, Guyana, Belize. . Legal Gap Analysis was conducted in a few CF-EU-EPA Partners (CDB 2012). It is not clear, however, whether these addressed this specific issue of Labour. Given the set of actions required, the lack of legal capacity and indications from stakeholders that no specific EPA related enactments were made⁷⁰, it would not be unreasonable to conclude that more work needs to be done to implement Article 72(b) and Article 72(c)⁷¹.

The Implementation Road Map for the region, which is used as a template by CF countries to build their national implementation plans, does not indicate the specific actions required as

⁶⁶ Save for Suriname in the areas of discrimination and child labor.

⁶⁷ Information on whether the required action indicated by the ILO review was not available. It would be difficult to say whether in fact there was full compliance without an in depth review of enactments as against the recommendations.

⁶⁸ In many jurisdictions more than one piece of legislation makes up the legal framework in respect of the 8 ILO core areas.

⁶⁹ Management and Operation seems to have to do also with the content of the specific contractual provisions. See below sub-section on "Labour".

⁷⁰ The enactments., (whether of the EPA or some by other obligation, or purpose) if in conformity with the EPA obligation, would be a positive step in the implementation process.

⁷¹ Although the requirement relates to measures as may be necessary, what is 'necessary' must be based on some objective standard, and the standard in WTO law, reduces to essence a cost benefit balancing - *Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef, WT/DS161 and 169/AB/R (adopted 10 January 2001)*. In the context of measures necessary one could interpret this in light of the cost vs. the benefit of putting in place the measure. Whether legislation is required as a practical matter, it is useful to explore how a host country could "ensure that" investors behave as required. So, while a member can choose how to regulate, it cannot choose or not to meet the obligation.

noted above⁷². It indicates that the action required is in respect of development of required investment policies. The question may arise as to whether this is sufficient to meet the obligation, “through domestic legislation”. Constraints noted were in respect of human capacity, as well as financial resources. What is clear is that general adherence to ILO standards, does not mean that all necessary actions have been taken to ensure effective implementation of Article 72(b)⁷³ and Article 72(c). It is important, therefore, not to underestimate the support required to not only implement, but also to ensure that the specific actions required are properly identified - as evidenced in the fact that most implementation plans speak to the need to acquire the relevant expertise.

⁷² For countries whose plans were available, in some instances the need for specific legislative action was recognized, though not necessarily in respect of both labour and investment laws.

⁷³ There is also the effect by implication on Article 73 (b) and the practical effect of attracting regional investment inflows on a level playing field.

Table 14: Ratification Status of ILO Conventions CF

Labour Issues in the EPA Context										
	Freedom of association		Forced labour		Discrimination		Child labour			
ILO Fundamental Conventions	Freedom of Association and the Right to Organise Convention	Right to Organise and Collective Bargaining Convention	Forced Labour Convention, 1930	Abolition of Forced Labour Convention	Equal Remuneration Convention	Discrimination (Employment and Occupation) Convention, 1958	Minimum Age Convention, 1973	Worst Forms of Child Labour Convention, 1999		
NUMBER OF RATIFICATIONS	14	14	14	14	13	13	13	14		
Legal Status of Conventions*	Binding	Binding	Binding	Binding	Binding	Binding	Binding	Binding	Binding	
Legal Status of Article 72(b)	Binding	Binding	Binding	Binding	Binding	Binding	Binding	Binding	Binding	
Requirements as at 2007 ILO Review	Amendments	Amendments	Amendments	Amendments	Amendments	Amendments	Amendments	Amendments	Amendments	
CF EPA Implementation Plan- Status	Not enough Information	Not enough Information	Not enough Information	Not enough Information	Not enough Information	Not enough Information	Not enough Information	Not enough Information	Not enough Information	
* Under ILO Rules this is so even for States that have not ratified.										
Source: ILO NORMLEX, ILO Review, Implementation Plans										

Beyond this, however, the pace of legislative change must also be addressed. This issue was raised by all stakeholders consulted. Further, effective implementation of commitments requires the ability to monitor and revise as necessary. International precedent in the area of international trade regulation suggests that the operation of the relevant laws is also of fundamental importance to the effective operation of the relevant international treaty, and hence realisation of benefits.

5.10 Environmental Regulations

The requirement that EPA Partners “ensure that” investors act in accordance with Environmental Regulations (Article 72 (c)) currently applies only to the extent that the relevant CARIFORUM partner is a party to the relevant environmental Agreement. Here again specific actions are needed as in the case of Labour. They are as follows:

1. Effective implementation of Ratified Conventions in domestic law – environment legal framework
2. Amendments to Investment Laws to mandate investors to conform to ILO core standards – environment legal framework, including mechanisms to monitor how investors are operating or managing their investments
3. Review of other laws to ensure no exceptions or exclusions that conflict with the EPA - that is to say, no exclusions beyond those enumerated at Article 66 and the Schedule of Specific Commitments, in respect of Mode 3

All stakeholders consulted indicated that they conducted environmental impact assessments on any proposed investments⁷⁴. On the other hand, the private sector indicated a need for assistance in regard to sustainable practices, especially in resource based sectors. However, it was not clear whether investors in the relevant jurisdiction were obligated to take environmental

⁷⁴ This also includes in the tourism sector. For example Article 116 (Environmental and Quality Standards) asks Parties to encourage compliance with the relevant laws, indicating that mechanisms have to be out in to ensure that service suppliers comply with the relevant standards.

impact into account in their management and operations: this is after the investment has in fact been approved and got underway. This obligation suggests that a mechanism for follow-up and review would be necessary. It is well established in international investment law that a host country must adhere to its promises, including those made upon establishment.

In some jurisdictions, there were guidelines on the terms of these agreements. However, given the varied nature of the potential investments, it seems that this has to be determined on a case-by-case basis. For example, operation of a Hotel investment will differ from operation for a mining concern, taking into account also the particular jurisdiction⁷⁵. It is not clear from consultations or the implementation plans reviewed, what the specific implementation concerns in this respect are. However, it seems safe to say that the same capacity concerns would impact on effective implementation. This implies imposing positive obligations that can be credibly enforced on investors⁷⁶. This undeniably presents a complex legal picture (Sauvant 2013). This deficiency in the Caribbean was highlighted in a 1992 survey of the Environmental Laws of the Commonwealth Caribbean, commissioned by the Caribbean Law Institute. In some jurisdictions, based on CF-EU-EPA Partners' implementation plans, the relevant pieces of legislation that make up the legal framework for environmental law were under review.

5.11 E- Commerce

E-Commerce provisions play a specifically meaningful role in respect of cross-border trade in that they complement the specific obligations made in these modes, although they are not legally binding, and rather are phrased in the language of best endeavours. Further, they act to specifically increase modal substitutability, thereby allowing Partners to increase the supply of that service. The more modes by which a service can be supplied the less deleterious are any market access limitations on the supply of the service by other modes. E-Commerce laws are therefore a necessary aspect of services sector liberalisation. The commitment to promote electronic commerce and cooperate⁷⁷ is significant in this respect.

Grover, Goswami and Matoo (2011) also highlight the important role of advances in technology in the export of services, as they reduce the need for proximity between the producer of a service and the consumer: trade can in essence take place remotely. In the language of this Report's analytical framework, lack of e-commerce laws reduces modal substitutability and thereby cannot assist in preserving the benefits of the commitments made.

Implementation of e-commerce laws as well as data protection laws within CF is varied. In respect of Electronic Transactions laws, only three CF Partners did not have laws in place or may not yet have completed the law making process at the time of the assessment (HIPCAR 2011). In respect of data - protection law, implementation is also varied. It should be noted, however, that issues of privacy and in-fact acceptable legal form are more flexible in common law jurisdictions which focus not on the form but the substance for the obligation⁷⁸. One reason for the slow pace of implementation could be that for such technology-related matters the common law has had to evolve to treat with them, notwithstanding specific legislation.

Table 15: CF Assessment of Electronic Transaction Laws

⁷⁵ See OECD guidelines for the Operation of Multinational Enterprises <http://mneguidelines.oecd.org/2011Environment.pdf>

⁷⁶ All jurisdictions consulted have some type of environmental law.

⁷⁷ Article 119.

⁷⁸ There exists a great body of case law in the UK that has helped resolve these issues.

Electronic Transactions Assessment in CF EPA Partners	
	Assessment Ratings
ANTIGUA AND BARBUDA*	
BARBADOS	
BELIZE	
DOMINICA	
DOMINICAN REPUBLIC	
GRENADA*	
GUYANA	
JAMAICA	
ST. KITTS AND NEVIS	
ST. LUCIA*	
ST. VINCENT AND THE GRENADINES	
SURINAME	
TRINIDAD AND TOBAGO*	
Key to Assessment Ratings	
	GOOD: Provisions in law exist which address all major concepts identified by best practice
	FAIR: Provisions in law exist which address some of the concepts identified by best practice
	POOR: Provisions in law exist which do not adequately address concepts identified in best practice
	NONE: There are no provisions in the law which address concepts identified.
	LIMITED: There is no law in force which address the issue, however there are such provisions identified in legislation which may have not completed the law-making process (e.g. in legislation laid in the legislature but not passed at the time of report compilation)
* Bills laid before Parliament, not yet passed as statute (as of March 2010).	
Source: HIPCAR Electronic Transaction Assessment Report 2011	

Table 16: Status of E-Commerce Framework in CF

E-Commerce Assessment in CARIFORUM									
Country	Commercial Code/ Digital Signatures	Data Protection/ Privacy	Cyber-crime	Evidence and pro-cedural	Access to infor-mation	Electronic funds transfers	Consumer Protection	Making of codes of conduct	E-Government enabling provisions
Antigua & Barbuda	√		X	√	X	X			X
Bahamas	√	√	√		√		x		√
Barbados	√		√	X			X		X
Belize	√				X		x		
Dominica	0								
Dominican Republic	√		√	√		√			
Grenada	0								
Guyana	0	0	0	x0		0	0	0	0
Haiti									
Jamaica	√		√		x				
St Kitts & Nevis	0								
St Lucia	0								
St Vincent & the Grenadines	0				x				
Suriname									
Trinidad & Tobago	0	0	0	X0	0	X	0	0	0
Legend: √ Enacted; X Partial implementation (needs updating or widening); 0 Draft law									
Source: E-Commerce Strategy paper for CARIFORUM, December 2010									

The E-commerce Directive⁷⁹ in the EU set up the legal framework for e-commerce; UK and Ireland also both have e-commerce laws that pre-date the EPA.

⁷⁹ Directive 2000/31/EC on electronic commerce.

5.12 Legal and Institutional

Opinions varied across stakeholders interviewed in respect of the priority and the need to devote and direct resources to “legislative activities”⁸⁰, whether specifically for implementation of the EPA or generally all international obligations. In terms of funding from the EDF for these activities, it was noted in some Member States of CF that the relevant countries determined the priorities, and depending on social and economic imperatives decisions had been made to shift resources. Also, the priority that was assigned varied across stakeholders. For example, Parliamentary Counsels and Attorney General Chambers noted the significant lack of human and financial resources to address the various pieces of legislation that needed to be enacted, amended or reviewed. Outside of obligations in respect of tariff reductions, there was much less momentum to address other issues.

It was also apparent that the lag in the approval and completion of implementation plans, or road maps at the State level may also account for some of the inertia, as well as lack of awareness, on the part of relevant officials as to what was actually needed for implementation. This would include not only the relevant provisions that needed to be addressed but also the actual actions required. In these aspects the CF implementation plans indicated that there was a need for both human and financial resources. It is noteworthy that generally for these issues, which cut across all areas of the EPA, the type of non-financial cooperation had not been indicated.

5.13 Cooperation

Article 132 essentially addresses the areas where it was found through consultation that significant improvement is needed in respect of the CARIFORUM competition regimes or implementation. The language of Article 130 refers to the agreement on the part of the respective Parties to provide these types of cooperation³, subject to Article 7 (Development Cooperation), Article 1 of which states, importantly, that such cooperation can take financial and **non-financial forms**⁸¹.

As noted previously, cooperation is an essential element of the EPA and to the extent that it forms one of the two development aspects of the EPA, it is a binding obligation, whether or not any specific language in other areas, such as in the regulatory aspects as articulated in Chapter 5 of Title II, may be couched in terms of “best endeavours”. A case could be made that the delay in effective implementation of certain aspects of the EPA can be linked directly to the lack of specific modalities in this area. In fact, many CF countries noted this as a significant gap in respect of binding obligations that put in place the necessary EPA institutions that are related to non-financial forms of cooperation.

However, as noted in Article 121(1) it is the obligation of each Partner to make such (non-financial) cooperation effective. Saez (2010) notes that in the context of the EPA the cooperation provisions are generic, and complemented by a few sector-specific cooperation provisions, the most developed of which is in the area of Tourism. This underscores the need highlighted by stakeholders and evidenced in the slow pace of implementation, where development of specific modalities in this area is concerned

Not only is cooperation an integral part of capacity building; it is also critical to fulfilment of the development aspect of the EPA that goes beyond financial support. In fact, this link between cooperation and non-implementation in the sense of inability to fulfil the relevant obligation is

⁸⁰ Legislative drafting, regulatory audits, reviews of all laws, institutional design.

⁸¹ Cooperation, throughout this section refers to non-financial forms unless otherwise indicated.

evident in the EC's practice relating to achieving effective implementation of EU law. In particular the White Paper⁸² notes that another dimension of cooperation is that it reduces the incidence of conflict by allowing Member States to more effectively adhere to their obligations and as a result it prevents infringements and conflicts. One author refers to this essentially "juridification" of cooperation as an 'elite model of regulatory bargaining' (Bonnie 2005, p.42)

The consultations with stakeholders did not reveal any specific State-to-State initiatives under the auspices of the EPA, particularly in the regulatory areas of Title II and in the related sectors under the EPA, apart from activities that may have benefited from funding through the Regional Indicative Programme, as well as National Allocations. The specific areas that were highlighted in terms of need for cooperation in the form of knowledge transfer or expertise were as follows:

- Sustainable practices in the area of forestry
- Sustainable practices in the area of Fisheries
- Sustainable practices in the area of mining
- Business practices, strategies in utilising available resources, and diversification in the area of Tourism, in particular non-traditional tourism products (sports tourism, eco-tourism, medical tourism, to name a few)

For countries where there was European Investment or involvement in services, specific EPA related cooperation activities and initiatives could be identified. Given that these data were gathered mainly through consultations and unstructured interviews, an attempt was made to gather more specific data through questionnaires, to identify any specific cooperation related initiatives. It was nevertheless evident that implementation in this area has also been very slow, and legitimately so for the reasons identified above by stakeholders, and also possibly because of the lack of knowledge as to exactly how to proceed in this respect, both on the part of beneficiary and benefactor.

5.14 Overseas Countries and Territories

Stakeholders who were consulted, and particularly those having proximity to the Overseas Countries and Territories, noted that for the most part they had very few issues in respect of trade in services with the territories⁸³. Those Countries however, which did not benefit from visa exemptions noted that this was an issue. It was generally felt that these territories presented a significant opportunity for CF⁸⁴. This was also true of the French FCORs.

5.15 Commercial Presence

As indicated previously mode 3 is an important mode for the services considered in this Report. However, traditional services trade statistics do not capture what is happening in respect of the provision of services via mode 3. The commitments under commercial presence largely captured the status quo on both sides, reflecting limitations on national treatment and market access there was no need for any significant changes to regulatory regimes. As such no changes were found linked directly to the EPA. A comprehensive analysis of the commitments undertaken by both sides is beyond the scope of this review.⁸⁵ Consultations indicate that the EPA – while going beyond a mere re-affirmation of GATS commitments – largely formalized the

⁸² European Commission (2001b) p.26; Commission Européenne (2001); European Commission (2002b) p.5

⁸³ See ECLAC 2008 for discussion of Tourism issues.

⁸⁴ It was hoped that responses to formal questionnaires sent by the Consultants would yield more specific information on the type of trade and relevant sectors.

⁸⁵ This detailed analysis can be found in *inter alia* Sauv  and Ward (2009).

degree of openness on both sides. Based on information available from relevant government websites as well as WTO notifications, no specific legislative changes post-2008 relevant to commercial presence could be identified related to the specific sectors under consideration. While some countries' requirements for company registration were changed during the review period, for the most part these rules remained the same as prior to the signing of the EPA; in other instances, changes were made to specific procedures.⁸⁶ Foreign Direct Investment is seen as an important vehicle for CF development, so that these improvements to the business environment are important, whether or not linked specifically to the EPA. Additionally efforts funded by the EU such as Caribbean Association of Investment Promotion Agencies (CAIPA), GIZ assistance as well as the efforts of Caribbean Export to promote investment in the region were seen by stakeholders as critically important.

⁸⁶ Changes that were identified include: (a) Antigua and Barbuda – Changes to the Architect Registration Act to allow for reciprocity, and a change to the Labour Code to remove the work permit requirement for Caricom Skilled Nationals. (b) Barbados – Update of the Shipping Incentives Act of 2009. (c) Dominican Republic - Law No. 108-10, as amended, covers incentives provided by Law No. 108-10, as amended in 2010 (the " Film Law ") aimed at the film industry. Also changes in 2012 to Law 188-07 dated August 2007, regarding company registration with the National Treasury. (d) Jamaica – Omnibus Incentive Act, which provides incentives replaces pre-existing sector based incentive legislation, it importantly provides for tax incentives in services sectors, such as tourism and the creative industries. Also in Jamaica, effective January 2013, all foreign firms residing or transacting business from overseas are required to have a Taxpayer registration number. Amendments to Jamaica's Company Act 2004 made significant changes to registration, reducing the number of documents required and foreign ownership of land requirements. Only a single document, the articles of incorporation, is now required to constitute a company, as the Companies Act, 2004 abolished the doctrine of ultra vires, companies now have the same legal capacity as individuals, there is no need to set out the company's objectives in its memorandum of association. (e) Trinidad and Tobago, St. Lucia and St. Vincent and the Grenadines – the changes related to procedures rather than laws it seemed changes to procedures rather than specific company registration laws were made.

6. Conclusions

In respect of the regulation of trade in services in the EPA, much attention ***has not been*** given to ***the effect*** of regulations on the trading environment for services and services suppliers. Regulations are designed to meet a particular regulatory goal or objective, but it is not clear that much work has been done to ensure consistency with certain regulatory principles, in the design and implementation of the relevant laws and institutions. ***This presents a significant opportunity for Partners in respect of cooperation, implementation, and development of monitoring frameworks.***

The true impact of the EPA on services trade will be the degree to which the conditions of access for services and service suppliers have changed post signing of the EPA. Evaluation of impact is therefore complicated by the variety in regulatory regimes, including those pertaining to company establishment, immigration, and investment. Attention also has to be given to those factors that would allow the Partners to take advantage of market access where it has been granted, institute the necessary service sector policies required and align these with access opportunities.

The regulatory capacity in CF countries needs to be addressed⁸⁷. This is particularly so not only in the amendment of relevant laws, but also in institutional aspects significant for implementation of the EPA. These would include the capacity to monitor and evaluate the relevant obligations and at all times to ensure effective implementation. Many of the regulations that would ensure that a balance is struck between specific commitments and general obligations concern such areas as e-commerce and competition regimes. Work in these areas pre-dated the EPA; however, now more than ever progress needs to move at a faster pace⁸⁸. The indicators utilised in this Background Paper show that the general regulatory environment can have implications for services trade flows.

For effective functioning of the Agreement, it is critical that work be undertaken to address some of these issues under the auspices of the EPA Institutions; similar to work on-going in the area of MRAs, as also WTO work on regulatory issues. Although the language of the agreement is clear, as shown above what is required to meet the substance of the obligation in many instances goes beyond simply putting in place the relevant legal framework, or simply re-stating the commitments contained in relevant schedules. Account must be taken as to how the relevant rules and institutions operate.

In respect of the specific obligations made, in particular in the service sectors examined, market access and national treatment in Modes 1, 2, and 3, did not seem to be affected in terms of actual liberalisation, beyond the limitations already inscribed⁸⁹. ***That is to say, that the level of market access granted has not been ameliorated by the regulatory changes identified, and still presents a significant market access opportunity.*** In respect of Mode 3 the main issue seemed to stem from problems of information deficits in either Partner, ***leading to underutilisation of the opportunities of the EPA.*** The information that is available suggests that a firm can establish in the EU market once it meets the relevant requirements, and any difficulties faced would not be discriminatory.

In respect of Mode 1, without the full range of e-commerce laws, most countries had in place some legal framework to allow for electronic transactions, and functional equivalence, as well as

⁸⁷ See Section on CF EU-CARIFORUM Regulatory capacity.

