

José Manuel Barroso
President of the European Commission

Brussels, 25 -11- 2007
BARROSO (2007)

Dear Prime Minister,

I am writing to you about the negotiations on the Economic Partnership Agreements between the EU and the Caribbean region.

I know that discussions are continuing between our teams and do not wish to get into the detail of the negotiations. I am writing because I understand that there are doubts being raised in the Caribbean about completing these negotiations before the end of the Cotonou trade arrangements and the WTO waiver that covers them on 31 December. We have avoided responding publicly to these doubts because we recognise it may not be helpful. But given what is at stake, I want to make sure that there is a clear understanding between us on these issues.

Modernising a trade relationship that has been in place for thirty years is not easy. I recognise there are voices in both Europe and the Caribbean arguing loudly against change. But I believe there are significant advantages in EPAs – improved market access, better rules of origin, support for your process of building regional markets, targeted development assistance for economic reform. And there are disadvantages in the alternative of GSP, which is significantly less generous in some important products.

Some in Europe and in the Caribbean claim that there are alternatives to EPAs that are just as good or that the external deadline we are working to can be avoided or moved. I am afraid that these alternatives do not exist and that the external deadline we face cannot be avoided. The reasons why will be familiar to you from your contacts with the Commission and your meeting with Peter Mandelson and Louis Michel in Montego Bay. But in short, the Commission cannot and will not propose solutions – such as extending Cotonou or seeking another waiver – which we know to be illegal or unachievable. Without an EPA in place before the end of the year – which in turn requires agreement by the General Affairs Council of 10 December – trade relations between the EU and Caribbean will be subject to the GSP regime, which will inevitably involve some trade disruption.

Rt. Hon. Owen Arthur
Prime Minister of Barbados and
Chairman, Caribbean Community

Rt. Hon. Bruce Golding
Prime Minister of Jamaica and
Chairman, CARICOM Prime Ministerial Subcommittee on External Economic Negotiations

We are of course ready to provide any reassurance we are able to on the outstanding points in the negotiation, including, as far as our competence allows us, on development assistance. My impression is that the central outstanding issue is market access, where the difficulty lies in tariff liberalisation and the elimination of customs duties other duties and charges (ODCs) – and their replacement by other ways of raising revenue (excise duties, VAT etc).

As you have discussed with the Commission, we believe there are ways to handle this, through transition periods for liberalisation and taking time, for example five years or so, to eliminate the ODCs so that alternative ways of raising revenue can be put in place. We would of course be ready to give you support and advice in putting these alternatives in place. But fundamentally I believe this is an issue that can only be resolved by a political decision to take this path and so to bring your market access offer up to a level that could be defended in the WTO.

I recognise that these decisions are not straightforward and there are voices that claim change can be avoided. It is the sovereign decision of Caribbean governments whether to proceed with the EPAs now or whether to continue negotiations into 2008. We will obviously respect whatever decision you take and continue to negotiate for as long as you wish. But I would urge you to base your decisions on a clear understanding of what is legally and politically possible, and of what is at stake if we do not reach an agreement before the external deadline of the end of the year.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a small loop, and a long horizontal line that ends in a slight curve on the right.

José Manuel BARROSO