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**THE CARIFORUM-EU
ECONOMIC PARTNERSHIP AGREEMENT (EPA):
AN ASSESSMENT OF ISSUES RELATING TO MARKET
ACCESS, SAFEGUARDS AND IMPLICATIONS FOR
REGIONAL INTEGRATION**

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THE CARIFORUM-EU ECONOMIC PARTNERSHIP AGREEMENT (EPA): AN ASSESSMENT OF ISSUES RELATING TO MARKET ACCESS, SAFEGUARDS AND IMPLICATIONS FOR REGIONAL INTEGRATION

Introduction

The recent collapse of the Doha round once again underscores the tenuous nature of international trade negotiations. Likewise, the Economic Partnership Agreement (EPA) between the CARIFORUM grouping and the European Union (EU) has generated a great deal of discussion and debate over the past several months. What has clearly emerged is the existence of two diametrically opposed views on the impact and usefulness of the agreement. One view has it that the EPA is a major breakthrough in trade relations that will greatly benefit the region. On the other hand, some see it as being detrimental to the region and perhaps a total capitulation to the EU on the part of the CARIFORUM. They assert that it is part of a global EU strategy to impose World Trade Organization (WTO) policies on developing nations and get around the Doha obstacles. Both sides in this debate attempt to back up their views with reference to the text of the agreement.

The objective of this review is to shed some light on the issues driving this debate particularly in the areas of market access, the impact on tariff revenues, and the implications for regional integration. This review also attempts to clarify and distill some of the main contentious issues regarding the EPA and to inform further discussion regarding an implementation plan. The approach is based on detailed study of the EPA text and its annexes plus extensive interviews with some of the main negotiators on the CARIFORUM side. Interviews were conducted both in person and via the Internet as many of the regional negotiators live or work outside of the region. The reviewer also attended presentations and discussions with some of the leading regional critics of the agreement.

I. THE EPA IN CONTEXT

The EU-CARIFORUM EPA is just one of many such agreements that have recently been, or are in the process of being, concluded around the world. The EU itself is involved in EPA negotiations with several countries or group of countries in Africa, the Pacific and South America. In particular, the EPAs between the EU and African, Caribbean and Pacific (ACP) countries are directed at introducing non-reciprocal trade relationships between these States that are compatible with WTO guidelines. As Gonzales (2003) noted Article 37.7, Cotonou Agreement - that EPAs are to be “in conformity with WTO rules then prevailing”¹. According to Article 36.1 of the Cotonou Agreement, the ACP and the EU agree “to conclude new World Trade Organization (WTO) compatible trading arrangements”. Most CARIFORUM States are already members of the WTO, which binds them to a fair degree of liberalization. This is an important fact that seems to be overlooked at the starting point of many of the ongoing debates surrounding the agreement. Nevertheless, due to the historical/colonial links, and the significant

¹ Gonzales, A.P. (2003). “Issues and Options in the Negotiation of ACP-EU Economic Partnership Agreements”, presented at the Association of Caribbean Economists Professional Training Institute, October 26th p. 2.

income gap between the EU and ACP countries, it is expected that the former should seek to enhance the development of the latter, in addition to maintaining many of the privileges negotiated under previous arrangements like the Lomé and Cotonou. This, perhaps, explains the deep feeling that the EPA must have a strong development component for it to be a worthwhile agreement for the region.

The EPA was negotiated in a very dynamic period for the global economy. Since the process began around 2002, there have been drastic changes in international economic conditions. The emergence of China as a major economic power, the exploding price of oil, the crisis of high international food prices, and the economic woes emanating from the sub-prime meltdown in the United States economy, have all combined to perhaps permanently shift the balance of power in the world economy. The strong and uncompromising position taken by China and India vis-à-vis the United States and the EU in the Doha debacle testifies to these new realities.

One of the initial questions regarding the agreement is why did the region sign a full EPA rather than an interim agreement like the African States or pursue some other path. The most definitive answer available comes from the Vice-Dean of the CARIFORUM College of EPA negotiators who argued that this was done for four reasons²:

(a) The need to avoid trade disruptions and tariff impositions in the EU if the December 31st deadline was not met;

(b) The negotiators saw trade in goods as the main stumbling block to an overall agreement and upon seeing a breakthrough in this area decided to go for the whole package;

(c) The package included not only trade in goods but development cooperation, trade in services, and trade-related issues, so therefore leverage gained in one area could have been utilized in another; and

(d) To avoid the prospect of the EU negotiating EPAs with individual CARIFORUM States and thereby undermining regional solidarity.