⁸⁸ There are notices out for work on some of the issues; however there seems to have been delays in the roll out of these initiatives.

⁸⁹ This is however with the caveat, that an attempt to penetrate either market seems to have been low.

authentication and the making of contracts that would facilitate cross border supply, but more legal certainty is required. Indeed even outside of this legal framework, given developments in technology, trade in services by these means was already being conducted. ***In essence therefore the level of liberalisation promised by either party under the agreement does not seem to be less than committed.*** The main issue related to how the commitments were being implemented and in particular the level of attention that was being paid to ensure that ***the level of liberalisation evidenced from the text of the agreement*** obtains in practice.

It may be the case that the regulatory frameworks need to catch up with actual trade developments and demands. Given the limitations on financial development commitments that can be made under the EPA, an imperative may be to develop a mechanism for identifying where and how non-financial development cooperation activities, such as technical cooperation, information sharing, etc., can be most effectively directed to overcome some of the regulatory challenges highlighted in this Report in regard to trade in services.

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EUROPEAID/129783/C/SER/multi

Lot 1: Studies and Technical assistance in all sectors



2013/325520

MONITORING THE IMPLEMENTATION & RESULTS OF THE CARIFORUM–EU EPA AGREEMENT

Final Report

Annex B: Background Technical Report

Economic Modelling - Impact of Tariff Liberalization on Trade in Goods

September 2014



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and LINPICO

Monitoring the Implementation & Results of the CARIFORUM – EU EPA AGREEMENT

(EUROPEAID/129783/C/SER/multi - Lot 1: Studies and Technical assistance in all sectors)

Project Implemented by

B & S Europe and Linpico

Annex B: Background Technical Report

Economic Modelling - Impact of Tariff Liberalization on Trade in Goods

Prepared
By

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Professor Paul G. Hare

ACRONYMS and ABBREVIATIONS

ACP	Africa, the Caribbean and the Pacific
AVE	<i>Ad Valorem</i> Equivalent
CARICOM	Caribbean Community
CARIFORUM	CARICOM + Dominican Republic
CES	Constant Elasticity of Substitution
CET	Common External Tariff
CGE	Computable General Equilibrium
COMTRADE	UN Commodity Trade Database
CSME	Caribbean Single Market and Economy
DFQF	Duty-free and Quota-free
DG	Directorate General
DR	Dominican Republic
DR-CAFTA	Dominican Republic – Central American Free Trade Agreement
ECCB	Eastern Caribbean Central Bank
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EU	European Union
FCOR	French Caribbean Outermost Region
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSIM	Global Simulation Analysis of Industry-Level Trade Policy
GSP	Generalised System of Preferences
GTAP	Global Trade Analysis Project
HS	Harmonised System
IMF	International Monetary Fund
LDC	Less Developed Country
MERCOSUR	Common Market of the South
MFN	Most Favoured Nation
OCT	Overseas Country and Territory
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
RoW	Rest of the World
SMART	Single Market Partial Equilibrium Tool
TRIST	Tariff Reform Impact Simulation Tool
UK	United Kingdom
UN	United Nations
US or USA	United States (of America)
USD	United States Dollar
VAT	Value Added Tax
WITS	(World Bank) World Integrated Trade Solution
WTO	World Trade Organization

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The Implementation and Impact of the CARIFORUM-EU Economic Partnership Agreement

COMPONENT 3: PARTIAL EQUILIBRIUM TRADE MODEL APPLICATION

Technical Report on Partial-Equilibrium Trade Modelling

1. Introduction

An important aspect of the CARIFORUM-EU Economic Partnership Agreement (hereafter, CF-EU EPA) is its provisions for extensive trade liberalisation between the EU (including the French outermost territories in the Caribbean, the FCORs) and the CARIFORUM partner countries. Even before the CF-EU EPA, a wide range of trade preferences were in place between some of these countries and the EU, a mix of preferential tariffs and quotas. As regards trade, the CF-EU EPA seeks to modernise and unify the diverse provisions that operated prior to 2008, largely through an DFQF (duty free, quota free) trade regime, while providing for greater reciprocity. The CF-EU EPA also has a developmental component that provides for financial and non-financial support for implementation of the Agreement. Financial support is provided mainly through the European Development Fund (EDF) (such as through the EDF 10 and the new EDF 11 programmes). Assistance focused on efforts to build the needed institutions, to improve competitiveness, and to support restructuring and modernisation plans (e.g. in the sugar and banana industries in some countries as well as in such areas as Customs Administration).

Almost immediately on signature of the CF-EU EPA in late 2008, the EU fulfilled its commitment to enable virtually all exports from the CARIFORUM countries to enter the EU market duty-free and quota-free. Aside from arms and ammunition, wholly excluded from the agreement, the only exceptions were sugar and rice exports, where the EU maintained some restrictions for a time; up to 2010 for rice, up to 2015 for sugar. None of the simulations reported later on show exports of these products increasing enough to breach these restrictions. Also, to enjoy duty-free access to the EU market, CARIFORUM exports had to conform to the rules of origin that formed part of the CF-EU EPA (Protocol 1 of the CF-EU EPA; CARICOM Secretariat, 2012a)¹. Rules of origin are a common feature of trade agreements around the world; they tend to be administratively quite complex, and hence can impose relatively high costs on small jurisdictions with few specialised staff.

For the CARIFORUM countries themselves, the CF-EU EPA provided for a phased reduction of the tariffs faced by exports from the EU, the first stage of these reductions due to have taken place by the beginning of 2011. In the event, some countries in the region met this commitment (namely: Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Kitts and Nevis, Suriname), while even by 2013, others had not yet done so (namely: Antigua and Barbuda, The Bahamas, Barbados, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago). By now (mid-2014), all CARIFORUM countries should also have implemented the second round of tariff cuts agreed under the CF-EU EPA, due in 2013, but some had not yet done so. Sometimes this implementation could be accomplished administratively; in some countries, however, implementation required new legislation, and this tended to delay full implementation.

This situation reflects a generally uneven process of implementing CF-EU EPA provisions across the region. However, some countries had already undertaken extensive preparations for these tariff cuts, such as transferring all their trade statistics and reporting to HS2007²

¹ As indeed do EU exports to the CARIFORUM countries.

² See website of the World Customs Organization for details of the 2007 version of the Harmonized System of product classification, www.wcoomd.org

(Dominica; and Antigua and Barbuda; for instance), and preparing the new tariff schedules that merely required legislative approval to be implemented. Thus a great deal of work had been done, even if technically some or all of the tariff cuts had not yet been fully implemented. Especially in small jurisdictions with very small specialist staffing in place, these efforts should be borne in mind when assessing countries' degree of compliance with the CF-EU EPA.

Some products were excluded from the trade liberalisation to be undertaken by the CARIFORUM countries, namely many products of the agriculture sector and processed products thereof, a few industrial products (e.g. solar water heaters; refrigerators and freezers; gold jewellery), and some goods where the CARIFORUM countries nevertheless agreed to set zero rates of tariff.

Appendix I to Annex III of the CF-EU EPA sets out the envisaged schedule of tariff liberalisation by CARIFORUM members, listed by 6-digit HS heading. Depending on the product group, the agreed periods to achieve full liberalisation range from 5 to 25 years (see CF-EU EPA; also CARICOM Secretariat 2012b). For some products, different countries have agreed to liberalise at different rates, all rates dropping to zero within the agreed time frame.

It is important to add that for some countries, tariff revenues form an important component of government revenue. Hence by cutting tariffs in accordance with the CF-EU EPA, significant revenue losses could arise. The CF-EU EPA acknowledges this point by noting that the most affected countries would be able to draw on EU assistance to help them restructure and reform their tax systems to make good the loss of revenues.

Outline of the report

Against this background, we proceed as follows in this technical report. First, we briefly present some summary statistics on the CARIFORUM economies and recent trends therein, including some key indicators of their foreign trade; where possible, similar information on the FCORs is also included. This helps to set the context for the subsequent analysis.

Next, in Section 3, we review trade data for CARIFORUM countries, focussing on the chosen base year for the subsequent analysis of 2011; this section also present some summary statistics calculated from the data to illustrate trade patterns more fully than is done in Section 2. Section 4 reviews the tariffs currently in place across the CARIFORUM region, and discusses the tariff changes resulting from CF-EU EPA implementation. Section 5 introduces the partial equilibrium models to be employed to assess the potential impact of the CF-EU EPA on trade flows, and explores both its theoretical formulation and its key features. Two versions of the model are set up: (1) an export model, studying CARIFORUM exports, and defined to work at the HS6 level of product detail; this focuses on the EU as principal 'importer'. And (2) an import model, focusing on CARIFORUM imports, and operating at the HS4 level of product detail. In addition, we construct corresponding models for the FCORs. It will then be possible to define and run some exploratory scenarios to explore the likely impact of tariff changes on trade flows in all our models; this is done in Section 6. The findings are brought together in a final concluding Section 7.

Trade modelling and its limitations

The trade models developed below for this report are all of the partial equilibrium type. This means that they explore the impact of proposed and actual tariff changes on expected trade flows in a static framework where *nothing else changes*. In particular, incomes (GDPs) remain unchanged throughout, and the models are not set up to track trade as it evolves over time, nor to pick up important changes resulting from major shocks such as the world financial crisis and subsequent recession starting in 2007-8. These important limitations should be borne in mind in what follows.

Moreover, in developing the various specific models below, for the purpose of exploring the likely impact of tariff changes, we necessarily use some terminology which, at first sight, can appear confusing. This includes such terms as **base period** (or base year), **base case tariffs**, **simplified elasticities**, and a few others. All such terms have very precise meanings, as is

explained in the main modelling sections of this report, Sections 5 and 6. For ease of reference, the most important definitions are brought together in ANNEX 2, at the end of this report.

Since on the EU side, most applied tariffs were in any event not initially very high even before the CF-EU EPA-related cuts, it cannot be expected that the impact of these tariff reductions on CARIFORUM exports to the EU will be especially large. And in the absence of the CF-EU EPA, the EU's alternative GSP tariffs that would otherwise be in place are also not high. Hence there, too, one could not anticipate a large impact on trade. Our results will confirm these hypotheses.

As for the CARIFORUM side of trade, some of the initial tariffs there were high, applied rates of 25-40% not being uncommon, not least for the revenue reasons mentioned above. Hence as these rates are cut preferentially in favour of EU suppliers, one can expect to see larger proportionate changes in EU exports to the region, especially to the CARICOM countries. The impact on the Dominican Republic is most likely smaller, as there is already in place the DR-CAFTA agreement³ under which most tariffs on imports from the US have already been reduced. In that sense the CF-EU EPA, for the Dominican Republic, is merely serving to redress the balance in tariff preferences as between the US and the EU.

³ DR-CAFTA was signed by the parties in 2004, and came into effect for the Dominican Republic in 2007. The full text can be found on the website of the Office of the US Trade Representative, www.ustr.gov

2. Summary Statistics

We begin by clarifying the scope of this study. Our prime focus is on trade of the CARIFORUM countries: with each other, with the FCORs, with the EU, with the USA and with the rest of the world (RoW). Annex 1 lists CARICOM members, CARIFORUM members, the CARIFORUM members that have signed up to the CF-EU EPA (14 countries), and various territories with observer status in CARIFORUM, namely three French Caribbean Outermost Territories (FCORs) and seven British and Dutch Overseas Countries and Territories (OCTs). It should especially be noted that although Haiti is a CARIFORUM country, it does not form part of the present study.

Table 1⁴ shows some basic economic statistics for each of the CARIFORUM countries included in this study, plus data for the FCORs, mostly referring to 2011. In population terms, the CARIFORUM countries vary enormously, from St Kitts and Nevis with 53,000 inhabitants, right up to the Dominican Republic with over 10 million. Besides the Dominican Republic, only Jamaica, and Trinidad and Tobago, have over a million inhabitants. Each of the three FCORs included in Table 1 has under half a million inhabitants.

(Table 1 about here)

Income levels, specifically estimates of GDP per capita, reveal a rather different picture, ranging from US\$3409 for Guyana up to US\$22,444 for The Bahamas, with nine CARIFORUM countries having a GDP per head under US\$10,000. In contrast, the three FCORs shown in Table 1 have GDP per head of US\$19,000 for Guyane (French Guiana), US\$24,700 for Guadeloupe and just over US\$26,000 for Martinique, reflecting in part the living standards of Metropolitan France.

With the notable exception of Trinidad and Tobago, all CARIFORUM countries have large deficits in their goods trade, relying on services exports (notably tourism services and financial services) and foreign direct investment (FDI) inflows to balance the external accounts. The FCORs also run deficits in their goods trade, but as part of France they are not under any pressure to balance their external accounts. Reflecting these trade imbalances (especially the low exports from most countries or territories), goods trade to GDP ratios are not especially high across the region, suggesting that there is substantial latent potential for such trade to expand in the future. However, the figures might also reflect the dominant position of services in these economies, with corresponding potential to expand services trade (not examined in the present report).

Table 2 gives more detail on trade, presenting information both on average import tariffs, the share of tariff revenue in government revenues, and the product concentration of exports to the EU. This helps to set the context for the more detailed trade and tariff analysis given below.

(Table 2 about here)

For the CARIFORUM countries it can be seen that average applied tariffs on 2011 agricultural imports all exceeded 10%, mostly lying closer to 20%, while non-agricultural tariffs were generally about half as high, mostly around 9%. The glaring exception to this pattern is The Bahamas, with much higher tariffs overall, and higher tariffs on non-agricultural imports (38%) than on agricultural imports (23%). As a result, tariff revenues accounted for 39% of government revenues in The Bahamas, with the share for most of the smaller CARIFORUM countries coming in between 10 and 15% (except St Lucia at 22%), and the three larger countries (Jamaica, Trinidad and Tobago, and the Dominican Republic) standing at under 10%, reflecting their more diversified tax structures.

From these figures it can be supposed that the tariff reductions resulting from CF-EU EPA implementation could indeed pose some problems for government revenues. In countries with tight budgets and high debt-to-GDP ratios, characteristics of much of the region, it would not make good sense, in terms of sound macroeconomic policy, simply to cut tariffs in line with the

⁴ All tables can be found at the end of the main text.

CF-EU EPA. Most countries could not tolerate the attendant loss of revenues, and hence have to consider and implement other revenue-raising measures in parallel with implementing the CF-EU EPA. St Lucia is especially sensitive in this regard.

Most sensitive, though, is clearly The Bahamas. This fact probably explains why The Bahamas has not so far opted to be part of the Caribbean Single Market and Economy (CSME), including notably the region's common external tariff (CET). The Bahamas' tariff structure is so different from anywhere else in the CARIFORUM region that participation in the CSME would have imposed quite high adjustment costs on the economy. However, both in preparation for CF-EU EPA implementation, and linked to its application to join the World Trade Organization, The Bahamas has been reviewing its overall tax structure, and has been planning tax reforms to take effect from July 2014⁵: VAT was to be introduced, with some accompanying liberalisation of customs duties and excise taxes, and the hotel occupancy tax eliminated, resulting in a net expansion of government revenue to help balance the budget. According to the budget statement (The Bahamas, 2014), the VAT will indeed be introduced, taking effect from 1st January 2015.

The last two columns of Table 2 show the remarkable concentration of CARIFORUM exports to the EU, both in agricultural and non-agricultural products. For the most part, trade of the larger countries is less concentrated than that of the smaller ones, as one would expect. For the whole region, though, significant exports to the EU only occur in **under 100 tariff lines in agricultural products**, and under 200 tariff lines in **non-agricultural items**, out of the 5052 or so tariff lines identified in HS2007 at the six-digit level⁶. This therefore shows a high level of concentration of the region in only a relatively few significant export products.

(Table 3 about here)

Table 3 presents in summary form the main economic trends in CARIFORUM countries, focusing on GDP growth, gross capital formation as a share of GDP, growth of goods exports, and the growth of goods imports. For each country we present the information in four-year blocks: pre-CF-EU EPA, 2004-2008; and post-CF-EU EPA, 2008-2012. At this broad level of aggregation, of course, it would be quite surprising if we were able to detect any marked impact specifically of the CF-EU EPA, for several important reasons:

(a). In the period 2007-2009, conditions of financial crisis and then recession were adversely affecting most of the advanced countries, with significant knock on effects on many emerging markets. Even by now, in mid-2014, economic recovery in many advanced countries remains sluggish and uncertain (see IMF, 2013). From this perspective, late 2008 was not an ideal time to introduce a novel form of trade policy instrument, such as the CF-EU EPA.

(b). As we discuss more fully in the main report, implementation of the CF-EU EPA has been quite slow and uneven across the region, aside from notable exceptions such as Guyana. This unevenness very much applies to the first round of tariff cuts applied to imports from the EU, so much of the eventual impact of the CF-EU EPA on EU-CARIFORUM trade cannot have come through yet.

(c). Some of the trends shown in Table 3 are largely a result of relatively poor or relatively well developed country policies, especially as regards the macroeconomic framework and public financial management. Hence it cannot always be inferred that such trends have much to do either with the CF-EU EPA, or indeed with the world financial and economic crisis.

Nevertheless, the Table is remarkably revealing. The impact of the world economic crisis is especially evident across the table, with GDP growth rates and trade growth rates lower or even negative after 2008 as compared to the pre-crisis period, Guyana proving to be a partial

⁵ See the excellent section on tax reform, with links to useful documents (including the Government's White Paper, and a recent study on the impact of the VAT carried out by the Inter-American Development Bank), on the Government of The Bahamas website, www.bahamas.gov.bs. The standard rate of VAT will be 15%, with some exempt items and items liable to a lower rate of tax.

⁶ See WITS User Manual (2011), p16.

exception. Most of the region is still only just recovering from the recession, and for several countries trade volumes have not yet returned to previous peaks.

Probably the least satisfactory column in Table 3 is that showing capital formation as a share of GDP. Normally one would expect this figure to provide, albeit very roughly, an indicator of the economic growth that can be expected in the country concerned: a very low investment ratio, say under 10% of GDP, is usually associated with no or at best very sluggish growth; and a rate of 25% or above is most often associated with a more dynamic, faster growing economy (assuming the investment is well chosen and productive, of course). However, the higher investment ratios shown in the table are of doubtful credibility, because the countries concerned have very little experience with expenditure-based national accounts, and current estimates are almost certainly too high by a significant margin⁷. Hence for now, it would be unwise to infer much of interest from this capital formation column; but with luck this aspect of national accounts data will improve rapidly in the coming years.

⁷ This is fairly evident even without good data to demonstrate it, since if investment were really as high as the figures claimed, the countries ought to be growing more strongly, and investment activity would be visible through numerous construction sites, cranes, and the like.

3. Trade Data for 2011

For the partial equilibrium trade models studied and developed in Section 5, below, detailed trade data was needed, and this was assembled from various sources. In this Section, therefore, we first outline what trade data was required, then discuss the sources, and next show how that data was managed and rearranged to put it into a format suitable for the subsequent modelling, and finally use the resulting datasets/spreadsheets to illustrate some key features of the CARIFORUM-EU trade and FCOR-CARICOM⁸ trade.

3.1 Trade data requirements

The focus of the trade modelling exercises in this report is on CARIFORUM-EU trade and the impact on this of the CF-EU EPA-related tariff changes (which are discussed in the next section), but in order to build sensible models it is necessary to include other significant markets. To keep the modelling as simple as possible, an early decision was taken to include in this study the following four market areas or zones: CARIFORUM, EU, USA, and the rest of the world (RoW). The USA was included as a separate market since for most CARIFORUM countries it is their largest market, both as a destination for exports, and as a source of imported products.

Ideally, we also need to decompose the CARIFORUM market into its fourteen country components in order to build country models. Likewise, the EU market could be decomposed into its 27 country components (not 28, since Croatia joined the EU after the year for which our main data was collected), or at least into components corresponding to the few EU member states that account for most EU trade with the CARIFORUM region; again, this would facilitate the building of country-level models on the EU side, too. In the present report, such country-level modelling is not carried out, though the methodology and data are all in place to make that perfectly feasible as a supplementary exercise.

It is worth remarking here that, with the modelling framework set up with the above world market structure, it would also not be too difficult to refine most of the resulting models to distinguish more markets, e.g. individual South American countries or the South American region. This extension is not done for the present report, both because the relevant trade flows are mostly surprisingly small, and also due to our timing and resource limitations.

