



Economic Commission for Latin America and the Caribbean
Subregional Headquarters for the Caribbean

Caribbean Consultation at the thirty-fifth session
of the Economic Commission for Latin America
and the Caribbean
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**REPORT OF CARIBBEAN CONSULTATION AT THE THIRTY-FIFTH
SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN**

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A. CONCLUSIONS AND RECOMMENDATIONS

1. A number of conclusions and recommendations were put forward at the Caribbean Consultation held during the thirty-fifth session of the Economic Commission for Latin America and the Caribbean (ECLAC), hosted by ECLAC subregional headquarters for the Caribbean, on the basis of presentations and discussions centred on the theme “Optimising the benefits of trade and regional integration for the Caribbean.”
2. It is imperative that the Caribbean subregion seek to address the implementation gap that exists in respect of major decisions taken by Heads of Government and trade agreements to which the Member States are signatory.
3. The heavy debt burden of Caribbean economies (measured by debt to gross domestic product ratio) as well as dependence on international trade and financing, over reliance on tourism services and a few commodities, the impact of climate change and frequency of extreme natural disasters, have presented many development challenges and led to significant structural gaps which need to be addressed coherently through, *inter alia*, regional development policy setting and a more flexible engagement on the part of the subregion’s development partners and international lending agencies.
4. Latin American and Caribbean economies should seek to deepen their trade and economic integration with a view to creating an economically integrated interregional area which is defined by regional South-South development cooperation, joint production, clusters and value chains.
5. The production of regional public goods and an attendant regulatory and legislative framework to allow for the free movement of persons within the Caribbean region should be a development priority for the welfare and development gains to be derived.
6. A key challenge facing the region is developing a coherent strategy for reversing the declining export competitiveness of its economies and building regional production systems and export structures which are competitive and non-reliant on preferences.
7. The region’s trade complementarity with its major trading partners such as the United States of America, the European Union (EU) and Canada was relatively low, while Central America, Latin America and Asia appear to be the Caribbean’s natural trading partners.
8. In order to meaningfully advance prospects for growth in the subregion, a new agenda for regional integration should be developed which seeks to engage Latin America and the wider Caribbean in the creation of the broadest regional space for production in the region.
9. Overall, Caribbean Community (CARICOM) bilateral trade agreements have not led to the expected growth in exports and foreign exchange earnings to reduce balance of payments imbalance. This has stemmed in part from the negotiation of trade agreements without a complementary strategy for developing products and services to trade in these markets.
10. During the review of the Economic Partnership Agreement (EPA) with the EU, the region will need to bargain for additional aid for trade resources; seek assistance in improving the quality and standards of niche products that enter the EU competitively; push for a relaxation by the EU of the economic needs test for service sector providers and promote a robust framework for EPA monitoring and adjustments to promote the sustainable development of Caribbean small island developing States (SIDS).

B. INTRODUCTION

11. The Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean hosted a Caribbean Consultation within the ambit of the thirty-fifth session of ECLAC in Lima, Peru on 5 May 2014. This is the second Consultation being hosted by ECLAC subregional headquarters for the Caribbean for Caribbean participants at the ECLAC session meeting. The first was held in El Salvador at the thirty-fourth session of ECLAC from 27 to 31 August 2012.

12. The theme of the Consultation was “Optimising the benefits of trade and regional integration for the Caribbean.”

13. The purpose of the Consultation was to engage Caribbean countries in a dialogue on possible avenues for, as well as challenges to, strengthening regional integration and making trade a vehicle of the sustainable economic development.

14. The meeting was attended by Caribbean participants invited to the thirty-fifth session of ECLAC, among them representatives from Antigua and Barbuda, Bahamas, Barbados, Cuba, Guyana, Jamaica, Saint Lucia, Suriname, and Trinidad and Tobago. The list of participants is attached as annex I to the present report.