On the first point, preliminary estimates suggested that CARIFORUM stood to lose as much as US\$300 million annually in tariffs paid to the EU if there was a de facto resort to the Generalized System of Preferences (GSP). That is, in the event that an EPA was not concluded. More specifically, the impact on the region's major exports to the EU would not have been trivial.

² Humphrey, Errol (2008) "CARIFORUM EPA Negotiations: Initial Reflections on the Outcome" Presentation to a DG Trade-organized workshop on the CARIFORUM-EC EPA, Brussels - 13 February.

Based on 2004 trade data, the following potential revenue impacts were estimated by the Caribbean Regional Negotiating Machinery (CRNM)³:

- (a) Cane sugar exporters would face tariffs between 33.9€100kg (for refining) and 41.9 €100kg (other), resulting in some \$202 million in tariff levy;
- (b) Banana exporters would face a tariff of 176€1000 kg, resulting in some \$64 million in tariff levy;
- (c) Alumina exporters would face a 4% tariff, resulting in some \$11 million in tariff levy;
- (d) Rice exporters would face a tariff of 42.5€1000 kg, resulting in some \$7 million in tariff levy;
- (e) Textile exporters would face tariffs between 4.5% and 11.9%, resulting in some \$3.1 million in tariff levy;
- (f) Methanol exporters would face a 2% tariff, resulting in some \$2.3 million in tariff levy;
- (g) Rum exporters would face a mixed tariff comprised of 0.6€ by percentage volume/hl and 3.2€hl;
- (h) Crustacean (lobsters, prawn) exporters would face tariffs between 4.2% and 4.3%, resulting in some \$1.8 million in tariff levy; and
- (i) Grapefruit juice exporters would face an 8.5% tariff, resulting in some \$700,000 in tariff levy.

In reality, there tends to be a divergence between stated tariffs; therefore the above may be overestimates of losses. Nevertheless, the potential losses cannot be easily dismissed. Obviously, a detailed study using more current data will be necessary to arrive at a clearer picture.

The CARIFORUM negotiators also saw the inclusion of so-called “Singapore” issues as being in the region’s best interest since attracting investment in the services sector was one of its main objectives in most previously concluded trade and investment agreements. Also, the last point is crucial since the EU had been funding studies on EPAs between itself and individual CARIFORUM States over the past four years. This is often overlooked in today’s ongoing debate. So it was quite possible, for example, that Trinidad and Tobago may have signed an EPA with the EU without the rest of the region. Given recent developments with several countries expressing an unwillingness to sign, this might once again become a real possibility.

³ CRNM (2008) “The Potential Impact of Losing Cotonou Preferences: A Preliminary Analysis for the Caribbean”, mimeo, p.2.

However, in deciding to initial a full EPA without the rest of the ACP States, the CARIFORUM exposed itself to charges that it broke developing country solidarity and its actions can lead to an undermining of “South-South” trade. This is particularly pin-pointed by the inclusion in the agreement of the now controversial Most-Favored-Nation (MFN) clause. This requires, for example, that any more favorable deals that CARIFORUM gives to larger developing countries will have to be extended to the EU⁴. Brazil, in particular, has come out strongly against this clause in the EPA. However, it must be noted that larger countries such as Brazil have not historically supported the aspirations of smaller Caribbean Community (CARICOM) States and that the same MFN argument applies equally to the EU. Also, the clause has no impact on intraregional preferences and future deals made with smaller developing countries. In the final analysis, the exact scope and impact of the MFN clause will most likely be decided in dispute resolution discussions at the level of the WTO. It is already proving to be perhaps the most controversial aspect of the EPA. While it may not turn out to be the fatal flaw that some have suggested, the potential problems of the MFN clause cannot be ignored.