For the models developed here, 2011 was taken as a convenient base year. It is the last year for which trade data is fully available for all our countries. Most data is in fact available for 2012, too, but there are some gaps and some of the data for that year are still provisional. It was also suggested by EU-DG-Trade that an average of trade flows for 2010 and 2011 might have provided a better base year, since it would help to even out year-to-year fluctuations in trade flows. And it is true both at the CARIFORUM country level, and at the EU member-state level, that there is a good deal of year-to-year fluctuation, with items traded one year not appearing at all the next, or quantities traded varying substantially. For aggregate CARIFORUM trade, aggregate CARIFORUM-EU trade, as well as for CARIFORUM's trade with the USA and RoW, there is far less variation of this sort. For this reason, it was concluded for purposes of the present study that adopting 2011 as the base year would be a satisfactory compromise. However, it would not in principle be difficult to re-work the entire exercise using an alternative base year (or an average of two trading years).

In what follows, all models share a common structure. One country or country group is designated as the 'importer', and various partner countries or groups are the corresponding 'exporters'. Starting from such a modelling structure, we build two basic models, namely (1) an exports model; and (2) an imports model.

⁸ Not CARIFORUM here as we lack data on FCOR-Dominican Republic Trade.

The exports model studies all products exported from the CARIFORUM countries, and operates at the HS6 level of product detail (i.e. harmonised system, 6-digit). It works by selecting a major CARIFORUM trade partner as the 'importer' with CARIFORUM countries or the CARIFORUM group being exporters, along with other trade partners. Typically, the EU27 is chosen as the 'importer' (or, as noted above, it could be a major EU member state), since our main interest lies with EU-CARIFORUM trade.

The imports model, correspondingly, studies all products imported into CARIFORUM, and operates at the HS4 level of product detail. This level of detail was agreed with EU-DG-Trade, essentially reflecting the fact that while export profiles of the CARIFORUM countries are mostly quite narrow, concentrated in very few HS6 product lines, the countries import practically everything. Hence on the imports side, it is not likely to be especially interesting or illuminating to study trade flows at the 6-digit level. However, if desired, this is an extension that could readily be done. For the imports model family, CARIFORUM as a group (or one of the member states), is taken as the 'importer', with principal trade partners, including the rest of the world (RoW), being the corresponding 'exporters'.

To sum up then, the trade data requirements are as follows.

Exports model (HS6)

CARIFORUM exports, broken down by CARIFORUM member, to the following destinations: other CARIFORUM countries (i.e. trade within the region); the EU, broken down by the receiving EU member states; the USA; and the rest of the world (RoW).

Imports model (HS4)

CARIFORUM imports, broken down by CARIFORUM member, from the following origins: other CARIFORUM countries (i.e. trade within the region); the EU, broken down by the sending EU member states; the USA; and RoW.

All data are compiled using the 2007 version of the Harmonised System, HS2007.

3.2 Sources of trade data

Trade data for the present study, all in current US dollars (USD) or USD millions, came from several sources, which we first list, and then discuss the principal sources in turn:

CARICOM Secretariat (www.caricom.org), Statistics Department.

The International Trade Centre's TradeMap (www.trademap.org), generally using data supplied by country statistical offices to the UN's COMTRADE database.

World Bank/WITS (WITS.worldbank.org). The databases within WITS contain much of the data we need, but in the end it was considered better to build the database for this study outside WITS, and then use various World Bank modelling software to perform the analysis; this is discussed further in Section 5, below. Also, for several of our countries, WITS data does not extend to 2011, our chosen base year. For instance, for Barbados, WITS only had trade data to 2007.

Eurostat (epp.eurostat.ec.europa.eu), used to check some of the trade data from other sources, and to provide total EU imports data.

Country statistical offices and other country offices (mostly used as an additional check on data obtained from international sources); except for Dominican Republic where the Customs Administration provided the most useful data; and for Suriname, where the Trade Ministry provided detailed trade data at the 6-digit level.

The five sources that provided the bulk of the essential trade data for our models were CARICOM, TradeMap, Eurostat, the DR customs administration, and the Suriname Trade Ministry. The data obtained from these sources is now discussed in detail.

CARICOM data

The CARICOM Secretariat only collects trade data for CARICOM members and hence not for the Dominican Republic. The latter is part of CARIFORUM, and hence party to the CF-EU EPA, but not a CARICOM member. Further, CARICOM only collects detailed trade data for those CARICOM members that participate in the Caribbean Single Market and Economy (CSME), so for the time being that excludes The Bahamas.

In sum, CARICOM was therefore able to provide detailed trade data for 2011 on eleven of its member countries, namely Antigua and Barbuda; Barbados; Belize; Dominica; Grenada; Guyana; Jamaica; St Kitts and Nevis; St Lucia; St Vincent and the Grenadines; and Trinidad and Tobago. For Suriname, only imports data was provided through CARICOM; data on Suriname exports was provided directly by the Ministry of Trade. The data provided by CARICOM was as follows:

(1) Exports model, HS6

Five Excel spreadsheets were supplied, dealing with CARICOM exports in 2011 to: other CARICOM members; the EU; the Dominican Republic; the USA; and RoW. Each spreadsheet contains worksheets for each of the eleven members for which CARICOM provided trade data. The 'other CARICOM members' worksheets show export destinations by CARICOM member, including Suriname. In addition, some worksheets show exports to Montserrat (not a CARIFORUM member but a CARICOM member). The 'EU' worksheets show exports by each CARICOM country, broken down by individual EU member state destinations.

(2) Imports model, HS4

Again, five Excel spreadsheets were provided, giving CARICOM imports in 2011 from: other CARICOM members; the EU (broken down by EU member state); the Dominican Republic; the USA; and RoW.

For one of the remaining CARIFORUM countries, namely The Bahamas, TradeMap was used as the principal data source for both exports and imports data. For Suriname, as noted above, the Ministry of Trade provided the detailed trade data we required.

In addition to the above, CARICOM also provided detailed trade data on the trade between CARICOM and three FCORs, namely French Guiana, Guadeloupe, and Martinique. The data covered the years 2004-2011 inclusive. In some of the modelling below, this data is used to assess the likely impact of CF-EU EPA on CARICOM-FCOR trade.

TradeMap data

For The Bahamas, it was necessary to create a set of Excel files, one for each major partner country group; with a subset for exports (6-digit) and another subset for imports (4-digit), with all data referring to our base year of 2011. Thus for a Bahamas imports model, the natural exporters to include would be CARICOM (more exactly, the CSME subset of CARICOM), the EU27, the USA, the Dominican Republic, and the rest of the world (RoW). For an exports model, the natural importer would be the EU27. Then to build a model we would need EU27 imports from The Bahamas, CARICOM, the Dominican Republic, the USA and RoW. As always, the model could be decomposed to individual country level, in which case far more files would be needed.

For Suriname, imports data came from CARICOM, as noted above, but exports data was obtained through TradeMap and the country's Ministry of Trade. TradeMap was used to show the imports from Suriname of the country's trade partners, including other CARIFORUM members (13), the USA (1), EU member states (up to 27). To a good approximation, Suriname's total exports to the World are given by the imports of WTO member states (treated as a group) from Suriname. The relevant files were downloaded from TradeMap as Excel files.

Eurostat data

Extensive trade data is available through Eurostat, covering trade between the EU27 (or individual member states) and various trade partners; but mostly it was used only to check and confirm data obtained from other sources.

DR Customs Administration

Export and import data for the years 2008-2013 were provided, all at the HS6 level of product detail, and all broken down by trading partner. The trade partners included here were the United States, and the member states of the EU. No data was provided on trade between the DR and the CARICOM countries (but that data had already been made available by the CARICOM Secretariat); nor was data provided on the DR's trade with the rest of the world (RoW), so that had to be obtained from TradeMap.

Suriname Ministry of Trade

Export and import data at HS6 level of product detail were provided for the years 2009-2013, but only covering trade between Suriname and the member states of the EU. Other Suriname trade data was obtained either from TradeMap or from the CARICOM Secretariat.

3.3 Data processing

In order to set up the trade data for the various models discussed in Sections 5 and 6 below, along with the tariff data discussed in Section 4, a great deal of manipulation and merger of the various Excel files was required. The key practical issue is that while trade data for any given country – trade partner pair (whether at HS4 or HS6) always included the relevant list of products, this product list was not the same for the different trade partners included in any given model. Hence for modelling purposes, a combined product list had to be created, against which the trade flows between the selected 'importing country or region' and the relevant partners would be shown, each product occupying a single row in the merged spreadsheet.

3.4 Key features of CARIFORUM-EU trade

From the Excel spreadsheets created for the **basic exports model**, covering exports from 11 CARIFORUM countries to other CARIFORUM members (incl. the DR and Suriname, but not The Bahamas), to the USA, to the EU (broken down by EU member state), and to RoW (where this includes exports to The Bahamas), it is useful to pick out a few highlights in the pattern of trade.

Referring to this 11-country subset of CARIFORUM as **CF1**⁹, exports to the EU are of particular interest. Of the USD 2.73 billion of exports from CF1 to the EU in 2011, USD 2.11 billion originated in Trinidad and Tobago; of the other CF1 countries, only two exported to the EU more than USD 100 million of goods; these were: Guyana, exporting USD 194 million, and Jamaica exporting USD 265 million. The CF1 countries exported to all 27 EU member states as of 2011 (recall that the 28th member, Croatia, only joined the Union in 2013), but as one would expect, the larger EU member states, including those with historic ties in the Caribbean, accounted for the bulk of the CF1 countries' export trade.

The six EU member states taking in most exports from CF1 to the EU were (in order of export volume): the UK, USD 671 million (24.6% of the total); Spain, USD 592 million (21.7%); the Netherlands, USD 478 million (17.5%); France, USD 415 million (15.2%); Hungary, USD 197 million (7.2%); and Germany, USD 130 million (4.8%). These six countries together took 91% of total CF1 exports to the EU in 2011, and no other EU member state imported more than USD 100 million from the CF1 countries. The one surprise in these figures was the appearance of Hungary in the top six. This is simply accounted for, however, by the fact that over 99% of Hungary's imports consisted of a single product supplied by Trinidad and Tobago, namely petroleum oils (HS 270900).

In terms of products at the 6-digit level, the CF1 countries exported 1386 out of the roughly 5052 products included in the HS6 nomenclature. However, as noted in summary form in the previous section, the trade was heavily concentrated in a fairly small number of specific products. This concentration can be seen both from the Count – the number of products (at HS6) exported to the EU by each CF1 country – which ranged from just 51 in the case of Belize to 601 products exported by Trinidad and Tobago, and from the Herfindahl-Hirschman index of

⁹ To be completely clear, CF1 refers to CARIFORUM less Suriname, less The Bahamas, and also without the Dominican Republic.

export product concentration for each country. This index, H , has a theoretical maximum of 10,000, and any score over 1500 is usually considered to represent significant concentration¹⁰. Dominica's exports to the EU were least concentrated, with $H = 1193$, but all other countries in CF1 had $H > 1500$, the two most concentrated being Antigua and Barbuda with $H = 4139$ and Grenada with $H = 4544$.

Turning to CARIFORUM imports, we start by examining CARICOM imports from the EU, where this time we include Suriname, while The Bahamas are discussed separately below; as is the Dominican Republic. Hence we now have a 12-country subset of CARIFORUM, with the data also including imports by another CARICOM member, Montserrat¹¹. We refer to the resulting 13-country group, for brevity, as **CF2**.

The CF2 country group imports from the EU products belonging to 1072 of the 1221 headings (belonging to chapter 1 to 97) in the Harmonised System for 2007. Thus as expected, the region imports nearly everything, with the EU providing some supplies of almost all products, even though the US is the largest trading partner for many products. For individual countries within the CF2 group, the number of product headings imported from the EU ranged from a low of 321 (Montserrat) to a high of 843 (Barbados). Even a tiny territory such as Montserrat requires a diverse range of imports.

Looking at this trade from the side of the EU, most EU member states exported very little to the CF2 group, and this is reflected both in the USD values of their exports, and in the number of product headings involved. Thus Cyprus exported under USD 1 million in only 41 product headings, while Estonia exported goods valued at USD 1.3 million belonging to 23 product headings. In contrast, the five largest EU exporters to the CF2 country group together accounted for 74.5% of total EU exports to the region. Within this figure, the UK accounted for 24.1% of total EU exports to the region, in 992 product headings; the Netherlands for 19.6% (855 headings); Germany for 14.5% (743 product headings); France for 9.1% (604 headings); and Italy for 7.2% (601 product headings). Total exports by the EU to the CF2 country group in 2011 amounted to USD 2.06 billion.

Turning to The Bahamas, using trade data from TradeMap as noted above, exports in 2011 amounted to USD 726.9 million (in 970 HS6 products), while exports to the EU, at USD 88.1 million (in 91 products), were just 12.1% of the total. Within the EU total, the four EU member states that imported most from The Bahamas were: the UK, with USD 31.6 million; France, with USD 26.9 million; Germany, with USD 11.3 million; and Belgium, with USD 8.1 million. Bahamian exports to the US in 2011 were USD 569.2 million, or 78.3% of the country's total exports. To its partners in CARICOM, The Bahamas exported USD 1.81 million of goods, and to the Dominican Republic just USD 0.1 million.

As regards Bahamian imports, the country imported from the EU in 2011 items belonging to 381 product headings (HS4); total imports from the EU in HS chapters 1 to 97 were just USD 42.5 million and this accounted for only 1.25% of The Bahamas' total imports. Of these imports, USD 18.7 million originated in the UK, USD 7.2 million from France, USD 4.2 million from Germany. In contrast, Bahamian imports from the US in the same year amounted to 88.9% of total imports, in 1065 product headings. From other CARICOM countries, The Bahamas imported just USD 166 million (belonging to 150 product headings), four times its imports from the EU and accounting for 4.87% of total imports; and from the Dominican Republic, imports amounted to USD 7.1 million, covering 0.21% of total imports.

Overall, then, The Bahamas does relatively little trade in either direction with the EU, not a great deal with its CARICOM partners, and almost nothing with the Dominican Republic. Over three-quarters of all Bahamian trade in both directions is carried out with the United States. Hence it would not be reasonable to expect a large impact of the CF-EU EPA-related tariff changes on Bahamas' trade flows.

¹⁰ If s_i is the share of item i , expressed as a fraction, then the Herfindahl index, $H = 10000 \cdot \sum s_i^2$. Hence in our case, with 1386 items being exported, if trade were completely uniform across products we would get $H = 7.2$.

¹¹ As noted in Annex 1, Montserrat is a CARICOM member but not a member of CARIFORUM. It is an overseas territory of the UK.

As for the Dominican Republic (DR), while it is part of CARIFORUM its trade direction and patterns are rather different from its partners in CARICOM. According to TradeMap, at the HS6 level of product detail, exports from the Dominican Republic in 2011 amounted to USD 6.11 billion (though according to the DR's own statistics, the corresponding total for FOB exports in 2011 was just USD 3.57 billion, though this does not include exports to CARICOM or to RoW)¹². These exports were distributed over 1535 of the just over 5000 HS6 product groups.

Exports to the EU27 were just USD 492 million in 2011, with the five main partners being the Netherlands (USD 128 million), the UK (USD 117 million), Belgium (USD 85 million), Germany (USD 59 million) and France (USD 38 million); according to TradeMap, almost nothing was exported to Spain, though using TradeMap to look at EU27 partner imports gives a different picture, as do Eurostat trade statistics. Exports to the EU27 were to be found in 438 of the HS6 product groups, and almost half of the DR's exports to the EU27 were accounted for by just two products:

080300 bananas and plantains	USD 141 million
180100 cocoa beans	USD 86 million

Exports to CARICOM were larger and more diverse than those to the EU27, amounting to USD 1.15 billion over 976 product groups, with major exports in cotton fabrics and clothing, wheat flour, cement, steel bars and rods. A little over half of DR exports, around USD 3.33 billion, went to the US market; DR exports to China were USD 330 million, while those to Latin American partners belonging to MERCOSUR were a surprisingly modest USD 95 million; on the other hand, DR exports to Central American states belonging to DR-CAFTA were more substantial, at USD 523 million in 2011.

Imports into the Dominican Republic in 2011, at the HS4 level of product detail, amounted to USD 18.2 billion, with the United States providing 42% or USD 7.56 billion, the EU27 supplying USD 1.64 billion (of which Spain, Germany and Italy accounted for over half), China USD 1.79 billion, and MERCOSUR partners USD 1.95 billion. As for CARICOM, the DR imported from this country group goods valued at USD 1.05 billion, of which 90% were accounted for by a small number of product headings, nearly all supplied by Trinidad and Tobago. Thus:

2710	petroleum oils	USD 183 million
2711	petroleum gases	USD 711 million
3102	nitrogenous fertilizer	USD 25.7 million
7206	iron and steel ingots	USD 25.9 million
7213	rods and bars	USD 22.1 million

Thus, besides these few items, the DR imports very little from CARICOM.

3.5 Key features of CARICOM-FCOR trade

Because this aspect of the region's trade is not well known or especially easy to follow, we provide a short summary overview here, by way of background for two of the models developed later. CARICOM imports from the FCORs over the years 2006-2011 show considerable fluctuation from year to year, also with large variations between CARICOM members: some, such as Belize, import almost nothing from the FCORs; others import just a handful of products, mostly in small amounts, such as St Kitts and Nevis from Martinique, Dominica or Grenada from French Guiana. For some countries, the data show a lot of trade in one year, almost none before or after, which raises questions about the quality and consistency of the statistical reporting of these trade flows. Hence in analysing the flows, it is sometimes necessary to take a year with plentiful data as a representative year. Similar remarks also hold good for the opposite trade direction, FCOR imports from CARICOM.

¹² There is plenty of scope for debate here as regards which statistics it is most appropriate to use here. For consistency of presentation, I mostly remain with TradeMap, but all subsequent analysis and findings could easily be re-worked.

As one would expect, contiguity has a major influence on trade flows, with Guyana, Suriname and Trinidad and Tobago between them accounting for over 96% of CARICOM imports from French Guiana; these imports in total are USD 2.354 million. From Guadeloupe, Dominica alone takes about half of CARICOM's total imports (of USD 3.675 million), a share that is growing; followed by St Lucia (20%) and Suriname (14%). To illustrate the fairly typical fluctuations in this trade, in 2008 St Vincent and the Grenadines imported over USD 5 million of goods from Guadeloupe (as against just USD 36,000 in 2011), mostly accounted for by a single large transaction in electric sound or visual signalling equipment (HS 8531). Likewise, in 2007 Trinidad and Tobago imported USD 484 thousand (as against 60 thousand in 2011), mostly accounted for by tube and pipe fittings.

The pattern of CARICOM imports from Martinique is quite similar, though even more concentrated in just two countries, namely St Lucia (41%) and Suriname (49%); total CARICOM imports from Martinique came to USD 15.227 million. Suriname's imports mostly comprise wheat or maize. For Barbados and Trinidad and Tobago, most imports are currently concentrated in a single product group, pebbles and gravel (HS 2517).

Turning to FCOR imports from CARICOM, we again summarise the situation, and recent changes, for each territory in turn. To French Guiana, five CARICOM countries export nothing: Antigua and Barbuda, Belize, Grenada, St Kitts and Nevis, and St Vincent and the Grenadines. Barbados exports modestly to French Guiana, half of its exports being rum. But the two largest exporters are Suriname (7%) and Trinidad and Tobago (92%). Of the latter's exports, nearly all (77 percentage points out of 92) is accounted for by petroleum; the rest is a diverse mix of smaller exports. Total CARICOM exports to French Guiana were USD 78.434 million.

As regards Guadeloupe, Belize, Grenada and St Vincent and the Grenadines export virtually nothing, while four CARICOM members export over USD 1 million per annum: these are Dominica, Jamaica, Suriname and Trinidad and Tobago. By far the largest exporter is Trinidad and Tobago, accounting for 82% of CARICOM's total exports to Guadeloupe (which amount to USD 65.720 million); of this Trinidad and Tobago trade, most consists of petroleum (USD 45.914 million). For the other significant exporters there is an interesting degree of export concentration. Thus Suriname's exports are mostly plastic products; those of Guyana mostly rice; for Jamaica and St Kitts and Nevis, the main items are lobsters and crustaceans; and for Dominica the largest items are vegetables and building materials (sand and gravel). Noticeably, the leading exports are very much traditional products.