C. SUMMARY OF PROCEDURES

1. Opening of the meeting

15. The Executive Secretary of ECLAC welcomed participants to the Caribbean Consultation hosted in Lima, Peru, on the eve of the start of the thirty-fifth session of ECLAC. She specially welcomed the Minister of State in the Ministry of Foreign Affairs and Foreign Trade of Jamaica, and thanked the Government of Jamaica for its successful hosting of the twenty-fifth session of the Caribbean Development and Cooperation Committee in April.

16. She indicated that the Consultation was an opportunity for the ECLAC team to understand the challenges Caribbean Member States face, with a view to determining how best ECLAC can provide assistance. She noted that the Caribbean region faced at least three major challenges that require immediate attention: economic vulnerability due to the high debt and fiscal deficits of several Caribbean countries; vulnerability to natural disasters and imposed status of “middle-income” on SIDS. It was noted that the high gross domestic product per capita of Caribbean countries did not mean that all their challenges had been overcome.

17. The Executive Secretary indicated that as part of ECLAC efforts to respond to these challenges, the decision had been taken to move the Unit responsible for natural disasters to the office of ECLAC subregional headquarters for the Caribbean, as this is where this assistance is most needed.

18. She said that the Consultation would also put the spotlight on the impact of regional trade agreements, specifically with regard to the EPA between the European Union and the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM). She informed that ECLAC had been providing assistance to the Caribbean members of the CARIFORUM in their negotiations and discussions with the EU, and in this regard, hoped that the consultation would be useful.

19. She further elaborated that the Consultation was occurring in a context of the emergence of “mega” trade agreements, some of which were developed outside of the multilateral trading system led by the World Trade Organization. In this respect, she noted that small countries, like those in the Caribbean, ran the risk of being marginalized if special attention was not paid to their inclusion in international negotiations.

20. She advised that the Consultation should therefore also be seen as an opportunity for Member States to think of how trade can best be used as a mechanism to achieve equitable development.

21. The Executive Secretary also raised the issue of regional integration, stating that she looked forward to the Consultation’s presenters providing insight into the challenges and opportunities of regional integration, especially between the Caribbean and Latin America. She highlighted the fact that ECLAC will present a document on this topic during the thirty-fifth session of ECLAC which focuses on the best approach to advancing the integration process.

2. Presentations by ECLAC subregional headquarters for the Caribbean

22. The Economic Affairs Officer of ECLAC subregional headquarters for the Caribbean made a presentation entitled Trade, Integration and Development Nexus: The Caribbean context, in which he provided an overview of the trade performance of the Caribbean, the CARIFORUM-EU Economic Partnership Agreement and emerging development priorities for the Caribbean. He intimated that the changing global landscape, evolution of the world economy and precarious economic and fiscal circumstances of many Caribbean economies necessitates a reshaping of the current regional model for delivering sustainable development.

23. He pointed to the spiralling number of regional trade agreements, as groups of economies attempt to generate demand-pull to boost exports; exploit opportunities for joint production and tap into global and regional value chains. An important feature of most of these regional trade agreements has been the dominance of intraregional trade, particularly the Association of Southeast Asian Nations (25 per cent), the North American Free Trade Agreement (50 per cent) and the European Union (60 per cent), whilst intra-CARICOM trade stands at 12 per cent.

24. He indicated that exports of Caribbean economies are precariously built on a narrow range of goods, many of which are primary products. In fact, the Caribbean economies export less products than the SIDS average and are even more concentrated than South American economies. He further elaborated that the region’s export concentration in a few commodities but also in a few major markets, particularly the United States of America, the European Union and Canada where the region’s exports benefit from preferential arrangements, with domestic market being the third largest. He indicated that intraregional trade, within the Caribbean subregion, has been shrinking over time and market concentration increasing; and of the CARICOM six bilateral trade agreements, only the EU and Venezuela trade agreements have demonstrated an increasing rate of utilization.

25. He advised the meeting that CARICOM competitiveness has also been declining steadily over the past decade. Moreover, the numbers of products for which CARICOM has comparative advantage has decreased across major trading partners. He also advised that the subregion’s trade complementarity with its major trading partners (the United States of America, the European Union and Canada) was relatively low, while Central America, Latin America and Asia appears to be the Caribbean’s natural trading partners. He intimated that the problem the subregion now faces is developing a coherent strategy for reversing these trends and building regional production systems and export structures which are competitive and non-reliant on preferences.