II. ISSUES OF LIBERALIZATION AND MARKET ACCESS IN GOODS

The EPA is a comprehensive agreement that includes not only trade issues but “all areas relevant to trade”. A primary objective was to move away from non-reciprocal preferences to a system of reciprocity in keeping with WTO guidelines. Therefore, the agreement entails the liberalization of close to 90% of all trade between the parties. This complies with what the WTO regards as substantially all trade (SAT). This process is to occur on a phased basis over a period of 25 years. However, critics of the agreement argue that the unimpeded access of the EU to CARIFORUM markets will be detrimental to the region. They also assert that any possible developmental content of the agreement will be undermined by this and abandonment of the principle of asymmetry. Very often, however, the critics do not adequately explain the exact channels through which the negative effects will flow. There tends to be more of an assumption that open markets will automatically lead to a flood of EU goods. Basic trade patterns, shipping costs and price competitiveness of EU products may suggest that this may not necessarily occur. It is critical therefore to get a clear understanding as to the key issues regarding the extent of the liberalization and their implications.

⁴ See Gonzales, A.P.(2008) “Review of CARIFORUM-EU EPA - WTO Compatibility” for more detailed discussion on this issue.

A. THE LIBERALIZATION SCHEDULE FOR GOODS

The full extent of the CARIFORUM market liberalization will not be realized until 2033, at which time there would have been 86.9% import liberalization on EU products. On the other hand, custom duties in the EU “*shall be entirely eliminated on all products of Chapters 1 to 97 of the Harmonized System, except those of Chapter 93 thereof, originating in a CARIFORUM State upon the entry into force of this Agreement*”⁵. This indicates a measure of asymmetry in the agreement. However, it should be noted that the volume of CARIFORUM imports of goods from the EU is generally far greater than the EU imports from CARIFORUM (see table 1). Furthermore, it is argued that most ACP countries enjoyed 97% market access to the EU already, therefore, this is not a significant concession. The gains from this may also be short-lived as the EU concludes EPAs with more competitive developing countries. Nevertheless, the proposed liberalization schedule for CARIFORUM States is roughly as follows:

Table 1: CARIFORUM Tariff Liberalization Schedule

CARIFORUM-EC Trade			
CARIFORUM Exports to EU	US\$1.38 billion		
CARIFORUM Imports from EU	US\$2.45 billion		
of which:			
	% Imports from EU	% Total Trade	% Tariff Lines
Liberalized at application (2008)	52.8%	70.0%	3.0%
Liberalized within 5 yrs (1.1.2013)	56.0%	72.0%	17.1%
Liberalized within 10 yrs (1.1.2018)	61.1%	75.3%	63.4%
Liberalized within 15 yrs (1.1.2023)	82.7%	89.3%	84.7%
Liberalized within 20 yrs (1.1.2028)	84.6%	90.5%	88.4%
Liberalized within EPA (1.1.2033)	86.9%	92.0%	90.2%
Excluded from EPA	13.1%	8%	9.8%

Source: CARICOM Secretariat (2008)

The liberalization is to include all goods that are not covered by the exclusions list, at least, until any further negotiations. This exclusions list comprises “*mainly agricultural and processed agricultural products, including meat and fishery products; beverages and tobacco; some chemicals, paints, soaps, apparel; iron and steel products; furniture, mattresses and other industrial products*”. Table 2 uses examples from the liberalization schedule and the exclusions list to illustrate the basic structure of the liberalization. Items such as car imports from the EU will be liberalized on a phased basis over 10 years for most CARIFORUM States.

⁵ See Annex 2, p. 1.

Table 2: The Structure of Liberalized Versus Excluded Goods

Examples of Goods to be Fully Liberalized	Examples of Excluded Goods
Live animals for breeding	Eggs, Chickens (fowl)
Human Hair (worked or un-worked)	Peas, Beans, Potatoes
Fertilizers	Rice, Sugar
Medicines	Cooking and edible Oils
Mushrooms	Pasta
Cars	Chocolate
Assorted Capital goods	Many Milk and Milk products
Essential Oils and Perfumery	Frozen Meats and Fish
Salt (assorted forms)	Some Textiles (DR, Haiti)
Chemicals	Certain Iron and steel products

Source: Liberalization Schedule and Exclusions List (www.crn.org)

The liberalized products are those such that CARIFORUM has no particular comparative advantage in and is very unlikely to develop one in the near future. This seems a fair conclusion since any such products would have been covered by the exclusions list. As Table 2 also suggests, the liberalization schedule emphasizes capital and intermediate goods, as well as superfluous goods such as mushrooms and human hair. The liberalization schedule also indicates that the special interest concerns of individual CARIFORUM States were taken into account. The Bahamas, for example, phases out its fairly high tariff rates over the first eight years of the agreement, while Trinidad and Tobago immediately frees up almost all goods not on the exclusion list. Jamaica also initially maintains, but phases out, its high tariff rate on Portland cement over 10 years, presumably to protect jobs. Most peas, beans, and many vegetables that go into industry and form part of the staple of CARIFORUM diets have been liberalized. This perhaps reflects concerns about rising food prices.

