

**DEVELOPMENT ENHANCING MEASURES, CARIFORUM-EU EPA
NEGOTIATIONS**

A Note

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16 November 2006

1. This note is written in response to an invitation from the CRNM Director-General of 1 November to make suggestions on the above matter in time for the start of the next round of CARIFORUM-EPA negotiations on 19 November. The time available and the writer's other commitments did not make it possible to go into the desired level of detail. However we will set out some ideas.
2. It is axiomatic that development enhancing measures for CARIFORUM should take, as their frame of reference, a development strategy for the group. That is, these measures should be in support of an agreed regional development strategy. Such a strategy does not exist for CARIFORUM as a whole. A draft strategy has been prepared for CARICOM to guide the further implementation of the

CSME¹. Although it has not yet received political approval, it has gone through several iterations involving a large number of stakeholders and chaired by the Prime Minister with responsibility for the CSME. We will, therefore, use this as the frame of reference. The document should be regarded as an invaluable source of reference material on all the subjects that are covered by the EPA negotiations. It is highly recommended that CRNM EPA negotiators be in a position to refer to it readily when interacting with EU officials. However, it should not be shared with the EU as it is not yet an official document.

3. The strategy is guided by a vision of sustainable development with economic, social, environmental and governance dimensions. The economic dimension consists of diversification away from preference-dependent industries into internationally competitive goods and services industries. Regional economic growth is expected to be led by energy and energy-based activities; agriculture, forestry and fishing; sustainable tourism including agri-tourism; and knowledge-intensive export services. Growth will be driven by private investment, both local and foreign, with the state playing a strong enabling, supportive and--where necessary—entrepreneurial role.
4. CARICOM has in large measure completed its Single Market and by 2008 expects to complete the core elements of its Single Economy. The CSME will be a seamless economic space which will stimulate regional movement of capital and labour leading to greater productive

¹ *Towards A Single Economy and A Single Development Vision*. Report by Norman Girvan, University of the West Indies; in Collaboration with the CARICOM Secretariat and the Special Task Force on the Single Economy. October 25, 2006.

efficiency, higher levels of domestic and foreign investment, and expanded intra-regional trade and extra-regional exports. CARICOM already has a completed Draft Investment Agreement and a Draft Financial Services Agreement which are expected to be approved by Heads of Government in 2007. Decisions have been taken on the establishment of the Regional Development Fund as to scope, method of operation and capitalisation. Technical work is already well advanced in the areas of human resource utilization policies; harmonisation of fiscal, monetary and incentives policies; capital market integration; regional competition policy; establishment of a regional quality infrastructure; a common policy regime for small and medium enterprises; and common standards of corporate governance. Over the next two years work will be completed on common policies and support measures in energy and energy-related industries, agriculture, forestry and fishing; sustainable tourism including agri-tourism; other export services; and innovation as a cross-cutting activity.

5. Developing enhancing measures in the EPA should therefore be oriented to

- a. Technical assistance for the completion of technical work required for the finalisation of common and/or harmonised policy regimes and common support measures in the above sectors and functional areas. We are not suggesting that all of the above should be supported by the EU, but that they should be starting point for the determination of possible areas for technical assistance. To prioritise and finalise the list, CRNM officials should make detailed reference to the CSME Vision

Document; and have detailed consultations with officials of the CARICOM Secretariat and industry and institutional stakeholders.

- b. Enhanced market access for the products of the growth industries: energy and energy-related industries; agriculture, forestry and fishing; sustainable tourism including agri-tourism; and knowledge-intensive export services.
 - c. Sufficient 'policy space' in the EPA to allow regional governments to employ development policies for the industry clusters noted above, for small and medium enterprises and for innovation. These policies could include market quotas, performance requirements, subsidized credit, and tax incentives. This has implications especially for the sections of the EPA dealing with market access for goods, investment and services, trade related issues, and legal and institutional issues.
 - d. Financial support for the Regional Development Fund for productive transformation and diversification.
6. It is strongly advised that CARICOM not define the 'development dimension' of the EPA exclusively in function of development financing, or put the main emphasis on this. One reason for this is that past experience shows that EU development funding has had, at best, a very modest impact on development. Moreover it is extremely cumbersome to access and unless CARICOM is in a position to propose a radical overhaul of its administration this is hardly likely to change. The main reason, however, is that the EU will demand a significant price in return, in the form of market access, restricted policy space, and other conditionalities. Would promises of additional

funding, which may or may not be legally enforceable, administered under existing rules and procedures, be worth the costs represented by these concessions? This should be the test applied.

7. With regard to the proposed chapter in the EPA on the development dimension, I agree that this could be useful as long as it is not limited to general principles and vague statements of intent but consists of specific, concrete and legally enforceable commitments. It should be derived from Caricom's development vision and regional development strategy; should be multi-faceted; and should include guarantees for the preservation and enhancement of policy space for development. It should include proposals for funding to support the development strategy; emphasizing additionality on effective utilization, coherence, and reform of procedures for approval, access and administration. Furthermore, the other chapters of the agreement should be crafted to be made compatible with the development chapter.
8. I would suggest that Cariforum defines for its own negotiating purposes, its minimum position on an acceptable EPA; as a guideline for its negotiations.
9. In conclusion, I cannot over-emphasise the importance of close alignment between the CRNM negotiating positions and the content of on-going work on the CSME.