

KEY DEVELOPMENT ISSUES OF THE EPA

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1. Wrestling with an 800 –pound Gorilla

The European Union's (EU) economic size, measured by its gross domestic product (GDP), is 400 times that of CARICOM, and its average national income seven times greater. Its labor productivity (value of output per worker) is about 5 times that of CARICOM, and its productivity growth is about 2 to 3 times greater. Negotiation with this 800-pound gorilla can in no sense be described as one of between-equals. Of course, in the real world, negotiations are often not between equals. We must therefore first of all recognize ourselves for what we are- small, weak and vulnerable. And thus we must do the best we can to safeguard our interests; strengthen solidarity with our ACP partners; and develop strategic alliances with sympathetic interests. Reliance on the “good faith” and “honor” of any gorilla is misplaced and stupid.

Trade in Goods

In the EPA our interests regrettably are insufficiently safeguarded. In respect of goods we are committed to liberalize 87 % of our imports from the EU. Most of this liberalization takes place in the earlier period, up to year 15; only 4 % in years 15 to 25.

The liberalization affects thousands of products. Given the greatly superior and increasing competitiveness of the EU (without even counting the transport cost advantage it has) there are bound to be negative impacts on the Caribbean, and across different groups of the community- women and children, rural people, informal sector workers, micro and small enterprises, social classes, and ethnic groups.

There will be the consequential loss of customs revenue, while substantial capital would have to be invested in diversifying out of the present production structures, in unemployment adjustment and in skill and productivity enhancement.

Opportunities are said to be opened up—free access to EU markets. But the problem is that although access is free we do not have the capability to enter. That access is not entry is well proven by the fact that we have had virtual complete free entry (setting aside a

¹ Text of a presentation made at an experts group meeting organized by UNIFEM on “Gender and the EPA” in Port of Spain, July 27-29.

few agricultural products) to European markets over the past 32 years, and it has made little or no positive difference, in volume or in product diversification, to our export performance. The Asians and Latin Americans, although facing tariffs, have done much better.

Trade in Services

We are committed to liberalize up to 75 % of the services sector. Unlike the case of goods, complete liberalization kicks in immediately- there is no transitional schedule. It covers a very wide range of sectors- 29 of them. They include telecommunications, tourism services, banking and financial services, legal services, medical and health services, education, sanitation, engineering, architecture, management consulting, advertising, retailing, courier services, among others. Moreover, the Agreement restricts the use of affirmative policies and actions in favor of local companies and domestic development.

Again, it is said that there are opportunities of greater access to EU markets. On the whole, this increase in access is insignificant over and above the **status quo**. In all of these services, except, to some extent, the niche markets of creative/cultural services, our lack of competitiveness, indeed in most cases non-existence of capacity to supply, would preclude entry into these markets. To make the situation worse, access is ring-fenced by a variety of restraints- European-approved qualifications and other entry requirements, and safeguards. In this connection an interesting observation appears in a Working Paper dated July1, 2008, prepared by the Committee on Development of the European Parliament (EP). In this paper, the services commitments under the CARIFORUM EPA are held up as a bad example for the African and Pacific countries to follow.

In respect of both goods and services, one the most regrettable- indeed irresponsible- features is the failure on the part of our governments to research seriously the consequences of liberalization before committing themselves to the EPA. .

2. Policy Emasculation

The Agreement severely limits the policy space open to Caribbean governments to implement affirmative policies and actions in favor of domestic development. For example, some of the most effective protective devices used, even by EU countries

themselves, to initiate and foster domestic enterprises – quantitative restrictions, internal taxes, and subsidies—are prohibited. Similarly, the use of discretionary regulatory measures in utilities and other services, including any reservation for public ownership is restricted. Rights of commercial presence accorded to the EU limit the ability of Caribbean States to take affirmative policies and actions in favor of domestic enterprise development. In respect of investments, again, no such policies and actions can legally be implemented in favor of domestic investors.