Generally, there has been an overall decline in the total value of CARICOM imports from the EU over the period 2004 to 2006 (see annex I, table 3). Even though the data shows that Barbados, Jamaica, Guyana and Suriname all had small increases in imports from the EU this was not sufficient to compensate for the significant drop in imports from the largest trading nation in the group, Trinidad and Tobago. That country's imports from the EU fell by almost 40%, from US\$1.1 billion to US\$689 million over the three-year period 2004-2006 (see annex I, table 2). On the export side, the region as a whole is showing increasing exports to the EU. The MDCs have all shown small increases in the value of exports to the EU over the period. However, the data is once again skewed by Trinidad and Tobago which experienced a more than 500% increase in the value of its exports to the EU over the corresponding period. One can clearly see why that country has been the main advocate for signing the agreement.

In comparison to other international trade agreements, the long phase-in period of this liberalization seems to be on the generous side. Also, it is not usual in trading agreements to have one partner exclude more than 10% of its imports. As Scollay and Grynberg (2005, p.4)⁶ found, "if the analysis is restricted to the elimination of tariffs, and if no restriction is placed on

⁶ Scollay and Grynberg (2005, p.4) "Substantially all trade": which definitions are fulfilled in practice? an empirical investigation", A Report for the Commonwealth Secretariat, August 15th.

the length of the transition period within which liberalisation must be accomplished, only two cases were found where a party to the agreement excluded from full tariff elimination more than 10% of imports from its partner”.

A careful review of the liberalization schedule reveals development intentions in its design. Even from the subset of goods identified in table 2 a picture emerges. Goods that feed into the production process are to be fully liberalized to a far greater extent than final or basic consumer goods. Examples of these are medicines and fertilizers. Also, goods that are produced in any significant quantity by regional firms are placed on the exclusions list. Rice, eggs, and pasta are examples of these. Other than that, regional firms are given periods of up to 7 to 10 years to become competitive. During this time any competing CARIFORUM industry or firm is expected to have improved its level of efficiency and become internationally competitive.

There is also the zero-for-zero aspect of the agreement in which the EU is supposed to eliminate subsidies on products that CARIFORUM States liberalize. This is non-reciprocal for the CARIFORUM as long as the subsidies are within WTO rules. Further, CARIFORUM exports are exempted from the use of multilateral safeguards as can be applied generally under WTO rules.

In spite of all this, critics of the EPA claim that the EU should not have insisted on reciprocal market access and should only have requested the bare minimum to comply with WTO requirements.

B. RULES OF ORIGIN

One of the important benefits of the EPA over the existing Cotonou Agreement for ACP States is improved rules of origin. The basic requirement is that a product must not contain more than 15% to 30% of its final value or “ex-works” price from another State for it to receive preferential access. Caveats often apply, however. This is so particularly when it comes to “cumulation”. Cumulation is a deviation from basic rules of origin which promotes and enhances trade among free trade partners. Basic origin rules specify that only products entirely produced in one country, using only materials from that country, or products which have been treated in a regulated way in that country, can be regarded as originating products. These products are eligible to benefit from preferential treatment under the EPA. In other words, this creates the potential for the CARIFORUM region to extract more value-added as goods can be further processed within before final export to the EU.

Some of the salient features of the new rules of origin negotiated in the EPA are that:

- (a) CARIFORUM secured cumulation involving all the ACP States (and not just CARIFORUM States);
- (b) CARIFORUM also secured cumulation involving neighboring developing States (i.e. the list in Cotonou and, in addition, Mexico⁷);

⁷ See ANNEX VIII to Protocol I and Title I Article 5

- (c) In the rules applicable to specific products, there were relaxations agreed on some items of interest to CARIFORUM including biscuits and garments;
- (d) Almost all requests for relaxation of rules on specific products were agreed;
- (e) The arrangements for certification and verification in Cotonou have been maintained; and
- (f) The provisions dealing with derogation have been streamlined. This is one case of asymmetry - only CARIFORUM States may seek derogation.