26. He also provided a brief overview of the CARIFORUM-EU Economic Partnership Agreement and initial insight into the major conclusions emanating from a study done by ECLAC reviewing the impact of the CARIFORUM EPA. He said that the study revealed that the implementation of commitments under the EPA was uneven across CARIFORUM member States; CARICOM was losing market share for commodities where EU demand was trending upwards; the EU has a larger spillover effect on the Dominican Republic when compared to CARICOM countries; and the EPA is expected to generate overall net negative welfare to CARIFORUM.

27. He suggested that the emerging development priorities for the Caribbean lay in building production and trade capacity (goods); diversifying and increasing efficiency in the services sector; and fostering private sector development.

28. The Coordinator of the Economic Development Unit of ECLAC subregional headquarters for the Caribbean explored alternative ways to optimise the benefits of regional integration. The major themes examined included the emerging trade environment, regional economic performance, the regional integration agenda and missing elements in the integration experience. He suggested that global demands for sustainable production and consumption could favour small island developing States, whose focus have been sustainable development.

29. He also indicated that regional integration through the single market has stalled and as such, the logical response was engaging in smart industrial policy i.e. economic restructuring based on production integration and cooperation. He also pointed to the asymmetric economic performance of CARICOM goods (i.e. Belize, Guyana, Suriname and Trinidad and Tobago) vis a vis services economies during the post global financial crisis, with the former buoyed by higher international commodity prices.

30. He indicated that generally real per capita gross domestic product has been declining in the CARICOM services producers and trending upwards in the economies of the goods producers. In addition, net official development assistance receipts have been declining for both goods and services producers in the region. He also explored the composition of export services and technology intensity goods exports within CARICOM, highlighting the dominance in travel services and the increasing intensity of primary products respectively.

31. He intimated that in an attempt to reverse the subregion's economic fortunes, a new agenda for regional integration should be set which seeks to engage Latin America and the wider Caribbean in an attempt to create the broadest regional space for production the region. He further stated that the private sector has to be invited into the process in order to encourage the widest engagement and alluded to the need for financing, highlighting the PetroCaribe initiative and suggesting the possibility of the Caribbean Development Bank issuing bonds.

32. He suggested that the critical elements missing from the agenda for integration, which are central to lowering the cost of backbone services, include regional public goods such as renewable energy (hydroelectric and thermal); services (financial services, knowledge management and information and communication technologies; customs and trade facilitation); and private sector development (through strategies, including building intellectual capacity, to attract foreign direct investment at the higher end of the product spectrum given that the region has been attracting investment at the lower end, for example in mining).

3. Commentaries by Caribbean trade experts

33. Commentaries were provided by two Caribbean trade experts: the Head of the EPA Implementation Unit in the Ministry of Foreign Affairs and Foreign Trade of Barbados and the Chairman of the West Indies Rum and Spirits Producers' Association (WIRSPA). The experts were invited to provide both institutional and private sector perspectives respectively, on the role of trade agreements in fostering economic growth and sustainable development in Caribbean economies.

34. The Head of the EPA Implementation Unit, Ministry of Foreign Affairs and Foreign Trade of Barbados, provided a case study of the Caribbean's approach to trade negotiations, focusing on the CARIFORUM-EU Economic Partnership Agreement. He indicated that asymmetry usually enters the picture when trade negotiations involve two parties of vastly different economic size and economic strength. He also provided a brief background with respect to the rationale for negotiating the agreement and a few observations on negotiating principles; an overview the principal EPA provisions; the major challenges facing the region with respect to EPA implementation; and provided suggestions on the way forward.

