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

Expert group meeting to discuss
assessment of the performance
of CARICOM extraregional trade agreements
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**REPORT OF THE EXPERT GROUP MEETING TO DISCUSS
ASSESSMENT OF THE PERFORMANCE OF CARICOM
EXTRAREGIONAL TRADE AGREEMENTS**

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A. ATTENDANCE AND ORGANIZATION OF WORK

1. Place and date

1. The Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean convened an expert group meeting to discuss the paper entitled “Assessment of the performance of CARICOM extraregional trade agreements”. The meeting was held at the ECLAC office in Port of Spain, Trinidad.

2. Attendance

2. Consultations were held via video and teleconference. Representatives from the Caribbean Community Secretariat (CARICOM), the Organization of Eastern Caribbean States (OECS), the Ministry of International Trade of Saint Kitts and Nevis and the Ministry of Foreign Affairs and Foreign Trade of Barbados participated remotely. The representatives from the Ministry of Trade, Industry and Investment of Trinidad and Tobago joined ECLAC staff in the office of the Subregional headquarters.

B. OUTLINE OF PROCEEDINGS

1. Opening of the meeting

3. Welcome and opening remarks were made by the Economic Affairs Officer of ECLAC subregional headquarters for the Caribbean. The Officer informed the meeting that the paper under consideration was an integral part of a mosaic of technical work undertaken by ECLAC in the area of trade and economic integration. He also indicated that this would be the first of a series of planned expert group meetings to review technical studies, occasional papers and policy briefs in the areas of trade, integration and development prepared by the Economic Development Unit of ECLAC subregional headquarters for the Caribbean. He expressed the hope that in examining the paper assessing the performance of the subregion’s bilateral trade agreements, the expert group meeting would make concrete recommendations for improving the document and seek to identify possible areas for further study.

2. Presentation of methodology

4. The Economic Affairs Officer gave a brief presentation of the paper to be discussed, providing an overview of the background for the paper, the methodology used as well as the findings. The presentation discussed the key elements of the trade performance of CARICOM bilateral trade agreements, and the factors accounting for the region’s poor trade performance. He also provided policy prescriptions and recommendations on the way forward.

5. More specifically he informed the meeting that in an effort to strengthen economic integration with non-traditional partners, CARICOM has signed partial scope trade agreements¹ with Venezuela (1992), Colombia (1994) and Cuba (2000). Such agreements offer subregional exporters preferential access to markets beyond that of CARICOM, provide broadened consumer choice and wider investment opportunities for subregional firms. Free trade agreements were also concluded with the Dominican Republic (1998) and Costa Rica (2004). However, CARICOM exports to these countries have not

¹ A Free trade agreement is contractual arrangement between two or more countries under which they provide each other with preferential market access, usually referred to as free trade. In practice these agreements tend to allow for time-bound exceptions to cover sensitive products. A Partial Scope Agreement is a trade agreement which covers some traded sectors only.

improved significantly and the subregion's trade balances with the aforementioned bilateral trading partners have persistently deteriorated. The Economic Affairs Officer also indicated that of the six countries with which the subregion has formal trading arrangements in place, CARICOM has generated trade surpluses with only Cuba. Further, utilization rates have been contracted for the agreements with Colombia, Costa Rica, Cuba and the Dominican Republic.

6. The meeting was also informed that the subregion's exports to the developing countries with which it has trade agreements in force are dominated by a narrow range of products, with Trinidad and Tobago being the leading exporter. This suggests that the CARICOM countries have been unable to transform their production systems in order to take advantage of the market access opportunities provided by these trade arrangements. Accordingly, even though CARICOM has negotiated trade agreements with the primary objective of increasing the region's exports, the preliminary evidence suggests that there has been limited success thus far.

7. The Economic Affairs Officer suggested that the inability of subregional economies to penetrate markets even where free or preferential trade agreements govern bilateral trade may be attributable to several factors, including factors relating to the nature of comparative advantage and trade complementarities between CARICOM countries and their trading partners. An additional factor may be the existence of other structural gaps which may impede trade flows.

8. He also indicated that taken on balance, the Caribbean Community's performance under its formal trade arrangements with other developing economies clearly suggests that for trade to become a vehicle of growth and development for the subregion, countries of the Caribbean Community need to urgently address structural rigidities and transform production systems, including improving the business environment, since it is firms that will ultimately trade.