The most favored nation (MTN) provision also in effect outlaws strategic trade and investment policies on the part of the Caribbean (those that might have other desirable economic and political effects, e.g. in respect of trade deals and investments by Asian, Latin American, and non-EU European countries). The concessions granted under investment moreover expose any successful or growth-potential enterprise or any public utility to take-over by European interests. (St. Lucia is now going through an interesting test case, in which several large European water companies are bidding to take over a small water utility in that country—under the EPA there would be no recourse to prevent or modify such a take-over, such as by the preservation of some domestic ownership).

Development In Absentia

There is no disagreement among Caribbean countries that by far the biggest constraint on their development is on the supply-side. Yet, this aspect of development in respect of the principal productive sectors, either does not figure at all in the Agreement, or is mentioned only in the vaguest (non-binding) language. Yet, this Agreement- which was under construction for some seven years- purports to be an Economic Partnership Agreement, with development as its principal objective!

Conspicuous by its absence are any real development provisions in respect of agriculture and fisheries, food security, primary commodities and traditional agriculture, manufactures, services development and diversification, infrastructure, transfer of technology, and energy.

In respect of social sector development, including policies and actions relating to gender issues, and the Millennium Development Goals (MDGs), etc there are no provisions at

all. The only provision in the “Social Aspects” chapter concerns a re-affirmation of the commitment to ILO Labor Conventions.

4. The Money Mirage

The cost of implementing the EPA in CARIFORUM has been estimated by a group of UK researchers at EURO 900 million. This includes the loss of customs revenue, export diversification cost, employment adjustment, and enhancing skills/productivity. By comparison, the EC’s Regional Indicative Program (RIP) allocation for CARIFORUM (CF) is EURO 165 million over five years. Of course, it is said that Caribbean countries, by virtue of their relatively high income levels, are not deserving of aid allocations, compared with African countries. But surely the more appropriate comparison is with the adjustment costs to be incurred by implementing the EPA. In effect, the RIP amounts to EURO 1.0 million per CF country per year—little more than a token sum, appropriately labeled a RIP-off. In this connection, an interesting parallel is the case of Ireland (4.3 million people) which received, as a disadvantaged EU country, 560 times the allocation for CF (27 million people).

The prospect of other funds is alluded to in the EPA—funds for “Aid For Trade”. On this matter, the European Parliament Working Paper referred to above, speaks for itself—“ As there are no additional funds provided on the EU level (EDF, EU Budget) it can be deduced that the trade-related assistance is, in parts, putting a new label on existing actions; in other parts, taking away funds from existing programs, into new trade-related programs. For the EURO 1.0 billion provided by Member States, it is not known, if the sums will be additional , or if Member States will undertake the same procedure of redirecting/relabeling existing funds; and if Member States will honor their pledges at all. ... (In any case) any fresh money would not be sufficient to offset the loss in customs duties, before even starting any additional support for adjusting to the duty free imports of EU goods.” (Note that, according to this European Parliament Paper, only Euro 300 million to Euro 400 million of the EC’s projected EURO 1.0 billion, if it were to materialize, would be destined for the 79 ACP countries- an average of Euro 1.0 million per country per year).

(5) Foreclosure on Caribbean Integration

CARICOM Heads of Government, before they took the decision in December 2007 to sign off on the EPA, used to articulate a policy position on every appropriate occasion that The CARICOM Single Market and Economy (CSME) was to serve as a more controlled, predictable and self-determined transitional process towards integration into the world economy. Casting this aside, the EPA which they now intend to sign, would supersede, pre-empt the CSME in respect of:

The Free Trade regime

The Common External Tariff (CET)

The Services Regime

Regional Investment Policy

Competition Policy

Intellectual Property Rights

Government Procurement

CSME Governance mechanisms

This foreclosure effectively renders the CSME redundant, overtaken by events- as the standards and norms, policies and actions, and timing of implementation in all these respects have been imposed by the European Community and/or have been welcomed by Caribbean Governments. If this is indeed Governments' preference, if they have found that there is a good case for this policy shift, the EPA signing would also be a good occasion to wind up CARICOM Single Market and Economy.

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