On the other hand, CARIFORUM did not seek asymmetrical rules, on the grounds that these would have been administratively complex and in any event would not have hindered access to CARIFORUM markets by the more developed EU exporters. It would have also made cumulation difficult to secure. The EU's initial negotiating position was that they would move away from the rules structured under the Cotonou agreement. CARIFORUM succeeded in turning them away from this position.

C. NON-CUMULATION IN SUGAR-RELATED PRODUCTS

One area of concern for some CARIFORUM countries is that the agreement allows for non-cumulation in a number of sugar products. Annex X to Protocol 1 contains a list of such products that until 2015 any sugar contained in them would have to be wholly owned in the originating country. This can be reviewed within three years and products not listed will not be subjected to non-cumulation. Nevertheless, this appears to be a clear attempt at limiting the amount of sugar products entering the EU from CARIFORUM States. Furthermore, the EU can be accused of deliberately trying to suppress value added processes within the region. Such actions can be interpreted as maintaining the status quo in the region as primary producers. Trinidad and Tobago has voiced particular concerns about this issue as some of its confectionary exports will be affected.

D. TECHNICAL BARRIERS TO TRADE

According to the United Nations Conference on Trade and Development (UNCTAD) (2005, p.13⁸) “standards for quality, health and safety are increasingly a precondition for competing in international markets and has become a major factor constraining the ability of many exporters in LDCs from benefiting fully from preferential access initiatives”. This highlights the fact that market access to the EU does not guarantee market entry. This is due to the fact that the EU is well-known for making use of Technical Barriers to Trade (TBTs). In particular, the EU market can be notoriously difficult to penetrate because of these and other Non-Tariff Barriers (NTBs)⁹. Perhaps of even greater importance for ACP countries is the use of Sanitary and Phyto-Sanitary (SPS) Measures. The historical battle between Europe and the United States over the latter's beef exports is an excellent example of this. Developing

⁸ United Nations Conference on Trade and Development (UNCTAD) (2005) “Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers”, TD/B/COM.1/EM.27/2, 23 June.

⁹ A listing of common NTBs is presented in Annex 1, Annex I

countries have also been hit hard by SPSs in the EU. For example, “in 2002, Europe imposed new minimum standards for aflatoxins that went beyond international recommendations. This move had minimal estimated health benefits for European consumers (reducing the incidence of death by two people in a billion), but reduced African exports of cereals and dried fruits and nuts by half “(OXFAM, 2008, p. 13, also see Doherty, 2004).

The EU-CARIFORUM EPA contains very vague and non-committal language concerning NTBs and SPSs. Both parties agree to adhere to WTO guidelines; thus provisions of the agreement on SPS Measures and TBTs were reaffirmed. As a result of this, the Special and Differential Treatment (SDT) “provisions contained therein would apply. Further, the Parties agree to cooperate in international standard setting bodies, including by facilitating the participation by representatives of the CARIFORUM States in the meetings and the work of these bodies”. This implies that the EU will provide financial and logistical support for CARIFORUM members to attend training sessions and to raise the scientific level at which CARIFORUM exporters operate so as to be able to conform to EU requirements. This will of course require a significant upgrading of the production processes in the region which will take some time. So the benefits of this are not likely to accrue in the short-run.

III. SAFEGUARDS AND THE PROTECTION OF DOMESTIC SECTORS

A. SAFEGUARD ISSUES IN THE EPA

As is the case with any major trade liberalization agreement, concerns have been raised about the potential negative impact of surges of imports on domestic producers and the balance-of-payments. The main mechanism for achieving protection for CARIFORUM States is in the use and application of the safeguard clause of the agreement. In fact, this has been one the major issues raised by opponents of the EPA. For example, Oxfam (2008) asserts that the safeguard clause is weaker than that proposed under the Special Safeguard Mechanism of the WTO.

The CRNM asserts, however, that the EPA contains some of the most pro-development provisions on safeguards ever negotiated in a trade agreement and is therefore to the benefit of the CARIFORUM States. Based on a brief comparison of similar agreements, this appears to be true. This does not mean, however, that these promised benefits will materialize in practice.

Trade agreements normally incorporate the concept of preferential safeguards which allow the Parties to take action to address the adverse consequences of increased liberalization in an easier manner than that available under the multilateral trade regime (WTO). In the WTO, the trigger for safeguards is increased imports leading to serious injury. Further, such safeguards must be adopted on an MFN basis meaning that the measures must be imposed against all imports from all sources.