35. He recalled that the decision to negotiate an EPA with the EU was due to a realization that trade preferences, particularly commodity protocols, faced an uncertain future and that CARIFORUM countries needed to become more competitive and export oriented. He intimated that with the reform of the EU Common Agricultural Policy in the late 1990s, it was clear that sugar, banana and rice exports for which the Caribbean enjoyed preferential access to the EU market would soon experience a diminution of trade preferences.

36. He further indicated that the subregion had agreed to negotiate a comprehensive EPA since the other options on offer such as the European Union's generalized system of preferences (GSP) and GSP Plus schemes were not attractive since they would not have provided CARIFORUM countries with the level of market access and development cooperation support available under the EPA.

37. He indicated that the EPA sought to foster sustainable development and structural transformation in CARIFORUM economies as well as facilitate their integration into the multilateral trading system. He said that the need for the EPA to be a tool for development; an asymmetric approach with respect to market access for goods and services, respect for CARIFORUM regional integration process; and phased CARIFORUM tariff liberalization were key principles which CARIFORUM ought to have reflected in the agreement.

38. He suggested that EPA implementation in CARIFORUM has been beset by, *inter alia*, inadequate resources given the fiscal challenges faced by many economies, the limited amount of Aid for Trade resources made available to CARIFORUM member States since the signing of the EPA and an inability thus far to communicate effectively to the private sector how to take advantage of the market access opportunities that the agreement provides. He also said that the absence of appropriate sanitary and phytosanitary regimes had constrained food (chicken, fish and dairy products) exports from some CARIFORUM countries to the EU under the EPA.

39. The Chairman of the West Indies Rum and Spirits Producers' Association (WIRSPA) informed the meeting that in the region, 100,000 jobs are related to the rum industry in the ACP (African, Caribbean and Pacific) Caribbean, with 10,000 direct employees. He also said that the Caribbean has little manufacturing; however 70 per cent of the rum produced is exported. He also reported that the rum industry earns approximately US\$ 500 million per annum in foreign exchange and tax revenues total around US\$ 250 million.

40. He informed that the membership in WIRSPA has expanded over the years to include all the rum producing countries of the ACP Caribbean with the exception of Cuba. He opined that WIRSPA is a perfect example of a competitive rivals successfully collaborating for the mutual benefit of both large and small members; is truly representative of the ACP Caribbean and is arguably a role model for regional integration.

41. He indicated that WIRSPA has a formal memorandum of understanding with the French Overseas Department rum industry and engages in dialogue with spirits producers' organizations worldwide. He also noted that WIRSPA supports trade which is free but fair and collaborates with ACP Caribbean countries to promote favourable market access to the traditional markets of Canada, the EU and the United States of America. In this context, WIRSPA was actively involved in the EPA negotiations. He also informed that ACP Caribbean countries recognize the Association as the voice of the regional rum industry.

42. The Chairman also indicated that WIRSPA collaborates with the competent authorities in the development of or revision of technical standards and often convenes seminars on various aspects of rum production.

4. Discussion

43. The meeting discussed the importance of expediting the full free intraregional movement of Caribbean people to boost the flow of talent, entrepreneurs and creative persons across the region; as well as have a positive impact on trade, development and regional integration. It was suggested that an examination of the approaches adopted by, as well as the experiences of the Andean Pact and Pacific Alliance in respect of facilitating free movement, may provide interesting policy ideas and practical approaches to moving the region forward in this area.

44. The view was expressed that prevailing public finance constraints served to exacerbate existing production and trade challenges. This was manifest in high public debt and debt servicing costs that limit the ability of a number of governments to undertake much needed infrastructure, institutional and social welfare spending. It was felt that the sharp decline in overseas development assistance due to the graduation of vulnerable Caribbean SIDS from concessional financing based on the middle income status has further exacerbated the situation.

45. It was also advanced that the region should seek to tackle head-on bottlenecks in transportation, energy efficiency, education and training and health. It was also suggested that sufficient attention be paid to modernizing the business environment and to facilitating private sector development, as given in the subregion's relatively poor scores on the ease of doing business. In this regard, it was suggested that the diaspora must be seen as an alternative source of investment, bearing in mind it is equally rational as the mainstream financial sector.