Four CARICOM countries exported nothing or very little to Martinique, namely Antigua and Barbuda, Belize, St Kitts and Nevis, and St Vincent and the Grenadines. Some other exporters, notably Grenada, Dominica and St Lucia have seen their exports to Martinique falling in recent years. Of the larger exporters, Guyana's exports consist mostly of rice, those from Suriname mostly of cereals plus shrimp and fish. Jamaica's exports are largely lobster and crustaceans. By far the largest exporter to Martinique is Trinidad and Tobago, exporting USD 32.314 million out of CARICOM's total of USD 39.748 million. Over half of Trinidad and Tobago's exports to Martinique are petroleum, the rest being a diverse range of industrial products. As with Guadeloupe, besides Trinidad and Tobago the main export offerings of the other CARICOM member countries are traditional products of the region.

4. Tariffs

The tariff schedules that influence CARIFORUM trade are quite diverse, and it is important to understand the full structure so that we can make sense of the particular choices that need to be made in designing trade model scenarios later on. In particular, we shall need to pinpoint the specific tariff changes associated with the CF-EU EPA.

Since the trade models developed later (Sections 5 and 6) are structured as outlined above, each having an importing country or country group and a number of trade partners, the required tariff data is as follows.

Export models

CARIFORUM exports face tariffs as applied by each of their trade partners, namely the US, trade partners all over the world, and the EU. Of these, except for the EU, we do not need detailed information about the tariffs being applied, since there is no particular reason to expect any changes to be associated with the coming into effect of the CF-EU EPA. However, to study revenue effects, data on these other tariffs would be required.

For the EU, however, the tariffs applied to CARIFORUM exports did change in early 2009 once the CF-EU EPA was signed. Hence to model the impact of the CF-EU EPA, we need to know the tariff schedules applied by the EU to imports from the CARIFORUM countries before and after the CF-EU EPA began. The relevant tariff schedules, in Excel format, are available at the 8-digit tariff line level for three cases, all of which are examined further in our later modelling:

- (1) The tariffs applied by the EU to imports from the CARIFORUM countries just before the CF-EU EPA started to be implemented. These are mostly the favourable rates offered by the EU to the ACP/Cotonou countries. Some customs duties, however, are specific charges related to the quantity imported, or a mix of specific charge and percentage rate, not merely a standard percentage levy on the value of imports. To make our modelling manageable, all such specific charges have been replaced by their estimated *ad valorem* equivalents (AVEs) using TradeMap data.
- (2) The tariffs applied by the EU to these imports from early 2009, when the EU fully implemented its part of the CF-EU EPA trade provisions¹³. For HS chapters 1-97, these rates are mostly set at zero, except for chapter 93 (arms and ammunition) where existing MFN tariffs are retained.

There are transitional provisions for headings 1006 (rice), with no tariffs after 2010, except for tariff line 10061010 where the tariff will fall to zero when the CF-EU EPA enters into force¹⁴. Likewise, for heading 1701 (sugar), there is provision for the EU to impose tariffs at the MFN rate until 2015 if total ACP exports of sugar are high enough to 'disturb' the EU market. In our analysis, we shall assume, at least initially, that these tariff rates will be zero.

Last, there is provision for surveillance mechanisms for a number of products, to come into effect if EU imports of these products from CARIFORUM go up by over 20% in any period of 12 months. If the EU judges that parts of the sugar market are thereby 'disturbed', it may reinstate the relevant MFN tariffs. Our modelling assumes this provision does not come into effect, and hence applies zero tariffs.

- (3) If the CF-EU EPA failed altogether, and never came into effect, the EU would most likely not revert back to the tariffs that were in effect previously (case (1), above). Instead, the expectation is that GSP tariffs would be imposed. These are mostly lower than the former MFN tariffs, reflecting the EU offering of preferential access to its market, but for some products the applied tariff would be just the same as the MFN tariff.

¹³ Details are in Annex II of the CF-EU EPA.

¹⁴ We assume this means, when the CF-EU EPA is fully ratified by all EU and CARIFORUM parties, rather than the present situation where the agreement is being provisionally implemented pending full ratification. For certain CARIFORUM members, such provisional implementation gives rise to legal difficulties that lie beyond the scope of the present technical report.

- (4) In the subsequent calculations, therefore, the **EU's 2008 ACP/Cotonou tariff is taken as the base case**, against which we assess the impact of EPA implementation, applying the EU's mostly zero tariffs that took effect in 2009, offering largely DFQF trading conditions for CARIFORUM exports. We also allow for and assess the likely fall-back position in the event that the EPA failed, where **the EU reverts to applying the GSP tariff** (though strictly speaking, some of the higher income CARIFORUM countries would no longer be eligible for GSP treatment, so for them the MFN tariff would be the applicable alternative; we neglect this point in the subsequent modelling).

To be used in the models below, all these tariff schedules are needed at the HS6 level of product aggregation, and where necessary, TradeMap was used both to perform the aggregation (which is trade weighted, using trade with major partners for the weights) and, as noted above, to derive AVEs for the more complicated tariffs applied by the EU for certain product lines¹⁵.

Import models

Before the CF-EU EPA, imports into the CSME countries (CARICOM less The Bahamas) faced the CSME Common External Tariff; imports into The Bahamas faced the relevant Bahamian tariff; and those entering the Dominican Republic (other than from countries or regions with an established free trade agreement) paid the established DR tariffs. Once the CF-EU EPA came into effect, the agreement provided for the tariffs applicable to imports from the EU to be adjusted according to an agreed plan, as set out in detail in Annex III of the CF-EU EPA. Although in due course, most of these tariffs on trade with the EU were set to fall to zero – albeit sometimes not until 2025 or even 2030 – the agreed rate of tariff reduction differed between the CARIFORUM members. For all these CARIFORUM tariffs, it also needs to be borne in mind that as part of the CF-EU EPA, some goods were excluded from the agreed tariff cuts. Hence in the modelling below, these excluded products do not need to be analysed¹⁶.

For each CARIFORUM member, the first stage of these tariff reductions was due to be implemented in 2011, the second in 2013; although most countries have done much preparatory work for these agreed tariff changes, actual implementation has been quite patchy. Hence to model this aspect of trade properly, we ideally need to build models that look at each individual CARIFORUM country as 'the importer'. To keep this study manageable, however, we instead look at a smaller number of scenarios.

For CARICOM (except The Bahamas), we start with the tariffs in place on EU imports in 2008 (before CF-EU EPA provisions started to be implemented), then apply the CARICOM tariffs (averaging the rates across countries) corresponding to early CF-EU EPA implementation (interpreting this to mean implementation of the agreed 2011 and 2013 tariff cuts), and finally, looking further ahead, apply the full-implementation tariffs on imports from the EU (mostly zero, as already noted).

For the Dominican Republic, essentially the same three sets of tariffs will be applied, though some of the numbers will naturally be different. For The Bahamas, we confine our modelling to just two cases: Bahamian tariffs as they were just before the CF-EU EPA; and Bahamian tariffs with full implementation of the CF-EU EPA.

For imports within CARIFORUM, that is from one member to another, the relevant tariffs are zero for the countries belonging to the CSME (all of CARICOM except The Bahamas), and also zero for trade between the Dominican Republic and CARICOM (except The Bahamas) as a consequence of their separate free trade agreement. This agreement, signed in 1998, only came into effect provisionally in 2001 and even then Guyana and Suriname had not completed the administrative procedures needed for ratification. The CARICOM LDCs (the OECS countries plus Belize) were not required to remove their tariffs on imports from the DR, and Haiti

¹⁵ It should be noted that TradeMap provides several different ways of aggregating tariffs and forming AVEs. In what follows a consistent choice of method has been applied, which probably ensures that our broad qualitative results are essentially correct. But a little experimentation revealed that the exact numbers – for tariffs and hence for projected trade flows – could vary noticeably depending on the methods used.

¹⁶ There might, however, be some interest in studying changes in the trade flows for some of these products, but such changes cannot be the result of CF-EU EPA-related tariff changes.

was not a signatory. There are some significant exclusions in the agreement, notably concerning agricultural products.

For The Bahamas, we do need the tariff schedules applying both to the imports from the Dominican Republic and to those from CARICOM partners, though both schedules should in due course converge to vectors of zero tariffs.

For other trade partners, such as the US, and the rest of the world (RoW) there is no particular reason to expect any tariffs to have changed as a consequence of the CF-EU EPA. Accordingly, the details of the applicable tariffs relating to these other directions of trade are not needed for our subsequent modelling work, but as noted above they would be needed to assess the revenue impacts of tariff changes.

Summing up this section, the tariff schedules shown in Table 4 will be used in the various models and scenarios developed in the next two sections.

(Table 4 about here)

Just as we noted for the trade data at the end of Section 3, tariff schedules obtained from TradeMap and elsewhere were not usually suitable for the modelling work in their original forms. Typically, the schedules included all products at the given level of product detail (HS4 or HS6), whereas the models only include those products actually traded among the countries concerned. Hence it was always necessary to select subsets of the relevant tariff schedules corresponding to the markets/products being studied in each case. In some instance, tariff schedules had to be updated from HS2002 to the standard HS2007 used in all the modelling work reported below, and this was done using conversion tables from the UN Statistics Division and from the World Bank/WITS¹⁷.

FCOR models

To build trade models involving the FCORs, tariffs are also needed.

For the **FCOR import model**, the FCORs taken together are treated as the ‘importer’, with the relevant exporters being CARICOM (less The Bahamas), EU27, USA and RoW (trade with DR and The Bahamas is subsumed within RoW, for simplicity). Hence the relevant tariffs are those applied by the FCORs to their imports from CARICOM, assumed to be the same as the corresponding EU27 tariffs on imports from CARICOM; and FCOR tariffs on imports from the EU27, assumed to be zero. Naturally, it would be better to have more detailed and specific information about the exact tariff regimes applied by the FCORs, both before and after EPA implementation. But for now, what we have done is set up in this report a model template that can be regarded as a first approximation to a model of FCOR imports; subsequent work, based on improved data, could then quite easily carry out a more precise analysis.

A parallel story applies to the corresponding **FCOR export model**, where we have taken the view that the focus should be on intra-Caribbean trade. Accordingly, the natural grouping to take as the ‘importer’ is CARICOM (less The Bahamas), with the exporters being the FCORs, CARICOM (to pick up intra-regional trade), the EU27, the USA, and RoW; as above, imports from The Bahamas and DR are subsumed within RoW. Hence the relevant tariffs are those applied by CARICOM to imports from the FCORs at various stages of EPA implementation, assumed to be the same as the tariffs applied to imports from the EU27. Again, more detailed and specific information on the tariffs applied to imports from the FCORs would evidently be highly desirable; but we have at least made a start.

¹⁷ see <http://unstats.un.org/unsd/trade/conversions/HS%20Correlation%20and%20Conversion%20tables.htm>. And http://wits.worldbank.org/product_concordance.html. Note that these conversions are usually set up so that a later trade classification can be converted into an earlier one, so conversion from HS2002 to HS2007 is not wholly straightforward; luckily the significant discrepancies and changes are quite few in number, and could be dealt with by inspection and common sense.

5. Building a Partial-Equilibrium Trade Model

5.1 Selecting the model

Neither the available country-level and regional data nor the available resources (time, man-days) made it possible to construct a fully-fledged CGE-type model in order to explore the likely impact of the CF-EU EPA on CARIFORUM trade flows, especially the trade between CARIFORUM and the EU. In any event, such a model could not be built at the level of product detail we aim to explore. Hence instead, we have adopted a more manageable partial-equilibrium approach to modelling and analysing these trade flows.

This has some well-known shortcomings, of course, notably that it only picks up first round (direct) effects of tariff changes and doesn't trace the indirect effects through the various stages of domestic production. But tracking such effects normally requires the use of input-output tables, and for most of our countries such tables have never been constructed or, if they have, are both very aggregated and very out of date¹⁸.

Neither the OECD database of input-output tables, nor those available through the GTAP project include any of our CARIFORUM countries. Moreover, even were input-output tables available, they would normally decompose the production in the economy, including both goods and services, into just 50-100 sectors (often even fewer), and this would be much too aggregated for the sort of micro-level trade analysis we perform. Indeed the modelling work associated with the World Input-Output Database (see www.wiod.org and Timmer, 2012) envisages a set of 40 national I-O tables (with only Brazil and Mexico from South America, nothing at all on the Caribbean) plus a model of the rest of the world, put together into a world model. All this is being done on the basis of 35-sector input-output tables.

For the smaller economies of the CARIFORUM region, it is likely that the amount of intermediate production will be quite small (e.g. as a share of GDP), or that linkages will be fairly simple and direct (e.g. sugar cane to processing, yielding sugar for final consumption, sugar as input into confectionary, molasses as input into rum). For larger economies, such as Trinidad and Tobago, and the Dominican Republic, intermediate production will be more significant. Hence the adequacy of the proposed partial-equilibrium approach in estimating the probable impact of the CF-EU EPA on trade flows will vary somewhat from country to country. We adopt the approach as an acceptable first approximation to estimating the impact of tariff changes on trade flows.

While this relatively informal discussion has outlined the basic approach that will be followed, it is important to be more specific as regards the precise choice of model to be employed. We already rejected above the option of a CGE model, on the grounds of lack of data (especially domestic production data) and too high a level of aggregation. For the partial equilibrium trade model that we propose to construct, there are basically available the linearised and non-linear versions of GSIM¹⁹, the Global Simulation model of trade flows. A technical account of the two versions can be found in IIDE (2009). An early version of the linearised model can be found in Laird and Yeats (1986).

The World Bank/WITS/SMART modelling system basically employs the non-linear version of GSIM, with some restrictions on the permissible trade-related elasticities (some the user can change, others not at all, or not easily). The system has been employed with some success in evaluating the impact of the ECOWAS-EU partnership agreement (see Lang, 2005). It can be run either on the World Bank system, or on the user's own PC, the latter making sense especially if the user wishes to add data not available on the World Bank site²⁰. The system is

¹⁸ For instance there have been input-output tables for Jamaica, but with only 10 or so sectors distinguished. See Oxford Economics (2012) for an analysis of tourism in Jamaica using a 13-sector I-O table for 2000; this study reported that a table for 2010 was 'in preparation'.

¹⁹ GSIM is short for: Model for the global simulation analysis of industry-level trade policy; or simply, Global simulation model.

²⁰ For this project, we have registered with WITS and also downloaded the WITS/SMART software. For registered users, extensive documentation and a user guide are available on the WITS website. See: wits.worldbank.org

flexible enough to be able to handle the requirements of the present project, but the SMART setup, as was assumed in the discussion of trade and tariff data above, assumes that there is a single importer, importing from several other countries. Hence scenarios have to be constructed quite carefully, to deliver the results we need.

A possible shortcoming, that we shall in any case not be able to overcome due to lack of data, is the inability within the WITS/SMART framework to include domestic production²¹. For some sectors or activities, for instance, it would be useful to be able to identify situations where tariff changes, such as those resulting from implementation of the CF-EU EPA, appeared likely to result in a surge of imports into certain CARIFORUM – or individual country – markets. Such potentially disruptive trade flows are obviously important in policy terms, and there are several provisions in the CF-EU EPA to manage them²². In our analysis, we shall be able to identify product lines where imports to CARIFORUM are likely to increase especially rapidly, but without being able to analyse the precise interaction with domestic production. Nevertheless, this might be enough to provide some useful pointers for policy makers.

The non-linear version of GSIM could also be set up and run by using the Solver function within Excel. This would then permit the elasticities and other parameters to be set exactly as the user wishes. However, in versions that we are aware of, it is a poor tool for analysing trade flows across an entire economy, especially at the detail of HS6 or HS4 that we shall employ (for imports and exports, respectively). If we only wished to study a small number of markets, such as that for sugar, and if we had the relevant production as well as trade data, it would be an excellent analytical tool. For our purposes, though, it too cannot do what we need.

In our modelling and simulations, therefore, we planned to work with two versions of the GSIM model, namely:

- (a) The World Bank's Tariff Reform Impact Simulation Tool, TRIST²³. This is an Excel-based framework modelling **the linearised GSIM** that assumes infinite export supply elasticities, while allowing flexibility over the importing country's elasticities of demand and elasticities of substitution (they can vary product-by-product).
- (b) The version of the **non-linear GSIM** as embodied in the World Integrated Trade Solution (WITS), another tool and modelling framework provided by the World Bank²⁴, which offers greater flexibility over the choice of some of the key elasticities than is possible within the TRIST framework.

Unfortunately, it turned out that the World Bank's WITS software, in its PC version, contained a technical error that prevented us, in the present report, from implementing option (b) above. This will therefore be done later, as a follow up to our present report.

²¹ There is a variety of partial equilibrium models that can do this, but they are typically set up for a single product, such as rice or some other agricultural product. They are valuable tools for exploring both tariff changes, and changes in rates of domestic production subsidy. They are not suited to an analysis at an HS6 level of detail that aims to cover the whole economy.

²² Apart from the safeguard chapter, there are the modification of tariff commitments provisions, both general (Article 16.6) and specific to the LDCs (Article 17). None of these provisions have been activated .

²³ See <http://go.worldbank.org/2P8FPC0760> for information about TRIST, including relevant documents and examples of country models developed using TRIST.

²⁴ See <http://wits.worldbank.org> for details, including the relevant theory and related instruction manuals.

5.2 Building the models – Formal analysis

5.2.1 Setting up the models

A partial-equilibrium model for trade analysis is essentially a model of the world market for a given commodity or commodity group. Thus for CARIFORUM export products, where we conduct the analysis at the HS 6-digit level of detail, we need in principle over 5000 partial equilibrium models, one for each market (or product). As we saw in Section 3, though, CARIFORUM has a much smaller number of exported products, only just over 1300. Hence most of the potential single market models would be completely uninteresting, with no CARIFORUM exports, and hence no possible impact from the CF-EU EPA.

On the imports side, where we work at the HS 4-digit level of product detail, it is to be expected that most products will be imported, since for most CARIFORUM countries (other than in the three larger countries, namely Dominican Republic, Jamaica, and Trinidad and Tobago) there is little local manufacturing. When we take account of the fact that some products that CARIFORUM imports are completely excluded from the Economic Partnership Agreement, the number of markets to study will be correspondingly reduced.

In either of the modelling approaches referred to above, to set up the model for a given product group, we proceed as follows, distinguishing between CARIFORUM exports and CARIFORUM imports (bearing in mind that some products will be both imports and exports for the region as a whole).

CARIFORUM exports

Our interest here is principally with the impact of the CF-EU EPA on CARIFORUM exports to the EU. In modelling this, the starting point is to choose an importer. The EU can be selected as a country group, or we can examine individual major countries within the EU, such as the UK. But within either TRIST or WITS, only one importing country (or country group) can be selected for each simulation. This sounds restrictive, but its limitations are easily overcome by running a series of closely related simulations.

Assuming the EU27 country group has been chosen, we next choose a set of exporters. For the present study, the relevant exporters are the CARIFORUM countries; this can be defined as a country group, or with the individual member countries treated as separate exporters. Because of the way our data was assembled, it turns out to be convenient in our modelling to decompose CARIFORUM into three trade partners, namely: CARICOM (less The Bahamas); The Bahamas; and the Dominican Republic. To provide a complete picture of the various markets, we also include in the empirical modelling the US (i.e. EU imports from the US of the products exported by one or more CARIFORUM countries), and the rest of the world (RoW). Last, we may also wish to include EU27 itself as a trade partner, to pick up trade within the EU.

CARIFORUM imports

Our main interest here is with the impact of the CF-EU EPA on CARIFORUM imports from the EU. Analogously to the above, and for same reason in terms of data collection, it turns out to be most convenient to set up a series of models, with different designated 'importers', as follows:

- (a) CARICOM (less The Bahamas), or a CARICOM member state;
- (b) The Bahamas;
- (c) Dominican Republic

Once we have selected the 'importer', we need to select the trade partners to provide a complete picture of the markets concerned. For instance, taking CARICOM (less The Bahamas) as the importer, the natural partners are: CARICOM (to pick up inter-regional trade); The Bahamas; Dominican Republic; the US; the EU27; and RoW.

Models with FCORs

In some of the models developed below, it is convenient to make use of the CARICOM-FCOR trade data provided by the CARICOM Secretariat. The data can be used to develop a variant of a CARICOM imports model, in which CARICOM is the designated importer, and either the three

FCORS for which we have trade data (French Guiana, Guadeloupe, Martinique) can be treated as a single (collective) exporter, or they can be treated as three separate exporters. So that side of the trade modelling is quite straightforward.

The other side, exports from CARICOM to the FCORs, is less easy to incorporate in our trade models. This is because the natural way to proceed is to designate the FCORs as 'importer'. Then the trade data we have in detail concerns FCOR imports from CARICOM, but we lack trade data on imports from other sources into the FCORs. However, it is possible to advance matters if we are permitted to make some reasonable assumptions. For instance, if we assume, as a first approximation, that the FCORs are a bit like CARICOM in their broad patterns of trade, then we can suppose that FCOR imports from the US, the EU27 and RoW have a similar structure and relative magnitude to the corresponding imports in CARICOM. That at least gives us a highly plausible picture of the relevant trade flows. We make this line of thinking more concrete in the next section.