Moreover, by virtue of the fact that EPAs generally have higher liberalization content than normal Free Trade Agreements (FTAs), the issue of safeguards takes on greater

significance. Also, from a development perspective, these should be more numerous and have a fair degree of flexibility.

The EU-CARIFORUM agreement maintains the trigger of serious injury based on WTO guidelines. However, there are also more flexible triggers of "disturbances in a sector of the economy" and "disturbances in the markets of like or directly competitive agricultural products or in the mechanisms regulating those markets." Furthermore, CARIFORUM States can adopt safeguards where there is a threat of injury to infant industries. This is supposed to be a pro-development provision in the agreement.

Oxfam (2008) and others have been very critical of the "infant industry" clause as conceded by the EU in some of the EPAs. They argue that it only applies to already existing firms and therefore defeats its own purpose. Furthermore the "stand still" clause which freezes tariffs at no more than current levels inhibits the flexibility that developing countries have in adjusting to sudden import disruptions. The clause does have a specified time limit of 10 years after which it will not be an option for the CARIFORUM. While the EU-CARIFORUM agreement mentions no such limitation in terms of the infant industry clause only applying to existing industries, there is the problem of "zero-binding" (i.e., for any good which a CARIFORUM State currently applies a zero rate for imports from the EU, that State cannot impose a non-zero rate in the future).

Also, the agreement does not contain an express transitional safeguard mechanism which, briefly put, is a mechanism whereby safeguards can be imposed for a limited time without any proof of injury, so as to offset the immediate adverse effects of trade liberalization. However, this is not necessarily a weakness in the EPA as the flexible safeguard triggers already described were meant to compensate for the absence of a transitional safeguard regime. The EPA also provides a consultation mechanism allowing for the Parties to resolve any issues which might arise without the need to impose safeguards.

Paragraph 10 of Article 25 on safeguards further states that: "*Safeguard measures adopted under the provisions of this Article shall not be subject to WTO Dispute Settlement provisions*". This allows for a dichotomy in the safeguards regimes, meaning that whilst issues relating to global safeguards will continue to be governed by the WTO regime, issues of wholly bilateral trade will be governed by the preferential safeguard regime. It is not characteristic of FTAs to provide that the FTA partners will be excluded from the scope of a global safeguard measure owing to the perceived need to comply with the non-discrimination provisions of the WTO Agreement on Safeguards. In other words, the EU-CARIFORUM safeguards are supposed to be independent of the general WTO safeguards. It can be further argued that the EPA does provide for time limited exclusion for CARIFORUM States from the scope of an EU global safeguard measure. This exclusion is premised on developmental grounds and is, as expressed, unprecedented in scope. Finally, the possibility for CARIFORUM States to adopt safeguard measures will run throughout the life of the Agreement.

B. DEALING WITH DISPLACEMENT AND SOCIAL FALL-OUT

In order to minimize social fallout, the CRNM asserts that each CARIFORUM country “undertook stakeholder consultations and determined very carefully what its sensitive products and sectors are, taking into account revenue, production, employment, food security, livelihoods, rural development and environmental and other concerns¹⁰”. Therefore all CARIFORUM States had an input into the compiling of the exclusions list. Any product that was seen or proposed to be under direct threat from the liberalization was to be included on the exclusions list.

However, the possibility of negative fallout from floods of EU exports cannot be ignored. The primary way in which this is to be addressed in the EPA is through the provision of European Development Fund (EDF) funding. For example, the EU claims that it has committed €680 million to support traditional sensitive products of the region, which include rum, sugar and bananas. EU commissioner Louis Michel further asserted that “the sugar sector will receive a total of €350 million for the period 2007-2010 and this assistance will be extended during the period 2010-2013”¹¹. He added that there would also be increased funding in the 10th EDF and that the Caribbean region was to first benefit from the decision to allocate resources to issues relating to the EPA. Critics have argued, however, that these are just promises with no real binding commitment or specific timelines for disbursement of funds. This indeed appears to be the case. On the other hand, the question must be raised as to how realistic an expectation is this? Can the EU ever be expected to bind itself to disburse funds at pre-determined dates?