3. Recommendations

9. The general consensus among participants was that further development of the paper was necessary to make meaningful policy prescriptions. The expert from Barbados emphasized that there were a number of assertions made that required more in depth examination. He indicated that the revealed comparative advantage (RCA) analysis was limited in its use, as a number of the products with high RCA values had little room for growth in tourism-based economies. Participants queried whether the products for which there was a comparative advantage were the same across countries, since this would point to possible areas for export diversification in individual member states, as well as guide efforts towards the regionalization of production and development of regional value-chains. He also made the point that a country's development policy should inform its trade policy rather than the other way around, as was posited in the paper.

10. The expert from Barbados suggested that the subregion's real comparative advantage lay in the services sector. Experts from CARICOM and Trinidad and Tobago concurred and encouraged greater focus on the services sector. However, the expert from Trinidad and Tobago noted that many trade agreements excluded services trade in which Caribbean countries have a comparative advantage. The Economic Affairs Officer pointed out that data for services trade are difficult to source but efforts will be made to incorporate such information. Representatives also pointed out that the study failed to discuss the rules of origin governing the Caribbean Forum of African, Caribbean and Pacific States-European Union trade under the Economic Partnership Agreement (EPA). In addition, he also noted that the agricultural industry's ability to export was not discussed and the definition of food security used was inaccurate.

11. An extension of the data series to at least ten years was recommended by the expert from Barbados to establish a trend to better identify the region's limited success with trade agreements. This was corroborated by one of the experts from CARICOM, who added that an extended data series was necessary since many of the trade agreements assessed were signed in the 1990s. He also pointed out that the use of utilization rates may be misleading since most of the subregion's trade agreements are Partial Scope Agreements. As such, in order to ensure accuracy, care should be taken to ensure that only exports covered under the respective Agreements are captured in the calculations. Other underlying issues identified as requiring further discussion to determine their impact on trade in the region were regulations, ease of doing business, legal issues limiting effective trade and bilateral agreements. The Permanent Secretary in the Ministry of International Trade of Saint Kitts and Nevis indicated that more information about market intelligence, transport and logistics costs should have been presented in the report. In addition, he felt that information on the impact of the European Union's stringent sanitary and phytosanitary requirements standards for seafood should be included. The Director of the CARICOM-EPA Implementation Unit then commented that operational issues needed to be taken into account in addition to economic issues. The representative from the OECS emphasized the lack of information on the non-tariff barriers employed by the European Union. He also expressed the view that more primary research could have been undertaken in the member countries to determine their export capacity and supply-side impediments.

12. An interest was expressed by one of the experts from CARICOM in exploring the extent to which petroleum and petroleum products were covered by the subregion's trade agreements. The expert from Trinidad and Tobago suggested that care should be taken in the treatment of energy exports from such countries as Trinidad and Tobago due to the enormous impact on the subregion's trade statistics.

13. Participants identified a number of challenges that limited the region's success with implementing trade agreements. These included geographic dispersion of CARICOM member States and its effect on the emerging terms of trade. The stringent trade regulations among Latin American countries were highlighted as a challenge to entering these markets. The expert from Saint Kitts and Nevis expressed a desire for less focus on economic analysis and more focus on operational issues of trade in the Caribbean. An example provided is the poor financing terms of trade in the subregion which leads to lengthy processing periods for international payments. It was strongly recommended that the CARICOM study titled "Identification and assessment of the underlying reasons affecting CARICOM trade performance under existing bilateral trade agreements with Colombia, Costa Rica, Cuba, the Dominican Republic and Venezuela" be referenced for a deeper discussion on operational challenges faced by Caribbean exporters. This suggestion was echoed by the CARICOM expert.

14. Areas identified as requiring further discussion in the paper included a study of logistics and cost of trading and trade limitations due to business culture and language. The expert from Trinidad and Tobago also suggested that the paper address air transport given its great impact on tourism. The expert from Saint Kitts and Nevis noted that within the subregion much trade occurs outside of free trade areas and in many instances is influenced by the existence of unilateral preferences, quality standards, transportation linkages and peculiar niche markets forged by the private sector. For example, Saint Kitts and Nevis primarily exports to the United States of America, a country with which it has no bilateral trade agreement.

4. Closing remarks

15. The Economic Affairs Officer thanked all meeting participants and advised that ECLAC will revise the document in line with their recommendations. He noted that the views of the experts would be solicited as the document is revised and improved.

Annex I**LIST OF PARTICIPANTS**

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Annex II

AGENDA

1. Welcome remarks
2. Overview and methodology of the EU-CARIFORUM EPA assessment study
3. Plenary discussion on presentation and study
4. Findings and recommendations of the study
5. Plenary discussion on presentation of findings and recommendations
6. Summary and the way forward
7. Closure of the meeting