As for the corresponding tariffs, in the FCOR export model (with CARICOM the designated importer) we assume that the only relevant tariff change is that applying to CARICOM imports from the FCORs. Before the CF-EU EPA, CARICOM imports from the FCORs would pay import duties at the rates determined by the CARICOM (or more exactly, the CSME) common external tariff (CET), and afterwards, since the FCORs are legally part of the EU, the relevant tariffs would be those implemented under the CF-EU EPA. For the FCOR import model, imports from CARICOM into the FCORs would be charged the EU's GSP tariff in the absence of the CF-EU EPA, with mostly zero tariffs being applied with the CF-EU EPA in effect.

In all cases, the FCORs' special import levy, the *octroi de mer*²⁵, will be applied; since this is unaffected by the CF-EU EPA, it does not affect any of the trade flows analysed below. However, related to the implementation of the EPA, there has been some discussion of the *octroi de mer* and other trade barriers applied by the FCORs, with a view to gradually reducing or eliminating them. In such a case, we would need detailed data on the precise changes to the FCOR trade regime being made, so that our models could then pick up their likely impact on trade flows.

5.2.2 The Theory

More formally, consider any particular model set up within this framework, for a given product. For convenience, suppose we start with a **CARIFORUM exports model**, say for product *i* (though to simplify the exposition, we shall drop the product suffix).

Since the principal concern of our analysis and trade modelling is with CARIFORUM-EU trade flows, and the likely impact of CF-EU EPA implementation on these, we proceed as indicated above and designate the EU27 as the *importer*. Then the relevant exporters will be CARICOM (less The Bahamas), The Bahamas, the Dominican Republic, the US, and the rest of the world (RoW). Product *i* is treated as a differentiated product, with different exporters supplying different variants, indexed by *j*. Thus a hot pepper sauce from CARICOM (less The Bahamas) is not quite the same as a corresponding sauce from The Bahamas or from the Dominican Republic. Thus country or country-group *j* exports the value $X(j)$ of its particular product variant; the index *j* running from 1 to 5 in this case²⁶. The index *j* therefore indexes both product variants, and the corresponding exporting countries. Product variant *j* has world market price P_j , and we assume for convenience that the export supply function for each country has constant price elasticity, θ , and can therefore be written in the form:

$$X(j) = A_j P_j^\theta \text{ for } j = 1, 2, \dots, 5 \quad (1),$$

where the constants A_j are set when any given model is calibrated using actual trade data for the chosen base year; they ensure that in the base period, equation (1) shows the correct export flows for each exporter.

²⁵ See <http://observatoire-outr-mer.interieur.gouv.fr/site/Documentation/Dossiers-thematiques/Octroi-de-mer>

²⁶ For the sake of complete clarity here, *j* = 1 refers to CARICOM (less The Bahamas); *j* = 2 to The Bahamas; *j* = 3 to the Dominican Republic; *j* = 4 to the US; and *j* = 5 to the RoW.

Normally, we define all P_j 's to be unity in the base period, so that the A_j 's are simply the actual exports by each country of the given product, i . Further, it is assumed here that there are neither export subsidies nor taxes in operation, so these prices are essentially the same as each country's domestic price for the product concerned. However, the analysis in this report does not probe more deeply into the domestic production aspects of the analysis, since we lack the detailed data that would have made this possible (as noted above).

In principle, in equation (1), one could allow an export supply elasticity that varied between countries (exporters). But given our lack of detailed knowledge about these elasticities, and our inability to conduct detailed empirical work to estimate them econometrically, it is pointless to seek such refinement in the model. The relevant elasticities are discussed further below.

Turning to the importer side of the model, where the importer will normally, as noted above, be taken to be the EU27 or one of the larger member states (such as the UK), a mix of product variants is imported depending on the EU or country preferences and the relative prices of the products. The relevant prices, of course, are the world market prices already introduced, supplemented by any tariff imposed by the given importer. Call the tariff t for the good concerned (assumed to be the same for all product variants). Then for product variant j exported to the importing country, the import prices are $P_{jm} = P_j(1 + t)$, for all relevant values of j ; the suffix m refers to 'importing country'.

We model import demand of the importing country by means of a two-level demand function. At the top level, we have a simple elasticity of demand for the product concerned, regardless of the specific 'variety' or 'varieties' being imported. This would take the form:

$$M = M_0(P_m)^{-\varepsilon} \quad (2),$$

where P_m is a weighted average import price, and ε is the elasticity of demand. As we note further below, these demand elasticities can in principle vary by product and by importing country²⁷. The second level of import demand determination is based on a CES utility function²⁸ defined across product variants. With elasticity of substitution in demand (between the different product 'variants' offered on the market by various exporters), σ , we get the following initial equation for the total import demand for the given product by the importing country, M_0 ; this yields equation (3), below.

$$M_0 = \left[\sum_{j=1}^5 b_j M(j)^{-\rho} \right]^{-1/\rho} \quad (3),$$

where the b -coefficients show the market shares of product variant j in the importer's demand, $M(j)$; and the elasticity of substitution, $\sigma = 1/(1 + \rho)$. From this, by treating the importing country as a utility-maximising household, we can derive the equations:

$$M(j) = b_j^\sigma M_0 \left(\frac{P_{jm}}{P_m} \right)^{-\sigma} \quad (4),$$

for $j = 1$ to 5 (for the model with five exporters, as above).

Putting these equations together, notably (1) and (4), gives a 5-equation model for the exports of product i , which for the base period is satisfied with all prices equal to unity (by construction). The equations of the model are simply, $X(j) = M(j)$, for $j = 1, 2, \dots, 5$. When we come to estimate scenarios when tariffs change, we solve these equations for the new equilibrium prices, and then calculate the resulting changes in supplies and demands for the different countries.

²⁷ Strictly, this modelling approach requires the elasticities of demand to satisfy a range of consistency conditions such as the Slutsky-Hicks conditions, to ensure that they are consistent with utility maximisation. In practice, since we only deal with one market at a time, and since trade in goods only forms part of total demand (e.g. we don't even mention services), it is not unreasonable to neglect such conditions in the present study.

²⁸ This modelling approach has been widely employed in the trade literature. Such work began with a nice, technical exposition done by Armington for the IMF; see Armington (1969).

The most natural way of solving these equations is to do it exactly, using the non-linear equations listed above; this gives **the non-linear GSIM**, which is what is embodied in WITS/SMART. On the other hand, if we differentiate the equations at their initial, base period values, and compute the new equilibrium prices using the resulting linearised equations, we are then using **the linear GSIM**. This is, in effect, what we do below when using TRIST.

It is worth making a few remarks here about some features of the exports model that has now been developed.

- The model was set up on the assumption that for any given good, all five of the designated exporting countries exported that good. This is very far from being the case, however. But this minor technical point causes no difficulty in the modelling, since if $E(j) = 0$, we simply set the corresponding A_j to zero. However, this also implies that the trade flow in question will always be zero.
- More importantly, the CES assumption used on the demand side (for the importing country) appears to imply that the importer would always choose to import some of every variety. This is obviously not true, but similarly to the previous point, some of the b_j 's in equation (3) could be zero.
- In our trade datasets, there are many products produced and exported by one or more CARIFORUM countries for which some EU member states import nothing at all. The two previous points, taken together, deal with this remark.
- When scenarios are calculated, the model formulation implies that no new trades enter into the solutions, no existing trades completely disappear. Thus this sort of model can tell us nothing about market entry or exit, though in the medium and longer term one can expect such phenomena to be far more important for trade than relatively minor adjustments of existing trade flows in response to tariff changes.
- This frequent occurrence of zeroes in the pattern of trade, especially at the level of individual countries as opposed to broader country groups, can be dealt with in one of two ways.
 - One option is to build a separate trade model for each HS6 export product, taking care to include on the exporting side only those CARIFORUM countries that actually exported the given product; and on the importing country side, only those countries or country groups that imported the given product. This approach is feasible, but would be seriously time consuming unless we merely wished to study a handful of the relevant markets.
 - An alternative approach involves a minor technical trick, if we may express it that way. Instead of the existing zeroes, we simply place a small number such as 0.01 into all the cells in our trade matrices that contain zeroes, then the full model can be run for all products without change. The expectation would be that the equilibrium prices for those product variants not actually produced by any given CARIFORUM country would remain at unity (to a sufficiently good approximation); equilibrium prices for the other countries would then solve as they should. Within the TRIST or WITS/SMART software, I presume something like this is done, since trade scenarios solve perfectly well even when there are some zeroes in the relevant trade matrices.
 - Mostly, however, we avoid this issue by dealing in broader country groups.
- The models estimated for this report do allow for the **impact of tariff changes on imports from other countries**, but they have nothing to say about the impacts on domestic consumption. Effects on domestic consumption have not been treated either implicitly or explicitly, and they **have therefore been ignored**. Hence the reported impact of tariff changes is the impact without allowing for any indirect effects coming through changes in domestic incomes or consumption; as a result, we have no way of knowing whether impacts would be smaller or larger when such interactions are allowed for, as our models provide no means to estimate that (this is, of course a shortcoming of the models).
- It is perfectly true, also, that in the trade models developed for this report, **there is no linkage between exports and imports** resulting from the possible macroeconomic impact of tariff changes. This is because, formally, each product or market in any given trade model is treated as separate from all the other markets. Thus when we study one market at a time, in effect treating each market (or product) as a separate little model, it's not so bad an approximation to neglect possible macroeconomic interactions. When everything is then added up and put together into an overall model or simulation, however, neglecting the

macroeconomics is less satisfactory, but the model family used in this report has no way of allowing for such effects.

- **Country detail from the trade modelling** would give individual CARIFORUM country detail on imports from the EU or exports to the EU, as affected by EPA-related tariff changes. In what follows, models are already developed for the Dominican Republic, so results for that country can already be provided (and to some degree have been, in existing text). Otherwise, the main trade partner in the models was the CSME group (CARICOM less The Bahamas). CSME is either treated as an importer, with exports from DR, EU27, US and RoW; or as an exporter, in models where EU27 is the importing country group. In either case, it is not easy to extract the country detail. Let me comment separately on two models:
 - **EU27 imports, with CSME as one of the exporters.** Here the various tariffs in place – before EPA, EPA implementation, or reversion to GSP – are the same for all CSME members. So when the models come up with percentage changes in CSME exports of some product group, we can be confident that the same percentages apply to all CSME member states, with one caveat. The caveat is that for most products, exports to the EU only come from a (small) subset of the CSME countries. So those countries exporting nothing in the given product group continue to export nothing; those that do export something will all experience the same percentage change in their exports.
 - **CSME imports, with EU27 as one of the exporters** (not modelled with country detail, but all the export data is available for each of the then 27 EU member states). Now, in the initial (base) position and the final position (full EPA implementation), tariff schedules are essentially the same for each of the CSME member states. However, that's not strictly true for the early EPA implementation scenario, as the EPA provides for different tariff schedules for each country. As I see it, this means that country detail for full EPA implementation can be handled very much as was discussed above for the model with EU27 imports; and no new modelling would be needed. But for the early implementation scenario it is not so straightforward, and I see two possible ways forward:
 - ignore country differences in the tariff schedules, and just apply an average/weighted tariff, treating each country as if it applied the same schedule. Then the method above can be used to estimate country-level results; or
 - treat the country differences in tariff schedules correctly, in accordance with the EPA. Then there is no option but to build new models, one for each country for which country detail is required. This is the part of the story that would require a good deal of additional time and effort.

For a **CARIFORUM imports model**, we choose CARIFORUM, CARICOM, or one of the member states as the importing country, with imports coming from the EU27 (or selected member states), the USA, other CARIFORUM members, and the rest of the world (RoW). The formal details are quite similar to the exports model just outlined, so there is no need to repeat the analysis.

5.3 Data

In exploring trade patterns and trends, as we do in the more qualitative parts of the main project report, it is important to have trade data – probably at a moderately aggregated level – running over a decade or so, say from 2004 (well before the CF-EU EPA, and before the world economic crisis) to the present. On the other hand, while for the detailed, very micro-level trade analysis we plan to perform, the trade data has to be more comprehensive, it is sufficient for our purposes to build all the modelling around a single **base year** (see Annex 2). We have selected 2011 as the most suitable base year, as explained in Section 3.

The trade analysis we shall undertake in the next Section requires detailed trade and tariff data, as discussed above, as well as data on certain key parameters, notably the various **trade elasticities**.

5.4 Trade elasticities

These can in principle be estimated, but within this project we lack the time and resources to do so. Various estimates can be found in the literature (e.g. see Kee *et al.*, 2008; Via, 2011; and McDaniel and Balistreri, 2002).

Within the TRIST system, it is assumed that all supply elasticities are infinite, while elasticities of demand and substitution can all be set by the user – and hence can be easily varied to assess the sensitivity of estimated solutions to these parameters. No default parameters are built into the TRIST models (other than the supply elasticities, that is).

There is a default set of elasticities built into the WITS/SMART system. As far as possible, these are what we shall use in the present study, though we shall experiment with alternative elasticity values, as suggested by DG-Trade. This enables us to check how far and in what particular respects our main findings might be sensitive to these parameters; it also allows us to use more reasonable and realistic values where our judgements about elasticities might differ from those built into the WITS/SMART system.

To be specific here, the default elasticities built into WITS/SMART are as follows:

Elasticity of supply of exports, $\theta = 99$ (essentially, this means perfectly elastic supply). In effect, this is the same as the assumption built into TRIST, as noted above.

Price elasticity of import demand, $\varepsilon =$ various; detailed estimates for 117 countries at HS6 level of product detail are provided in Kee *et al.* (2008)²⁹. Most of our countries were not included in the study, but for the UK, the trade weighted average import demand price elasticity was 1.13; for Jamaica, 1.05; for Trinidad and Tobago, 1.06 (all negative, of course). The full set of estimated import demand elasticities can be downloaded from the WITS website, in the form of a large matrix³⁰, countries and products x elasticities, and these elasticities can therefore also be employed in TRIST models. They are defined at the six digit level, so aggregation is required for use in our 4-digit models.

It is important to emphasise here that once downloaded and inspected, it was apparent that some of these demand elasticities were wholly implausible (based on our prior expectations of what values would be 'reasonable'). Hence in using elasticities in the TRIST models discussed below, we truncated the elasticities to ensure that none were used that seemed too unreasonable.

Elasticity of substitution (between alternative product variants), $\sigma = 1.5$.

For a small importer like CARIFORUM (or members of CARIFORUM), trading with relatively large exporters such as the EU, the US and RoW, the assumption of infinite elasticity of export supply is likely to be a very good approximation to reality, so $\theta = 99$ (default in WITS/SMART) or $\theta =$ infinity (as in TRIST) are perfectly reasonable.

However, the assumption is less reasonable when we study EU imports from CARIFORUM or member countries. Even then, for manufacturing one would expect export supply elasticities to be fairly high, even if not infinite, so it might be interesting to explore model variants with $\theta = 5$ -10 (HS chapters 25 to 92, 94 to 96). For agricultural products, the assumed export supply elasticity is probably far too high, and it would be useful to run some simulations with $\theta = 1$ -2 (HS chapters 01 to 24). These alternative assumptions cannot be implemented within TRIST, but in principle they could be done in WITS/SMART; so once the relevant software is working correctly, scenarios with these assumptions can be run.

²⁹ While this is a very nice paper, with the econometrics carefully performed, it is quite hard not to be a little sceptical regarding the results; the paper estimates 315,451 import demand elasticities, arranged in a very large matrix, countries x products. It is seriously difficult to believe that a single paper can successfully estimate so many parameters. Unfortunately, we are unaware of any other comparable studies against which the findings of this paper could be reviewed.

³⁰ The relevant file is provided as a tab-delimited text file, but it can easily be read into Excel which is more convenient for our purposes. However, the file is quite large, with over 1 million rows, larger than the limit that Excel can handle. Hence the file was split into two to make it usable.

As regards the substitution elasticity between different exporters, we expect different sources of rice or bananas, or other fruit, for instance, to be readily substitutable; hence substitution elasticities in the range of $\sigma = 5-10$ are probably more reasonable than the default value of 1.5. Hence in what follows, we experiment with different values of the substitution elasticity.

In the present report, each model is run with two basic sets of elasticities that we refer to as **original elasticities** and **simplified elasticities**. Exact definitions are provided in Annex 2. With the models all set up as explained below, it would be very straightforward to run them with alternative assumptions about the various trade-related elasticities.

6. Scenarios

6.1 General remarks

All the models developed here are run using TRIST, and all take 2011 as the relevant **base year**. For each scenario modelled below we provide a table that sets out key parameters defining the trade simulation concerned, including the filenames for the Excel spreadsheets where the entire model is set out. In each case we provide two model variants, differing only in the assumptions made regarding the relevant trade-related elasticities. Following the table, we discuss the most notable findings.

Before we proceed, some restrictions and limitations should be noted briefly.

- (a) In both TRIST and WITS/SMART we can use the import demand elasticities estimated by the World Bank. In WITS/SMART they are built in as default parameters, and cannot easily be changed. In TRIST there are no default elasticities, and even the most casual inspection of the World Bank elasticity data makes clear that one would not actually wish to use it all (as we noted above). To be fair, however, most of the listed elasticities do look like sensible/plausible numbers. Hence in TRIST, we have used the World Bank elasticities where they look sensible, but have truncated or otherwise amended the data where they do not, using our judgement. This is explained in each case below.
- (b) While in WITS/SMART the elasticity of substitution can easily be varied, this cannot be done product-by-product; in any given simulation, only one elasticity of substitution can be submitted. Hence if the user wishes to employ different elasticities for different product groups (e.g. agriculture and manufacturing), separate simulations have to be set up.
- (c) The situation is similar with the export supply elasticity. While always infinite in TRIST, as noted above, it can be varied in WITS/SMART, but again, only once per simulation. So if the user wishes to assign different values to the elasticity for different product groups or sectors, separate simulations have to be run.

Further, it should also be noted that in the present report we only partially extended the basic models set out below to assess the following additional points.

- (a) The models are set up for defined country groups as 'importer', these being CARICOM (less The Bahamas), the EU27, or the FCORs. We have not set up sub-models with an individual country as 'importer', such as UK (from EU27), Barbados (from CARICOM) or Guadeloupe (from FCORs), and the like. Since all the data is to hand, it would not be too difficult to construct such country models as an extension to the present study.
- (b) As discussed extensively herein, we have made very specific choices of the various trade-related elasticities in order to set up our models. It would not be technically difficult to amend some or all of the models to explore the impact of different choices regarding these elasticities, both to assess model sensitivity, or to incorporate alternative judgements about what the most appropriate elasticities should be. However, this sort of extension of our modelling has only been done to a limited extent here, with each model being set up in two variants: (a) **Original elasticities**: with specific selections of elasticities drawn from World Bank data, EU (DG-Trade) advice, and own judgement; and (b) **Simplified elasticities**: a simplified version with all substitution elasticities equal to 1.5, all demand elasticities equal to -1.16. It would be quick and easy to generate additional variants now that the basic models are set up.

6.2 The Models

Model M1. CARICOM (less The Bahamas) imports

Table 5.1, below, sets out the parameter choices for the first model dealing with imports into CARICOM. Notice that this does not cover the whole of CARIFORUM, since below we set out a separate model for imports into the Dominican Republic.

In order to explain how this model was set up, some remarks are needed on tariffs and elasticities.

Tariffs

The only relevant tariff changes associated with the CF-EU EPA are those applied to trade between the EU27 and CARICOM. With the EU27 as an exporter in the model, pre-CF-EU EPA imports into CARICOM from EU27 faced tariffs corresponding to CARICOM's Common External Tariff (CET). After the start of CF-EU EPA implementation, CARIFORUM member states were supposed to reduce tariffs according to an agreed schedule, the first stage to occur in 2011, the second in 2013, and thereafter until, after 25 years, virtually all tariffs would have been cut to zero. The only exception to this would be those products wholly excluded from the tariff cuts, as listed in the text of the CF-EU EPA. Different member states planned to cut their tariffs at different rates, and in practice implementation of these tariff cuts has also advanced at different rates. Hence to obtain manageable tariffs for this modelling exercise, we proceeded as follows.