IV. ISSUES RELATING TO FISCAL IMPLICATIONS

A. REVENUE IMPLICATIONS

The fiscal impact of any trade liberalization agreement has been an ongoing concern, especially in the smaller CARICOM States which tend to have a higher dependence on trade taxes. The available evidence suggests, however, that there will not be a significant loss of tariff revenue for the CARICOM region. Only in the cases of Guyana and Suriname would the projected loss of revenue be above 1% of overall government revenues over the period of liberalization (see table 3). This is so for several reasons, as Silva (2008) notes:

- (a) No CARICOM State apart from Suriname imports more than 15% of their total imports from European Union sources;
- (b) Most of the products sensitive for revenue purposes are protected under the EPA;
and
- (c) Trading patterns within the region have seen a historical shift away from Europe towards sources in Asia and the Western Hemisphere¹².

¹⁰ See CRNM (2008) “Fact versus Fiction 1”, (www.crnmm.org)

¹¹ See CRNM Press Release 228/2007, 5th October 2007.

¹² Silva, S. (2008) “Impact of the Economic Partnership Agreement on Tax Systems in CARICOM”

He further emphasizes that the trend of CARIFORUM imports away from Europe is most likely to continue. This may indeed be the case especially given the increased economic power of China and India as mentioned above. Europe is indeed a relatively high-cost producer for most goods. Also, the persistent strength of the Euro works as a deterrent to EU exports, particularly for CARIFORUM States currently operating largely in a dollar zone. In other words, not because the CARIFORUM markets are more open now to EU products means that this will automatically lead to a surge in imports to the region. Furthermore, the agreement excludes most goods in which trade diversion is likely to occur and/or where the EC maintains export or domestic subsidy programmes.

Table 3: Loss of Import Duty Revenue on EU Imports
(US\$ using 2002-4 averages)

	<i>Annual Loss of Import Duties by Liberalization Phase</i> (cumulative)					<i>Annual Loss as Share of Current Gov't Revenue</i>
	2013	2018	2023	2028	2033	
Antigua & Barbuda	73,963	131,423	573,282	586,309	695,317	0.4%
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Barbados	702,574	2,743,169	15,396,111	16,188,607	16,961,023	1.8%
Belize	26,260	110,921	485,825	504,110	556,911	0.3%
Dominica	15,826	46,323	235,826	257,976	272,159	0.3%
Grenada	53,547	125,302	584,769	630,657	674,468	0.6%
Guyana	523,280	1,432,733	3,726,726	4,038,462	4,201,193	2.9%
Haiti	13	60,122	303,284	381,439	603,998	0.1%
Jamaica	40,791	175,358	7,976,852	8,211,928	8,697,666	0.6%
St Kitts & Nevis	12,714	40,696	333,088	341,631	380,062	0.3%
St Lucia	4551	78,109	1,400,674	1,448,679	1,611,681	0.5%
St Vincent & Grenadines	25,175	77,109	338,330	359,571	397,595	0.3%
Suriname	860,421	2,997,264	9,483,000	10,658,242	11,677,797	2.5%
Trinidad & Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: CRNM estimates based on data provided by CARICOM Member States

B. FISCAL CHANGES

While the EPA deals exclusively with trade-related taxes and does not address direct/internal taxes unless they are applied in a discriminatory manner, there are still important challenges for small CARIFORUM States as they move away from border taxes to more indirect taxes. The challenge for fiscal policy is to develop and implement revenue neutral and Pareto optimal changes in the tax structure. For example, a shift from border to consumption taxes that leaves customers no worse off than before is likely to achieve this objective. Many CARIFORUM States have introduced various forms of consumption tax as they became less reliant on trade/import revenue. The agreement's main way of dealing with this issue is by providing for EU funding to support fiscal reforms. Safeguards and the "infant industry" clauses can also be used to foster new industries. Furthermore, the chapters relating to

investment and computer services are supposed to help introduce new areas of business development and add to fiscal revenue.

V. ISSUES RELATING TO SERVICES

The services sector is critical to the CARIFORUM region. It is the largest income earner and generates the most employment, especially for CARICOM States of the Organisation of Eastern Caribbean States (OECS) grouping. The Caribbean region is also the only ACP region that is a net exporter of services. Agreements on services, therefore, are of added significance to the region. Key areas of concern are tourism, investment and entertainment services. These are perhaps the only potential growth areas for many of the region's economies.