46. The meeting also felt that it is critical that the CARICOM implementation gap in respect of trade agreements should be urgently addressed.

5. Closing of the meeting

47. The Minister of State in the Ministry of Foreign Affairs and Foreign Trade of Jamaica closed the meeting. He thanked all the participants for their involvement in the Caribbean Consultation. He also underscored the fact that although Caribbean SIDS are confronted with severe challenges, there are also opportunities which need to be maximized, even as the countries work to mitigate the challenges.

Annex I**LIST OF PARTICIPANTS****A. Member States****ANTIGUA AND BARBUDA**Representative:

- Ashaki Goodwin, Research Officer, Department of Trade, Industry and Commerce, Ministry of Finance, the Economy and Public Administration

BAHAMASRepresentative:

- Tiska Francis, First Secretary, Permanent Mission of the Bahamas to the United Nations

BARBADOSRepresentative:

- Ambassador Errol Humphrey, Head, EPA Implementation Unit, Ministry of Foreign Affairs and Foreign Trade, Barbados

CUBADelegation member:

- Ramiro de León Torras, Specialist, Directorate for Latin America and the Caribbean, Ministry of Foreign Trade and Foreign Investment

GUYANARepresentative:

- Hon. Carolyn Rodrigues-Birkett, Minister of Foreign Affairs

Delegation member:

- Charlene Phoenix, Head of CARICOM Unit, Ministry of Foreign Affairs

JAMAICARepresentative:

- Hon. Arnaldo Brown, Minister of State, Ministry of Foreign Affairs and Foreign Trade

Delegation member:

- Lisa Bryan Smart, Assistant Director, Economic Affairs, Ministry of Foreign Affairs and Foreign Trade

SAINT LUCIARepresentative:

- Embert St. Juste, Director of Research and Policy, Ministry of Finance, Economic Affairs, Planning and Social Security

SURINAMERepresentative:

- Raymond Landveld, Counsellor, Permanent Mission to the United Nations

Delegation member:

- Gladys Abdoelsaboer, Acting Head, Multilateral Affairs Division, Ministry of Foreign Affairs

TRINIDAD AND TOBAGO

Representative:

- Lavaughn Pritchard, Senior International Relations Specialist, Ministry of Foreign Affairs

Delegation member:

- Candice Lackhansingh, Programme Coordinator, Ministry of Trade, Industry, Investment and Communications

B. Presenters

- Ambassador Errol Humphrey, Head, EPA Implementation Unit, Ministry of Foreign Affairs and Foreign Trade, Barbados
- Frank Ward, Chairman, West Indies Rum and Spirits Producers' Association

C. Secretariat

Economic Commission for Latin America and the Caribbean (ECLAC)

- Alicia Bárcena, Executive Secretary

ECLAC subregional headquarters for the Caribbean

- Diane Quarless, Director
- Dillon Alleyne, Deputy Director (a.i.), Coordinator, Economic Development Unit
- Sheldon McLean, Economic Affairs Officer, Economic Development Unit

Annex II**PROGRAMME**

- 1430 hrs - 1530 hrs Opening remarks by Alicia Bárcena, Executive Secretary, Economic Commission for Latin America and the Caribbean (ECLAC)
- Presentation on trade negotiations for a revitalized Caribbean regional integration agenda by Sheldon McLean, ECLAC subregional headquarters for the Caribbean
- Presentation on finding new ways to optimize the benefits of regional integration by Dillon Alleyne, ECLAC subregional headquarters for the Caribbean
- 1530hrs - 1545 hrs **Coffee break**
- 1545hrs - 1700 hrs Commentary by Ambassador Errol Humphrey, Head of the Economic Partnership Agreement Implementation Unit, Ministry of Foreign Affairs and Foreign Trade
- Commentary by Dr. Frank Ward, Chairman, West Indies Rum and Spirits Producers' Association
- Discussion
- Closing remarks by Diane Quarless, Chief, ECLAC subregional headquarters for the Caribbean