- (a) The CET. Here the complication is that although we have the official CET, individual member states have requested specific derogations from its provisions in regard to various subsets of products. There is no complete and up to date list of these provisions, but we have the country tariffs that applied just as the CF-EU EPA was signed. These rates are all defined at tariff-line level (8 digits), so we first average across countries, then average across the tariff lines that belong to a given HS6 product code, then use trade data to provide the weights needed to average these rates into the HS4 level of product detail required for the model. Where there was no relevant trade, we simply used a simple arithmetic average of tariff rates. In practice, due to the high incidence of zero trade flows, it was not possible to make as much use of trade weights as intended. The resulting tariff is the **base period tariff** for this model.
- (b) Post-CF-EU EPA tariff. With diverse rates of implementation across the region, it does not make a great deal of sense to try to model exactly what rates were applied when and by which country. Instead, we pick up the early impact of CF-EU EPA implementation by taking tariffs for a selection of CARICOM countries for the years 2011 to 2013, average these, and use the resulting tariff vector in the model. To avoid anomalies, where some of the estimated tariffs turned out to be higher than the pre-EPA tariff, we amended the results to ensure that no EPA tariff rate exceeded the pre-EPA level. The resulting scenario is referred to as the **EPA Review Scenario** (see also Annex 2).
- (c) Full CF-EU EPA implementation. For simplicity (and almost complete accuracy), we simply modelled the tariff for this case as a vector of zeroes – or within the model, a vector of ones, since the tariff is represented as $1 + t$, where t is the tariff rate expressed as a fraction. This is then the **Full EPA Scenario** (see also Annex 2).

These are the tariffs needed to analyse the CF-EU EPA impact on EU27-CARICOM trade flows. However, other tariffs would be needed to pick up the full revenue aspects of the CF-EU EPA, though they do not otherwise affect the analysis.

Table 5.1 Model M1. CARICOM (less Bahamas) imports

Importer	CARICOM, less The Bahamas
Exporters	CARICOM, less The Bahamas; The Bahamas; Dominican Republic; USA; EU27; RoW
Product detail	HS4, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition), with other exclusions as in the CF-EU EPA
Tariffs	CARICOM CET (as applied by the CSME), CARICOM post-CF-EU EPA, and CARICOM with full implementation of the CF-EU EPA
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\varepsilon = \text{values from WB file, with amendment.}$ Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename	CARICOM imports-1.xlsx (parameters as above) CARICOM imports-2.xlsx (all $\varepsilon = -1.16$; all $\theta = 1.5$)

Elasticities

To construct a suitable set of import demand elasticities, we proceeded as follows. First, after downloading the elasticities file from the World Bank, we extracted HS 6-digit elasticities for Jamaica, Antigua and Barbuda, and Trinidad and Tobago, as representative members of CARICOM. Then we truncated the data to remove all elasticities greater than 5, replacing these with the value 5; a few elasticities in the original data were up in the 70s, others in the 20s, not really very plausible. Most of the values in the dataset were already lying in a 'plausible' range. After truncation, we then aggregated to HS 4-digit by simple averaging of the elasticities at 6-digit level that belonged to each given 4-digit product group. The last step was to select the subset of HS4 elasticities that corresponded to the products actually needed for this model.

Results

The model was run with 1194 HS4 product groups distinguished. The focus in this model is on tariff cuts by the CARIFORUM countries and their possible impact on the region's imports from the EU27; specifically, this simulation deals with CARICOM less The Bahamas, which corresponds to the CSME region. As a by-product, the simulations also show how imports into CARICOM (less The Bahamas) from the Dominican Republic, The Bahamas, the USA and the rest of the world (RoW) would be affected by the EPA-related tariff cuts between CARICOM and the EU27. All these secondary impacts turn out to be small, and hence not worthwhile to report in any detail (but all the details are in the relevant model Excel files).

Likewise, the simulations show the impact of these tariff cuts on intra-CARICOM trade. As one would expect, the impact is both small and slightly negative, with changes mostly falling below 1% of the base period (2011) trade flows. This is the case whether the simulation is run with elasticities as in Table 5.1, or with the simplified elasticities shown on the last line of the table. A few product groups, however, experience larger impacts, and the more significant of these are shown in Table 5.1a below. They were selected by taking from the model simulation those products that showed the largest percentage changes in trade when original elasticities were being used. We had the option of showing the immediate post-EPA impact of tariff changes, and the longer term full EPA impact. In the table below we opted to show the results for the full EPA case (when tariffs are essentially zero). Again, all the results are in the relevant model Excel files, so alternative presentations and selections are easy to develop.

The reason for these estimated negative, and mostly small impacts is quite straightforward. It reflects the fact that cutting tariffs on an important direction of extra-regional trade, namely that with the EU27, diverts some trade from intra-CARICOM trade to external partners. Of course, it is also an aim of the EPA to promote greater integration, and hence increased trade, across and within the CARIFORUM region, but there is nothing in our trade modelling to pick up any such effect.

Table 5.1a. Impact of tariff changes on intra-CARICOM trade, full EPA

HS Code	Description	2011 trade flows, CC to CC, USD '000	Original elasticities	Simplified elasticities
0106	Animals, live, nes	5.91	-55.32	-4.32
1509	Olive oil, not chemically modified	63.82	-51.22	-4.65
1516	Animal or vegetable fats and oils and their fractions	74.23	-42.31	-4.09
2208	Spirits, liqueurs and other spirituous beverages	11246.87	-42.16	-3.59
0812	Fruit and nuts, provisionally preserved	19.94	-41.42	-3.22
2206	Other beverages, nes	1408.94	-31.57	-2.69
2203	Beer made from malt	28710.85	-28.63	-2.07
0401	Milk and cream, no added sugar	2169.44	-28.12	-2.71
0703	Onions, shallots, garlic, leeks, etc.	253.19	-27.85	-2.41
2403	Other manufactured tobacco	9.99	-27.64	-4.93

2204	Wine of fresh grapes, including fortified wines	721.94	-27.14	-2.71
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 0304	494.82	-26.31	-2.97
2201	Waters, including natural or artificial mineral waters and aerated waters	4394.79	-25.82	-2.19
0402	Milk and cream, added sugar or sweetening	3514.20	-22.01	-1.88
2004	Other vegetables, prepared or preserved	106.10	-20.69	-1.75

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

Several observations can be made about the results shown in this table. For clarity, and because some apply more generally across other simulations, we present them as a list of points:

- Estimated import changes using the model with original elasticities are often larger than for the model with simplified elasticities.
- This is in part because the original elasticities set the elasticity of substitution to 5 for HS chapters 01 to 24; and in part because some of the elasticities of demand (from the World Bank dataset) also remained quite large even after truncation.
- Interestingly, all the products listed above fall in HS chapters 01 to 24.
- Since this trade within the CSME area is essentially duty free (both before and after the EPA), the estimated changes in trade should not have an impact upon tariff revenues in the region.

Table 5.1b. Impact of tariff changes on CSME area imports from EU27, EPA Review Scenario

HS Code	Description	2011 trade flows, EU27 to CC, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
3004	Medicaments	134995.80	0.00	0.00
8703	Motor cars and other motor vehicles	84814.37	0.00	0.00
8802	Other aircraft (for example, helicopters, aeroplanes)	57018.49	3.66	3.76
0402	Milk and cream, added sugar or sweetening	50126.97	0.00	0.00
8429	Bulldozers, mechanical shovels, etc.	46734.12	3.44	3.46
2208	Spirits, liqueurs and other spirituous beverages	38293.35	0.00	0.00
8702	Motor vehicles for the transport of ten or more persons	36690.09	2.86	2.68
2106	Food preparations, nes	33050.95	0.00	0.00
8409	Parts suitable for use with engines of heading 8407 or 8408	32972.25	2.14	2.12
8704	Motor vehicles for the transport of goods	32394.29	2.86	2.82
Imports experiencing the largest percentage change				
0808	Apples, pears and quinces, fresh	6.42	73.50	22.06
0410	Edible products of animal origin, nes	0.13	73.44	22.01
1513	Coconut, palm kernel or babassu oil, not chemically modified	28.96	66.86	20.09
1508	Groundnut oil, not chemically modified	8.48	65.64	19.70
2201	Waters, including natural or artificial mineral waters and aerated waters	2057.31	55.15	19.62

0301	Live fish	16.03	64.39	19.34
0805	Citrus fruit, fresh or dried	7.89	63.45	19.08
1514	Rape, colza or mustard oil, not chemically modified	36.82	60.68	18.43
0604	Foliage, branches and other parts of plants	0.07	61.24	18.37
0803	Bananas, including plantains, fresh or dried	73.68	60.59	18.24

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

Now we turn to the main area of interest, the imports by CSME countries from the EU27, and the impact of EPA-related tariff changes on these trade flows. The next two tables show the principal results, first for the early post-EPA situation (Table 5.1b, above), then for the longer term, with full EPA implementation (Table 5.1c, below).

Table 5.1c. Impact of tariff changes on CSME area imports from EU27, full EPA

HS Code	Description	2011 trade flows, EU27 to CC, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
3004	Medicaments	134995.80	5.28	5.31
8703	Motor cars and other motor vehicles	84814.37	24.77	24.32
8802	Other aircraft (for example, helicopters, aeroplanes)	57018.49	3.66	3.76
0402	Milk and cream, added sugar or sweetening	50126.97	48.13	19.16
8429	Bulldozers, mechanical shovels, etc.	46734.12	3.44	3.46
2208	Spirits, liqueurs and other spirituous beverages	38293.35	51.86	24.61
8702	Motor vehicles for the transport of ten or more persons	36690.09	12.06	11.30
2106	Food preparations, nes	33050.95	43.69	14.78
8409	Parts suitable for use with engines of heading 8407 or 8408	32972.25	6.77	6.71
8704	Motor vehicles for the transport of goods	32394.29	12.61	12.45
Imports experiencing the largest percentage change				
0702	Tomatoes, fresh or chilled	19.29	163.35	49.29
0807	Melons and papaws, fresh	5.92	142.37	42.78
0805	Citrus fruit, fresh or dried	7.89	135.96	40.88
0707	Cucumbers and gherkins, fresh or chilled	2.19	134.44	40.67
0714	Manioc, sweet potatoes and similar roots and tubers	4.15	133.95	40.22
0706	Carrots, turnips, and similar edible roots	23.71	133.76	40.19
0803	Bananas, including plantains, fresh or dried	73.68	133.31	40.13
0705	Lettuce and chicory, fresh or chilled	17.08	133.15	40.00
1507	Soya-bean oil, chemically modified	11394.67	132.25	43.80
1513	Coconut, palm kernel or babassu oil, not chemically modified	28.96	129.29	38.84

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

The first half of each table shows trade in the 10 products (HS4 product groups) associated with the largest trade flows in the base period, 2011. Percentage changes in trade flows are shown both for the originally estimated elasticities, and for the simplified elasticities. The EPA Review

changes shown in Table 5.1b are all quite small, reflecting the limited tariff cuts already implemented; and the changes show little difference between the scenarios based on the original elasticities, and that based on the simplified ones. So there are some changes here, but nothing of great interest to report. The larger changes shown on Table 5.1c, corresponding to full implementation of all EPA-related tariff reductions, are more interesting, and larger differences are apparent between the two scenarios, notably in regard to CSME imports from the EU27 of milk and cream, spirits, and food preparations. All the increases in imports are, as one would expect, much greater than those for the post-EPA solutions, thus reflecting the impact of the much deeper tariff cuts that will eventually be put into effect.

The lower half of each table shows the ten products exhibiting the largest percentage changes in imports, the products being selected in the 'original elasticities' scenario. The resulting selection of products is different as between the EPA Review (Table 5.1b) and full EPA (Table 5.1c) scenarios. Most of the initial trade flows associated with these large percentage changes are small, so this approach is evidently not picking up the really significant aspects of EU27-CSME trade.

In the EPA Review scenarios (Table 5.1b), estimated import changes range from 61% to 73% according to the 'original elasticities' variant, and from 18% to 22% in the 'simplified elasticities' variant. All the relevant products belonged to lower chapters of the Harmonised System, which explains why the different results from the two variants are indeed quite so different: for the original elasticities included chapters HS01 to HS24 with the elasticity of substitution set at 5; while the simplified elasticities all had an elasticity of substitution of 1.5. In the full EPA scenarios (Table 5.1c), the story is largely the same though with larger percentage changes and a different set of products, albeit still belonging to HS chapters 01 to 24. Thus with 'original elasticities', imports rise by between 129% and 163%, while with simplified elasticities, the corresponding increases are in the range 39% to 49%.

As regards total imports into the CSME region from the EU27, Table 5.1d sums up the picture. It appears that overall, intra-regional imports hardly change, whether we consider early implementation of the EPA, or the longer term, full implementation. On the other hand, while total imports from the EU27 are not expected to go up much in the early stages of implementation, a far more significant effect can be anticipated in the longer term, whether we opt to work with the original or the simplified elasticities.

Table 5.1d. Aggregate impact of the EPA on CSME intra-regional imports and imports from the EU (percentage changes)

Trade direction	Intra-regional imports		Imports from EU27		
	Elasticities	Original	Simplified	Original	Simplified
EPA Review		-0.05	-0.01	2.47	2.03
Full EPA		-1.27	-0.14	17.56	10.37

Source: Own calculations

Model M2. Dominican Republic imports

This model was constructed using a mix of trade data, some from the Dominican Republic itself, some from TradeMap. Import demand elasticities were taken from the World Bank dataset, with some adjustment as noted for the previous model, to amend implausible values. Tariff data was drawn from TradeMap (or strictly, the Market Access Map section of that site), supplemented by information from the detailed tariff schedules that form part of the CF-EU EPA.

Table 5.2 Model M2. Dominican Republic imports

Importer	Dominican Republic
Exporters	CARICOM, less The Bahamas; The Bahamas; USA; EU27; RoW
Product detail	HS4, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition), with other exclusions as in the CF-EU EPA
Tariffs	DR tariffs on EU imports pre-CF-EU EPA, DR post-CF-EU EPA, and DR with full implementation of the CF-EU EPA
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\varepsilon = \text{values from WB file, with amendment.}$ Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename	DR imports-1.xlsx (parameters as above) DR imports-2.xlsx (all $\varepsilon = -1.16$; all $\theta = 1.5$)

Results

With the Dominican Republic as the designated 'importer', this model shows the impact of EPA-related tariff cuts implemented by the country on its imports from the EU27. Since trade with CARICOM was already largely free as a result of the DR-CARICOM free trade agreement that has been in effect since long before the EPA, we would not expect the EPA to have exerted much impact upon the Dominican Republic's imports from CARICOM. Hence although this part of the country's trade is included in the model, it is not reported here. Instead, we focus exclusively on the Dominican Republic's imports from the EU27, looking at the early-years EPA impact (the EPA Review scenario), and the impact further down the line, with full EPA implementation.

Table 5.2a. Impact of tariff changes on Dominican Republic imports from EU27, EPA Review Scenario

HS Code	Description	2011 trade flows, EU27 to DR, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
3004	Medicaments	71842.00	0.45	0.44
9018	Instruments and appliances, medical	60743.00	0.00	0.00
2710	Petroleum oils and oils obtained from bituminous minerals, not crude, nes	60700.00	3.84	3.75
0402	Milk and cream, added sweetening	59025.00	2.20	0.89
2208	Undenatured ethyl alcohol	50985.00	11.23	7.75
7108	Gold, unwrought or semi-manufactured	43991.00	9.44	7.12
1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract	34319.00	12.50	5.29
8703	Motor cars and other motor vehicles	31111.00	14.11	13.26
7308	Structures of iron or steel	29248.00	2.87	2.07
3920	Other plastic plates, sheets, film, foil and strip	25464.00	6.09	5.99
Imports experiencing the largest percentage change				
0208	Other meat and edible meat offal	1.00	60.55	18.19
0813	Mixtures of nuts or dried fruits	9.00	57.32	17.27
0811	Fruit and nuts, uncooked or cooked	13.00	56.98	17.25
2104	Soups and broths	166.00	55.46	16.66
2006	Vegetables, fruit, nuts, fruit-peel, preserv-ed by sugar	2.00	55.42	16.65
2008	Fruit, nuts, nes	173.00	54.58	16.58
1605	Crustaceans, molluscs and other aquatic invertebrates	134.00	53.71	17.16
2205	Vermouth and other wine of fresh grapes	423.00	53.45	19.39
2103	Sauces and preparations	705.00	52.70	16.23
0206	Edible offal of bovine and other animals	1.00	52.46	15.75

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

The Dominican Republic imports products from the EU27 belonging to 937 HS4 product groups. Most such imports are small. The largest 10 items in terms of trade value are shown in the top half of Tables 5.2a and 5.2b, and they account for around 25% of the total EU27-DR trade. Using original elasticities, these products are expected to show import growth in the EPA Review scenario between zero and 14%, whereas with simplified elasticities these percentages become the range zero to 13%.

Table 5.2b. Impact of tariff changes on Dominican Republic imports from EU27, full EPA

HS Code	Description	2011 trade flows, EU27 to CC, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
3004	Medicaments	71842.00	1.68	1.64
9018	Instruments and appliances, medical	60743.00	0.00	0.00
2710	Petroleum oils and oils obtained from	60700.00	10.19	9.96

	bituminous minerals, not crude, nes			
0402	Milk and cream, added sweetening	59025.00	103.44	41.84
2208	Undenatured ethyl alcohol	50985.00	26.10	18.00
7108	Gold, unwrought or semi-manufactured	43991.00	23.20	17.51
1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract	34319.00	24.26	10.26
8703	Motor cars and other motor vehicles	31111.00	18.16	17.07
7308	Structures of iron or steel	29248.00	10.76	7.75
3920	Other plastic plates, sheets, film, foil and strip	25464.00	15.23	14.98
Imports experiencing the largest percentage change				
0703	Onions, shallots, garlic, leeks, etc.	1979.00	173.00	55.26
0808	Apples, pears and quinces, fresh	1.00	142.85	42.86
0806	Grapes, fresh or dried	1.00	142.85	42.86
0801	Coconuts, Brazil nuts and cashew nuts, fresh or dried	2.00	142.81	42.85
0705	Lettuce and chicory, fresh or dried	1.00	142.70	42.84
0603	Cut flowers and flower buds	3.00	142.68	42.83
0208	Other meat and edible meat offal	1.00	142.47	42.81
0704	Cabbages, cauliflowers, etc., fresh or chilled	3.00	141.99	42.76
0810	Other fruit, fresh	21.00	140.81	42.62
0709	Other vegetables, fresh or chilled	30.00	139.82	42.36

Source: Own calculations

Note: The last 2 columns show percentage changes in imports

Looking at the same 10 products in the longer term, when the EPA has been fully implemented, the percentage import growth rates range from zero (HS code 9018) to 103% (HS code 0402) with the original elasticities, and from zero to 42% using simplified elasticities.

The lower part of each table reports on those 10 products experiencing the largest percentage increases in imports. As we found above, with Model M1, in Model M2 it also turned out that these are low-volume products, and the analysis of their trade is not of great interest, except possibly as an indication of the potential for growth in certain existing markets, albeit from a very low base. That said, for the EPA Review scenario, the growth rates ranged from 52 to 61% with original elasticities; and from 16 to 19% with simplified elasticities. With full EPA implementation, the corresponding ranges (for a different subset of products, of course) were 140 to 173% with original elasticities, and 42 to 55% with simplified elasticities.

Table 5.2c. Aggregate impact of the EPA on Dominican Republic imports from CARICOM and imports from the EU (percentage changes)

Trade direction	Imports from CARICOM		Imports from EU27	
	Original	Simplified	Original	Simplified
Elasticities				
EPA Review	-0.02	-0.01	5.18	3.60
Full EPA	-0.04	-0.03	15.74	9.71

Source: Own calculations

In terms of trade aggregates, our simulations showed the DR's imports from the EU27 rising by 5.2% (original elasticities) or 3.6% (simplified elasticities) in the EPA Review scenario, and by 15.7% or 9.7% in the longer term (full EPA). These are not huge increases, but they are worthwhile expansions in an important trade direction. As for CARICOM trade, our simulations saw this trade contracting very slightly, as Table 5.2c shows. As with the previous model, this is a simple consequence of the liberalisation of trade with the EU27; to a small extent, imports previously sourced from CARICOM are shifted to EU27 partners. Again, the model contains nothing to reflect the EPA aim of promoting trade across CARIFORUM.

Model M3. Imports into The Bahamas

While all the data needed to set up this model have been assembled, time and resource constraints have prevented us from running it, for the time being. Moreover, Bahamian trade with the EU – in either direction – is so small that this model would probably not be of great interest. However, it can readily be done if needed.

Table 5.3 Model M3. The Bahamas' imports

Importer	The Bahamas
Exporters	CARICOM, less The Bahamas; Dominican Republic; USA; EU27; RoW
Product detail	HS4, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition), with other exclusions as in the CF-EU EPA
Tariffs	BS tariffs on EU imports pre-CF-EU EPA, BS post-CF-EU EPA, and BS with full implementation of the CF-EU EPA
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\epsilon = \text{values from WB file, with amendment.}$ Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename (files not fully set up though all data assembled)	BS imports-1.xlsx (parameters as above) BS imports-2.xlsx (all $\epsilon = -1.16$; all $\theta = 1.5$)

Model M4. FCOR imports

Modelling the trade of the FCORs, and hence assessing the possible or likely impact of CF-EU EPA implementation upon their trade, especially that taking place within the Caribbean region, is a more difficult undertaking than some of our other models. **This is largely due to severe data limitations faced by the modelling exercise, and some bold assumptions had to be employed to make useful progress³¹.** Let us therefore start this section by outlining how the first FCOR trade model was assembled (see the discussion of Model M6, below, for the second FCOR model).

First, we build the model with the FCORs as the 'importer', and focus on trade within the Caribbean. From CARICOM we have FCOR-CARICOM trade data, so exports from CARICOM to the FCORs, at the HS6 level of product detail, are available. However, for some CARICOM members and years the data is quite sparse, so for the sake of achieving a fuller coverage, we have sometimes opted to use 2010 data instead of 2011, or used an average of the two (or occasionally, even data for earlier years).

For Suriname, the export data were only provided at the two digit level (HS chapters), and since Suriname's exports to the FCORs, especially to French Guiana, are quite large, it was important to model these exports at the HS6 level of product detail. We did so as follows.

First, from Suriname's Trade Ministry, we had data at the HS6 level of product detail on Suriname's exports to the EU, so for each HS2 chapter, the pattern of trade broken down to the HS6 level could be identified. Using the shares found in the Suriname-EU trade, the HS2 data on exports to the FCORs could be expanded to HS6, and hence included along with the other CARICOM country data in our model.

Restricting attention to the subset of products involved in this FCOR-CARICOM trade, we can then build a plausible model if we can find ways of estimating US, EU27 and RoW exports to the FCORs (in the absence of detailed data). For simplicity, we leave aside the Dominican Republic and The Bahamas, as their FCOR trade is in any case small; it is just subsumed into RoW.

³¹ The reader may not feel very comfortable with all our assumptions set out below, but the resulting model should be thought of as a starting point for further work, not as a finished product in any sense.

For the FCOR imports from the EU27, the US and RoW, we suppose that the FCORs are similar in their trade patterns to CARICOM, except that their trade with the EU27 (mostly Metropolitan France, we suppose) will be a relatively higher share. Specifically, we use trade data from TradeMap at HS6 giving CARICOM imports from the US, the EU27, and RoW, and for the relevant subset of products, we find that as a fraction of total CARICOM imports, the EU27 represents a share S_1 , the US a share S_2 , and RoW a share S_3 ($S_1 + S_2 + S_3 = 1$, of course). Then for the FCORs we suppose that the EU27 accounts for a share $(S_1 + 0.2)^{32}$, the US for $(S_2 - 0.1)$ and the RoW for $(S_3 - 0.1)$. In this way, we can construct a basic FCOR model. Thus we assume that the FCORs trade relatively more with the EU27 (mostly Metropolitan France) than does CARICOM. To scale the data appropriately, we estimate total FCOR imports to equal CARICOM imports adjusted for the relative populations of the respective regions³³. The CARICOM population is about 6.9 million, while that of the FCORs is about 1 million. Naturally, all this can only amount to a first approximation, but in the absence of more complete data it is probably the best we can manage.

The relevant tariffs in this model are those applied by the FCORs to their imports from CARICOM. Leaving aside the *octroi de mer*, assumed to be unchanged by the CF-EU EPA (but see our remarks on this at the end of Section 5.2.1), these are essentially the same tariffs that would be imposed on imports from CARICOM by the EU27. Last, the trade elasticities of import demand have been assumed to be the same for the FCORs as for the CARICOM members; thus they are the same as in model M1, except at the HS6 level of product detail instead of HS4.

Table 5.4 Model M4. FCOR imports

Importer	FCORs (French Guiana, Guadeloupe, Martinique)
Exporters	CARICOM, less The Bahamas; USA; EU27; RoW
Product detail	HS6, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition).
Tariffs	FCOR/EU27 imports from CARICOM: pre-CF-EU EPA (ACP/Cotonou), post-CF-EU EPA, and with the CF-EU EPA failing (GSP)
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\varepsilon =$ values from WB file, with amendment (using elasticities for the Caribbean, rather than EU27). Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename	FCOR imports-1a.xlsx (parameters as above) FCOR imports-2a.xlsx (all $\varepsilon = -1.16$; all $\theta = 1.5$)

Results

The three FCORs included in this model (and also in Model M6, below), namely French Guiana, Guadeloupe and Martinique import from CARICOM goods belonging to 717 HS6 product groups. Most of these imports are small, with all but the top 79 items coming in at under USD 100,000, and the top item alone accounting for over half of total imports from CARICOM.

Under the scenario of shifting from the pre-EPA tariffs as provided for under ACP/Cotonou arrangements, to the EPA tariffs on FCOR imports from CARICOM, projected trade flows scarcely change since most tariffs were already zero before and after this change. Hence there is nothing of great interest to say about the likely EPA impact. On the other hand, should the EPA break down and GSP tariffs be imposed on FCOR imports from CARICOM, then this would be quite damaging for CARICOM trade, as Tables 5.4a and b show.

Table 5.4a summarises the impact of a shift to GSP tariffs on FCOR imports from CARICOM; we cover the top 10 imports (top half of table), and the 10 products exhibiting the largest percentage change in their imports. The latter were all products being traded in very small volumes.

³² The fraction 0.2 chosen here is completely arbitrary, no more than a first guess; it would be easy to experiment with alternative values. In the Excel files for this model, this parameter, 0.2, is given the name ALPHA (α) and is placed in its own cell, facilitating adjustment of the model in the light of user judgements.

³³ The Dominican Republic is not included in this calculation, of course, as we are only, at this point, dealing with CARICOM (less The Bahamas), not with CARIFORUM as a whole.

Table 5.4a. Impact of tariff changes on FCOR imports from CARICOM, no EPA (GSP tariffs)

HS Code	Description	2011 trade flows, CC to FCOR, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
271019	Petroleum oils and oils obtained from bituminous minerals, other	125720.86	0.00	0.00
721399	Bars and rods of iron or non-alloy steel, other	13537.69	0.00	0.00
271113	Liquefied butanes	5454.95	0.00	0.00
271011	Light oils and preparations	4543.61	0.00	0.00
382490	Miscellaneous chemical products, other	4023.23	0.00	0.00
310210	Urea, whether or not in aqueous solution	3834.55	-5.96	-8.36
030619	Crustaceans, frozen, other	3479.27	-4.33	-5.93
220300	Beer made from malt	3288.20	0.00	0.00
281121	Carbon dioxide	2986.37	0.00	0.00
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	2519.16	-90.16	-30.56
Imports experiencing the largest percentage change				
110900	Wheat gluten, whether or not dried	0.40		-76.98
220430	Other grape must	2.76		-69.96
040630	Processed cheese	5.48		-64.60
040690	Other cheese	4.75		-62.24
160250	Other prepared or preserved meat – bovine	10.18		-61.90
020422	Other meat of sheep, with bone in	1.34		-61.61
040110	Milk and cream, fat < 1%	0.00		-50.25
240290	Cigars, cheroots of tobacco	149.41		-49.51
230990	Preparations for animal feed, other	19.44		-44.81
200919	Orange juice, other	5.50		-44.40

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

With GSP tariffs in place, the 10 imports showing the largest percentage changes – all negative changes, or declines – range from declines of 44% (orange juice, other) through 49% (tobacco) to 77% (wheat gluten), all with simplified elasticities.

Table 5.4b. Aggregate impact of the EPA on FCOR imports from CARICOM and imports from the EU (percentage changes)

Trade direction	Imports from CARICOM		Imports from EU27	
	Original	Simplified	Original	Simplified
Elasticities				
EPA Review	0.00	0.00	0.00	0.00
no EPA (GSP tariff)	-3.56	-1.67	0.42	-0.66

Source: Own calculations

Last, Table 5.4b sums up the changes in aggregate trade volumes under the two scenarios, EPA Review (first row of table) and no EPA (second row). The aggregate changes are not especially large under any of the modelled conditions.

Model M5. EU27 imports

This is one of the more interesting models to set up and run, partly because it formed a key requirement of the project's terms of reference, partly because it provides an opportunity to assess quantitatively an important aspect of CF-EU EPA impact. **The model was set up with the EU's ACP/Cotonou tariff as the baseline tariff**, and the trade flows associated with that baseline equilibrium were then allowed to change in response to two alternative tariffs:

(a) full implementation by the EU of its commitments under the CF-EU EPA, resulting in a vector of zero tariffs (except for HS chapter 93, arms and ammunition) – this is the **EPA Review scenario**; and

(b) complete failure of the CF-EU EPA, with the EU reverting to the GSP tariff rates – this is the **no EPA scenario**.

Table 5.5 Model M5. EU27 imports

Importer	EU27
Exporters	CARICOM, less The Bahamas; The Bahamas; Dominican Republic, USA, RoW
Product detail	HS6, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition)
Tariffs	EU27 tariffs: ACP/Cotonou, CF-EU EPA implementation (mostly zeroes), GSP
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\varepsilon = \text{values from WB file, with amendment.}$ Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename	EU27 imports-1a.xlsx (parameters as above) EU27-imports-2a.xlsx (all $\varepsilon = -1.16$; all $\theta = 1.5$)

Results

Starting with the EU's ACP/Cotonou tariff as the base case, results have been calculated for two cases: (a) the impact of the EU's implementation of the EPA on CARICOM exports to the EU27; this case is important but not of great interest in terms of findings, since it basically maintains the largely zero tariffs that were already in place. Hence the projected impact on trade flows is essentially zero. And (b) the impact of the EPA breaking down altogether, with the EU reverting to its GSP tariff. We do not, of course, consider this a likely outcome in trade relations between the EU and the Caribbean region, but it provides an interesting contrast with the main solution of EPA implementation, as we observed above with Model M4 (where the ACP/Cotonou tariff was also the base tariff).

Table 5.5a shows the main findings from our simulations for the GSP case, with the top half of the table showing the changes in imports of the top ten imports, the lower half showing the 10 products with the largest percentage changes in their imports (all with small trade volumes), selected using simplified elasticities. Some of the reported changes here are -100%, implying that the given import disappears from the market; in part, however, this is an artefact of the linearization employed to set up and run these models, and it may exaggerate the true situation. For the corresponding EPA simulations, the changes are not worth tabulating as they are mostly zero.

The summary Table 5.5b shows that aggregate EU27 imports from CARICOM, in the EPA scenarios, would be about the same as under the ACP/Cotonou tariffs. On the other hand, if GSP tariffs were imposed, the corresponding declines in overall trade would be just under 11% with original elasticities, or about 4.4% with simplified elasticities. Likewise, for EU27 imports from the Dominican Republic, the projected decline in trade would be 37% with original elasticities, and 12% with simplified elasticities.

Table 5.5a. Impact of tariff changes on EU27 imports from CARICOM, No EPA Scenario (GSP tariffs)

HS Code	Description	2011 trade flows, CC to EU27, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
271111	Liquefied natural gas	669589.13	0.00	0.00
290511	Methanol	552363.83	-2.74	-2.87
710812	Gold, other unwrought forms	250015.27	0.00	0.00
720310	Ferrous products by direct reduction of iron ore	221483.49	0.00	0.00
270900	Natural gas condensates	196856.31	0.00	0.00
170111	Cane sugar for refining	184776.58	-100.00	-33.45
271019	Petroleum oils and oils obtained from bituminous minerals, nes	162649.34	0.00	0.00
281820	Aluminium oxide, not corundum	152940.42	-6.16	-5.88
310280	Mixtures of urea and ammonium nitrate	128168.05	-12.53	-9.48
080300	Bananas, including plantains, fresh	63315.61	-75.90	-23.64
Imports experiencing the largest percentage change				
020230	High quality beef and veal	1.91		-100.00
040291	Milk and cream, other	0.52		-100.00
040510	Butter	0.16		-100.00
040130	Milk and cream, fat content > 6%	0.01		-100.00
040221	Milk and cream, solid, fat content > 1.5%	70.62		-85.35
110320	Grain, in pellet form	5.22		-84.60
240310	Smoking tobacco, whether or not containing tobacco substitutes	44.01		-78.59
220430	Other grape must	1.72		-74.85
040700	Poultry eggs in shell	68.98		-74.85
150990	Olive oil and its fractions, other	0.80		-70.65

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

At the HS6 level of product detail, the EU27 imports 1496 products from CARICOM. Most of these products are traded in small volumes. Ordering products by their increasing EU27 import values in the base year, it can be verified that the first 1396 products are required in order to account for just 1% by value of EU27 imports from CARICOM. In contrast, the best-selling 14 products account for just over 90% of this trade. This is another way of demonstrating the concentration of this trade, reinforcing similar points made earlier in Sections 2 and 3. Moreover, it shows just how dependent the CARICOM region is on a tiny number of significant export products. On the other hand, with a foot in the door as regards a surprisingly wide range of other products, it also highlights the potential that there might be for future export growth.

Table 5.5b. Aggregate impact of the EPA, or EPA failure, on EU27 imports from CARICOM (percentage changes)

Trade direction	Imports from CARICOM		Imports from Dominican Republic	
	Original	Simplified	Original	Simplified
Elasticities				
EPA Review	0.00	0.00	0.00	0.00
GSP (no EPA)	-10.99	-4.43	-37.45	-12.01

Source: Own calculations

Model M6. FCOR exports

In this model we follow a somewhat similar approach to that outlined above for Model M4, since again the only hard data we have is for trade between the FCORs and CARICOM – in this case CARICOM imports from the FCORs at HS4 level of product detail. This includes data for Suriname at the right level of detail. At the same level of detail we also have CARICOM imports from the EU27, the US and RoW. As with Model M4, we omit the details for trade with the Dominican Republic and The Bahamas, in order to mildly simplify the model, especially as the relevant trade flows are in any event small.

The relevant tariffs are those applied by CARICOM to imports from the EU, and this data was already assembled for Model M1. In effect, this model is a modest variant of that one, focussing on the FCORs.

Table 5.6 Model M6. FCOR exports

Importer	CARICOM (less The Bahamas)
Exporters	FCORs, CARICOM, less The Bahamas; USA; EU27; RoW
Product detail	HS4, Chapters 01 to 97. Excluding Chapter 93 (arms and ammunition), with other exclusions as in the CF-EU EPA
Tariffs	CARICOM tariffs on EU imports pre-CF-EU EPA, post-CF-EU EPA, and with full implementation of the CF-EU EPA
Elasticities	Export supply, $\theta = \text{infinity}$ Import demand, $\varepsilon = \text{values from WB file, with amendment.}$ Elasticity of substitution, $\theta = 5$ for HS01 to HS24 and $\theta = 1.5$ for HS25 to 92, HS94 to 97
Filename	FCOR exports-1.xlsx (parameters as above) FCOR exports-2.xlsx (all $\varepsilon = -1.16$; all $\theta = 1.5$)

Results

At the HS4 level of product detail, CARICOM imports from the FCORs products belonging to 558 product groups. Most of these imports involve small quantities, of which the top 10 products account for two-thirds of the trade, and the smallest 400 products only account for about 3% of the trade.

Table 5.6a. Impact of tariff changes on FCOR exports to CARICOM, EPA Review Scenario

HS Code	Description	2011 trade flows, FCOR to CC, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
1001	Wheat and meslin	6074.60	0.00	0.00
2517	Pebbles, gravel, broken or crushed stone	2619.33	3.63	2.85
2106	Food preparations, nes	1755.61	0.10	0.01
2308	Vegetable materials for animal feed, nes	892.83	0.00	0.00
8431	Parts for use with machinery	865.78	4.24	4.24
1005	Maize	722.16	0.00	0.00
8429	Bulldozers, mechanical shovels, etc.	682.22	3.65	3.65
2505	Natural sands of all kinds	606.85	2.63	2.71
2522	Quicklime, slaked lime and hydraulic lime	393.00	11.09	8.90
8903	Yachts and other vessels for pleasure or sports	279.01	0.00	0.00
Imports experiencing the largest percentage change				
0208	Other meat and edible meat offal, fresh, chilled or frozen	0.04	73.38	22.02
0808	Apples, pears and quinces, fresh	37.42	73.35	22.05
2201	Mineral waters and aerated waters, no	35.81	69.09	20.80

	added sugar			
0907	Cloves	0.12	58.44	17.51
0603	Cut flowers and flower buds	3.72	58.35	17.52
0906	Cinnamon	0.57	58.25	17.52
2101	Extracts, essences and concentrates, of coffee, tea or maté	27.62	54.63	16.42
0910	Ginger, saffron, turmeric and other spices	0.05	53.87	16.16
1510	Other oils and their fractions, obtained solely from olives	0.16	53.49	16.04
1512	Sunflower-seed, safflower or cotton-seed oil	7.88	53.22	15.97

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

Tables 5.6a and 5.6b summarise the estimated impact of EPA-related tariff cuts on CARICOM imports from the FCORs. As before, the top half of each table shows the impact on the top 10 products, the bottom half shows the impact on the top 10 products in terms of the percentage change in their imports. Results are shown for the EPA Review scenario (Table 5.6a) and for full EPA implementation (Table 5.5b), and in each case results are shown both for the original and for simplified elasticities.

Table 5.6b. Impact of tariff changes on FCOR exports to CARICOM, full EPA

HS Code	Description	2011 trade flows, FCOR to CC, USD '000	Original elasticities	Simplified elasticities
Largest 10 imports				
1001	Wheat and meslin	6074.60	0.00	0.00
2517	Pebbles, gravel, broken or crushed stone	2619.33	4.94	3.89
2106	Food preparations, nes	1755.61	50.78	15.37
2308	Vegetable materials for animal feed, nes	892.83	0.00	0.00
8431	Parts for use with machinery	865.78	4.24	4.24
1005	Maize	722.16	17.04	5.12
8429	Bulldozers, mechanical shovels, etc.	682.22	3.65	3.65
2505	Natural sands of all kinds	606.85	4.00	4.12
2522	Quicklime, slaked lime and hydraulic lime	393.00	15.25	12.24
8903	Yachts and other vessels for pleasure or sports	279.01	22.33	22.28
Imports experiencing the largest percentage change				
0702	Tomatoes, fresh or chilled	0.16	164.61	49.38
2203	Beer made from malt	15.75	156.86	47.27
1507	Soya-bean oil and its fractions	0.03	151.05	45.36
0807	Melons and papaws (papayas), fresh	1.18	142.61	42.80
0714	Manioc, arrowroot, sweet potatoes, etc.	0.03	134.14	40.24
0706	Carrots, turnips, salad beetroot, etc.	15.62	133.85	40.20
0705	Lettuce (<i>Lactuca sativa</i>) and chicory	0.10	133.47	40.04
1516	Animal or vegetable fats and oils and their fractions	0.31	129.55	38.88
0203	Meat of swine, fresh, chilled or frozen	0.71	129.02	38.71
0709	Other vegetables, fresh or chilled	0.51	128.19	38.46

Source: Own calculations

Note: The last 2 columns show percentage changes in imports.

As Table 5.6c shows, total FCOR exports to CARICOM are estimated to go up by around 2% in the early stages of EPA implementation, while in the longer term, with full EPA implementation, they are expected to rise by 7% (simplified elasticities) to 13% (original elasticities). Potentially, therefore, the EPA opens up scope for significant expansion of FCOR-CARICOM trade.

Table 5.6c. Aggregate impact of the EPA on FCOR exports to CARICOM and EU27 (percentage changes)

Trade direction	Exports to CARICOM	
	Original	Simplified
Elasticities		
EPA Review	2.17	1.54
Full EPA	13.49	6.72

Source: Own calculations

7. Conclusions

In this final section we do three things. First, we briefly summarise the data and modelling framework that has been used herein; second, we outline the most significant results from the simulations that have been run; and last, we note a few limitations and shortcomings of the adopted modelling approach.

Data and modelling framework

- In the foregoing, we have assembled detailed trade data (HS4 or HS6 depending on the model and the direction of trade), and combined this with data on the relevant tariffs and data on trade elasticities in order to build a set of partial-equilibrium models designed to estimate the impact on trade flows of EPA-related tariff changes. The models are unable to pick up macroeconomic effects of tariff changes on domestic production or consumption, nor any impact of changes in import tariffs on domestic competitiveness and hence exports.
- Six models have been developed, though only five of them have been fully set up, each run with two sets of trade elasticities (what we have called 'original' and 'simplified' elasticities; see Annex 2 for details), and reported in some detail above. Thus with five models each in two variants, we have ten fully developed models, each of them set out in its own Excel spreadsheet.
- Although set up with specific parameter choices, as explained above, it would be a simple exercise to modify some of these choices to obtain additional solutions.
- Similarly, some of the models involved making assumptions that the reader might not be too comfortable with. In such cases the critical assumptions have been sketched in the above text, and are noted explicitly on the various model-related spreadsheets. Hence it would not be difficult for a user to run these models with amended assumptions. Likewise, if better data becomes available, some of the models could be improved.
- In addition, although not reported in any detail above, the USA and the rest of the world (RoW) were trade partners in all the models we have developed. Hence the impact of EPA-related tariff changes on these trade partners forms part of the solution for all the models that have been solved. Hence again, it would be a simple exercise to expand the existing presentation of results to include these partners, though that has not been the main concern of this report.

Principal findings

- The models that have been fully set up and run, each in two variants with different assumptions about the trade elasticities, are:
 - Model M1, CARICOM (less The Bahamas) imports
 - Model M2, Dominican Republic imports
 - [Model M3, The Bahamas imports – model specified, and data available, but not fully developed and run]
 - Model M4, FCOR imports
 - Model M5, EU27 imports from CARICOM (this model also includes EU27 imports from DR, not reported above; but the results are available)
 - Model M6, CARICOM imports from FCORs
- In terms of trade relations between CARIFORUM and the EU27, the main findings were as follows. Table 5.1d shows that CARICOM imports from the EU27 will expand as a result of the EPA, modestly in the early years, more substantially eventually. Very slightly offsetting these trade gains, the EPA-related tariff cuts will marginally reduce estimated intra-CARICOM trade flows. This appears to be contrary to an aim of the EPA to foster economic integration across the CARIFORUM region, but as pointed out above, this aim was not reflected in the model formulation.

- By the same token, Table 5.5b shows that EU27 imports from the region will be largely unchanged as a result of the EPA, while if the EPA fails and GSP tariffs are in place, trade would modestly decline.
- For the Dominican Republic, Model M2 estimates the EPA impact on imports from the EU27, finding (Table 5.2c) that in the early post-EPA period, imports should rise by 4-5%; and with full EPA implementation, they should rise by 10-16%, depending on the elasticity assumptions.
- For the FCORs, Models M4 and M6 tell the story. EPA implementation will result in modest trade expansion between the FCORs and CARICOM in both directions.

Limitations and Opportunities

- Probably the most significant limitation of the modelling approach adopted for this report is that zeroes remain zeroes. In other words, if a particular trade flow happens to be zero in the base-year dataset, it will always remain zero, as our models and simulations will not suddenly initiate trade where there was none before.
- It might be thought that this is a fairly trivial observation, of no great interest, but that would be wrong. For most major trading developments, as occurred for instance in the early years of transition to the market, in the trade between Eastern Europe and the European Union, were not just, or even mainly, a modest expansion of existing trade flows. Quite the contrary, what occurred was a wide-scale entry into diverse new markets, and hence the development and successful expansion of wholly new market positions.
- Thinking along these lines forces one to think of the EPA in a somewhat different light. On the one hand, it does indeed cut many tariffs and hence, as our models have shown, stimulates a modest expansion of trade in virtually all the existing markets where trade was already occurring. Far more importantly, especially in the longer term, one should be more inclined to see the EPA not merely as a technical exercise in tariff reduction (though it was always partly that), but as a significant 'signal', alerting firms, entrepreneurs, and other relevant actors that the EU and CARIFORUM are wide open to each other's business, and that both sides welcome diverse new trading activity. This is a challenge, but also a huge opportunity.
- Unfortunately, none of our formal trade models can pick up this sort of impact (and we are unaware of other types of model that could do so), but we fully expect that in the longer term it will nevertheless prove to be the principal benefit of the CF-EU EPA.

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TABLES

Table 1. Basic Economic Indicators (2011 unless noted otherwise)

Country	Population '000	GDP/head US\$	Trade/GDP %	Exports US% m	Imports US\$ m
CARIFORUM			(2009-2011)		
Antigua and Barbuda	90	12422	102.8	56	471
The Bahamas	347	22444	90.6	834	2965
Barbados	274	13449	108.6	475	1805
Belize	357	4056	117.6	376	831
Dominica	68	7118	87.5	30	216
Dominican Republic	10056	5530	56.4	8612	17436
Grenada	105	7524	72.0	35	335
Guyana	756	3409	124.8	1116	1771
Jamaica	2709	5330	82.0	1624	6615
St Lucia	176	7153	108.9	161	700
St Christopher and Nevis	53	13151	73.2	45	247
St Vincent and the Grenadines	109	6312	83.6	38	332
Suriname	529	8225	92.4	1638	2467
Trinidad and Tobago	1346	16704	95.6	13015	9552
FCORs					
Guadeloupe	404.0	24694	12.0*	40.8	1157.9
French Guiana	239.4	19065	61.7	542.3	2272.3
Martinique	390.4	26040	17.5*	47.6	1731.4

Sources: WTO, INSEE

Notes: For the FCORs, population figures are for 2012; per capita GDP is for 2009; exports and imports are for 2012. Original data in EUR has been converted to USD for consistency with the rest of the table. The exchange rate used for conversions was taken from the Financial Times, December 1st 2013; EUR 100 = USD 135.906.

* These figures seem implausibly low, probably because they exclude trade with metropolitan France.

Table 2. Characteristics of Trade

Country	Average import tariff 2011 (%)*		Import duties 2009-11*	Number of HS6 tariff lines accounting for 95% of exports to EU	
	Agricultural products	Non-agric. products	Share of tax revenue (%)	Agricultural products	Non-agric. products
CARIFORUM					
Antigua and Barbuda	17.7	9.3	13.9	3	11
The Bahamas	23.2	37.8	39.0	5	3
Barbados	18.5	9.5	10.6	6	nd
Belize	20.4	9.6	nd	5	17
Dominica	16.7	9.2	11.6	19	18
Dominican Republic	12.8	6.2	8.8	12	74
Grenada	18.2	9.2	12.1	4	7
Guyana	20.7	9.6	nd	6	8
Jamaica	17.9	6.0	8.9	29	6
St Lucia	16.5	9.3	22.1	3	19
St Christopher and Nevis	16.6	9.3	13.8	5	10
St Vincent and the Grenadines	16.6	9.1	11.2	nd	5
Suriname	17.8	9.2	11.4	8	9
Trinidad and Tobago	18.2	5.9	5.0	nd	5

Source: WTO, CARICOM and country statistical offices.

Notes: * earlier years for some countries; nd = no data

Table 3. Macroeconomic Trends

Country	GDP growth (%)		Gross fixed capital formation (% of GDP) Average over 2009-2011	Growth in exports of goods, average % per annum		Growth in imports of goods, average % per annum	
	2003-2008	2008-2012		2004-8	2008-12	2004-8	2008-12
CARIFORUM							
Antigua and Barbuda	6.8	-3.7	29.5*	3.4	-3.5	13.6	-11.9
The Bahamas	2.2	0.0	25.8*	19.0	0.7	15.1	1.4
Barbados	2.8	-0.8	14.7	15.2	-1.2	8.3	0.0
Belize	3.1	2.0	16.5	11.7	6.9	13.2	-0.5
Dominica	4.1	-0.2	18.5	0.6	-1.9	14.2	-4.3
Dominican Republic	8.4	5.1	18.3	3.3	7.7	26.1	2.4
Grenada	3.0	-1.7	21.9	1.9	0.0	10.6	-3.2
Guyana	2.0	3.9	25.3*	8.0	14.9	19.6	10.6
Jamaica	1.2	-0.5	21.5	14.4	-10.7	20.8	-5.1
St Lucia	4.0	-0.4	28.2*	15.7	2.5	14.8	-1.1
St Christopher and Nevis	5.3	-1.7	34.5*	4.1	-0.05	18.0	-7.8
St Vincent and the Grenadines	3.8	-0.8	24.5*	9.8	-4.0	13.4	-1.1
Suriname	4.1	3.8	5.5	24.7	10.1	23.5	6.1
Trinidad and Tobago	6.7	-0.7	14.5	30.9	-7.3	18.3	-3.3

Sources: ECCB, IMF, CARICOM, WTO; also country central banks and statistical offices.

Notes: * These figures seem implausibly high, and reflect the fact that for these countries, there is little experience with expenditure-based GDP statistics. In recent years, ECCB has provided technical support in this area (not to The Bahamas or to Guyana).

Table 4. Tariff Schedules used in the Models of Sections 5 and 6

Importer	Partners	Tariff data not needed (as unaffected by CF-EU EPA) on imports from:	Import tariffs needed on imports from:
1. Import models (HS4), i.e. CARIFORUM countries or member states as 'importer'			
M1. CARICOM (less The Bahamas), or a member state	CARICOM, DR, US, The Bahamas, EU27, RoW	CARICOM, DR, US, The Bahamas, RoW	EU27: CARICOM tariff as at 2008, 2013 and on full implementation of the CF-EU EPA.
M2. Dominican Republic	CARICOM (less The Bahamas), The Bahamas, US, EU27, RoW	CARICOM, US, The Bahamas, RoW	EU27: DR tariff as at 2008, 2013 and on full implementation of the CF-EU EPA.
M3. The Bahamas	CARICOM (less The Bahamas), DR, US, EU27, RoW	DR, US, RoW	EU27: The Bahamas tariff as at 2008, 2013 and on full implementation of the CF-EU EPA. CARICOM: The Bahamas tariff (should all be zero)
M4. FCORs (Guiana, Guadeloupe, Martinique)	CARICOM (less The Bahamas), EU27, US, RoW	EU27, US, RoW	CARICOM
2. Export models (HS6), i.e. CARIFORUM countries or member states as an exporter or partner country			
M5. EU27 or a selected member state	CARICOM (less The Bahamas), DR, The Bahamas, US, RoW	EU27, US, RoW	CARIFORUM: EU tariff in 3 versions: 1. ACP/Cotonou 2. CF-EU EPA implementation 3. GSP (if EPA fails)
M6. FCOR exports, with CARICOM (less The Bahamas) as the importer. This is a variant of model M1.	FCORs, EU27, US, RoW	US, RoW	EU27

Notes. 1. All tariffs are aggregated to HS4 or HS6 product detail as appropriate, using trade weights to perform the aggregation.

2. For CARIFORUM, some goods were excluded from the CF-EU EPA and hence do not benefit from the agreed tariff concessions.
3. Many EU tariff lines, especially in the areas of food and agriculture, are defined as a mix of an ad valorem tariff and specific charge (e.g. per unit weight); in all such cases, ad valorem equivalents have been calculated, again using suitable trade weights

Annex 1. Countries relevant for this study

Country\Member	CARICOM	CARIFORUM	CARIFORUM, Included in this study	Remarks
Antigua and Barbuda	✓	✓	✓	
The Bahamas	✓	✓	✓	
Barbados	✓	✓	✓	
Belize	✓	✓	✓	
Cuba	X	✓	X	Not a signatory to CF-EU EPA
Dominica	✓	✓	✓	
Dominican Republic	X	✓	✓	
Grenada	✓	✓	✓	
Guyana	✓	✓	✓	
Haiti	✓	✓	X	Signed CF-EU EPA, but not implementing
Jamaica	✓	✓	✓	
Montserrat	✓	X	X	
St Kitts and Nevis	✓	✓	✓	
St Lucia	✓	✓	✓	
St Vincent and the Grenadines	✓	✓	✓	
Suriname	✓	✓	✓	
Trinidad and Tobago	✓	✓	✓	
French Caribbean Outermost Regions		Observer		
French Guiana		✓	X	Only include these where data available. No data for trade model.
Guadeloupe		✓	X	
Martinique		✓	X	
Overseas Countries and Territories		Observer		
Anguilla		✓	X	Only include these where data available. No data for trade model.
Aruba		✓	X	
British Virgin Islands		✓	X	
Cayman Islands		✓	X	
Montserrat		✓	X	
Turks and Caicos Islands		✓	X	
Netherlands Antilles		✓	X	

Source: CARICOM and CARIFORUM websites.

Annex 2. Key Definitions for the Trade Modelling

Base year

The year for which trade data are assembled to form one of the trade models analysed in this report. In all cases, the base year is 2011.

Base case tariffs (or base period tariffs or baseline tariffs)

The tariffs in place, or assumed to be in place, for the base year initial equilibrium. Whatever tariffs we adopt, or assume to be in place for the base case, the initial, base year trade flows are assumed to represent an equilibrium relative to these tariffs.

GSP tariff

The tariff that would most likely be put in place by the EU27 (now EU28) for imports from CARIFORUM if the EPA had not been agreed.

MFN tariff

The worst case tariff that could be put in place by the EU should the EPA completely fail. It is essentially the EU's Common External Tariff. In the models above, this tariff is not applied.

EPA Review Scenario

For models with the EU27 as 'importer', this is the scenario where the EU implements the EPA by making virtually all tariffs zero with a few exceptions noted in the text). Then the models estimate the impact on trade flows of changing from the initial ACP/Cotonou tariff (the base case) to the EPA tariff.

For models with CARIFORUM countries as 'importer' (either a group of countries, or an individual country), this scenario models the likely impact of the 2011 and 2013 rounds of agreed tariff cuts affecting imports from the EU27. Hence we get here the impact on trade flows of shifting from the immediate pre-EPA tariff to the early EPA tariffs.

Full EPA Scenario

For models with CARIFORUM countries as 'importer' (either a group of countries, or an individual country), this scenario models the likely impact of full implementation of the agreed EPA tariff cuts by these countries. In practice, the tariff schedules imply that some of these cuts will not be completed for 25 years. The resulting models show the impact on trade flows of shifting from the immediate pre-EPA tariff to the tariffs corresponding to full EPA implementation (which, according to the agreed schedule, are mostly zeroes).

No EPA Scenario

For models with the EU27 as 'importer', this is the scenario where the EU imposes GSP tariffs, following a breakdown of the EPA; hence it is a worst case scenario. Thus these models estimate the impact on trade flows of a shift from the initial ACP/Cotonou tariff (the base case) to the GSP tariff.

Original elasticities

For technical reasons discussed in the main text, all models developed in this report were based on the assumption of an infinite elasticity of export supply.

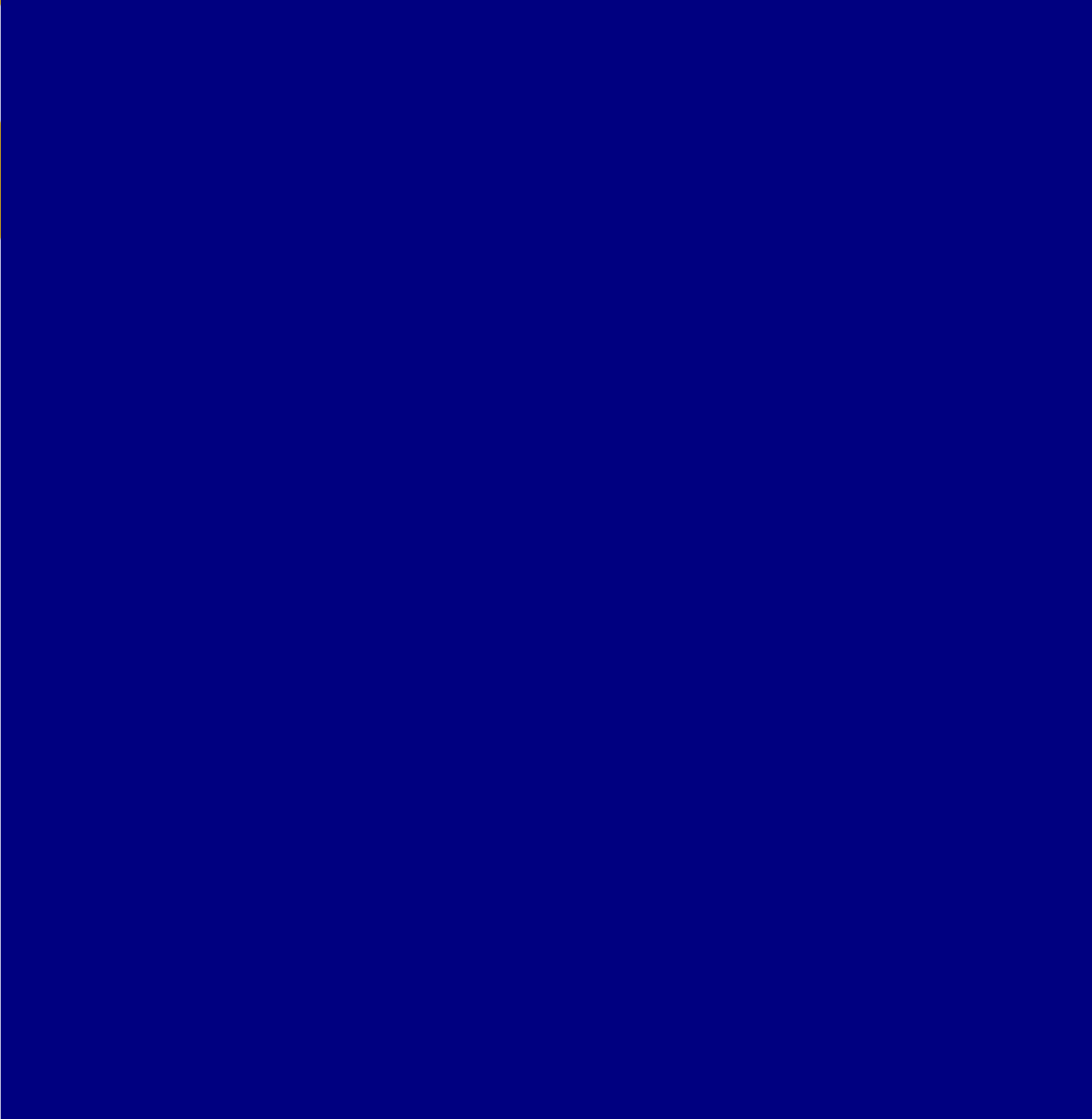
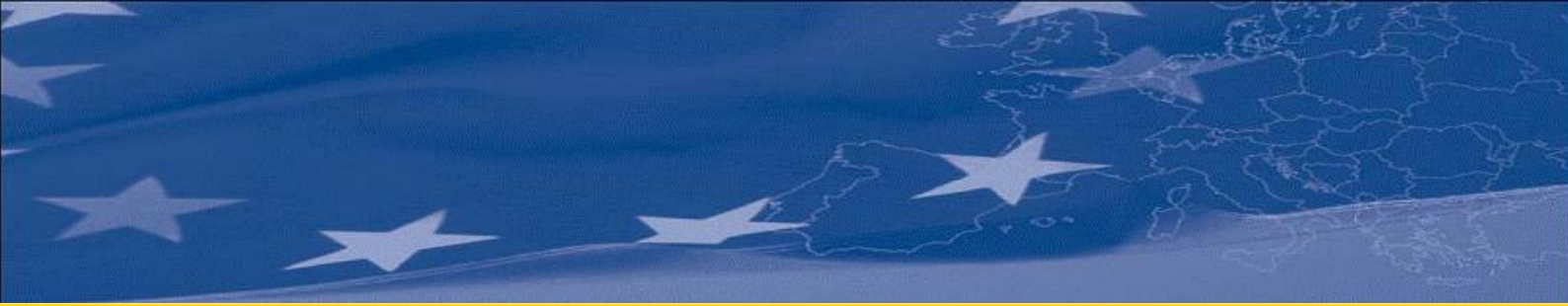
The 'original elasticities' variant of each model adopted specific selections of elasticities drawn from World Bank data, EU (DG-Trade) advice, and our own judgement. To make this more concrete, we proceeded as follows:

Import demand, ε = values from WB file, product-by-product, with amendment to truncate the data to remove implausible outliers.

Elasticity of substitution, θ = 5 for HS01 to HS24 and θ = 1.5 for HS25 to 92, HS94 to 97.

Simplified elasticities

This variant of each model ran with all substitution elasticities equal to 1.5, all import demand elasticities equal to -1.16 (corresponding, roughly, to the reported country average elasticity for some of the countries studied herein).



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