The CARIFORUM-EU agreement has some far-reaching and important elements in this regard that must be noted:

(a) The EU liberalizes 90% of its services sectors. This applies almost across the board in Mode 1 (cross border) and Mode 2 (consumption abroad);

(b) In Mode 4 (movement of natural persons), the EU grants access in 29 sectors, allowing stays of up to six months per calendar year;

(c) It is the first time such access is granted by the EU in any trade agreement with an external party; and

(d) The commitment on entertainment services is also the first of its kind granted by the EU and can be a major growth opportunity for the region (highlighted in table 4 below).

The movement of natural persons will be subject to Economic Needs Tests (ENTs) and in some cases, certification requirements. In fact, critics point to these as serious flaws in the agreement as they present crucial barriers to the movement of professionals, especially in the field of entertainment. These concerns should perhaps be tempered by the fact that these are new concessions by the Europeans. Some might argue they also may, in fact, be a significant improvement over the lack of any form of redress that prevails today.

Table 4: Important Services Sectors liberalized in the CARIFORUM-EU Agreement

The main sectors that most CARIFORUM States have liberalized in the EPA are:	Entertainment services Liberalized by the EU:
<ul style="list-style-type: none"> - Accounting, auditing and bookkeeping Services - Architecture - Engineering - Computer and related Services - Research and development - Management consulting - Services incidental to manufacturing - Related scientific and technical consultant services - Telecommunications - Convention services - Courier services - Environmental services - Hospital services - Tourism and travel-related services - Entertainment services - Maritime transport 	<p>96191 Theatrical producer, singer group, band and orchestra entertainment services</p> <p>96192 Services provided by authors, composers, sculptors, entertainers & other individual artists</p> <p>96193 Ancillary theatrical services n.e.c.</p> <p>96194 Circus, amusement park and similar attraction services</p> <p>96195 Ballroom, discotheque and dance instructor services</p> <p>96199 Other entertainment services n.e.c.</p>

Source: www.crn.org

As noted in table 2, the CARIFORUM region mainly liberalizes 29 key sectors. These are areas such as research and development (R&D) and engineering, in which the region hopes to attract foreign direct investment (FDI) flows. Also these sectors were chosen toward enhancing competition and developing new services industries. The larger CARIFORUM economies (or More Developed Countries - MDCs) are expected to open up about 75% of their services sectors while the smaller economies (Less Developed Countries - LDCs) will open roughly about 65%. Just as in the case of goods, these sectors will be liberalized over a period of 25 years so that adjustment in sensitive areas can take place.

On a more general note, some have questioned not only the services dimension in the EPA but also the inclusion of such elements as competition policy, intellectual property rights, and a wide range of other areas. However, given the importance of these issues to the region, a decision was taken to address them in the EPA in a manner that other ACP countries may not necessarily follow. For example, on the issue of competition policy, this is seen as necessary to protect domestic tourism services suppliers from potentially unfair practices by larger and more organized EU firms.

Nevertheless, there remain several areas of concern regarding certain aspects of the services chapter in the EPA. These include, for example, potential conflict between obligations by governments to universal access and compliance with liberalization commitments. The South Centre has argued that what the EPA has done is to guarantee European services suppliers access to CARIFORUM markets without certainty regarding concomitant obligations on universal access. They further conclude that the “limitations on universal service in the EPAs put to test not only a government’s right to regulate, but also the policy objectives it seeks to pursue”¹³.

¹³ South Centre (2008, p.21) The EU- CARIFORUM EPA On Services, Investments, and E Commerce- Implications for Other ACP Countries”, *Analytical Note*, SC/AN/TDP/EPA/18

Furthermore, Mangeni (2008, p. 24) argues that “The right of the government to regulate FDI should be explicitly recognised in the objectives on investment”. He also maintains that objectives of regulation could include, among others, the advancement of human, cultural, social, economic, health and environmental welfare for present and future generations. As a precaution to other ACP countries concluding EPAs with the EU, he emphasises that “Clear exceptions should include, for instance, a specific balance-of-payments safeguard to the provisions requiring liberalization of the capital and the current accounts and for adverse developments such as financial crises. There could also be specific exceptions for measures for the eradication of rural poverty, for rural modernisation and for universal access to basic services”. While the CARIFORUM-EU EPA contains certain safeguards to deal with the issues raised here, it is clear, that a further in-depth review of the specific implications of these issues is needed. Such review will no doubt take place during the implementation phase as many of the practical problems arise.

VI. IMPLICATIONS FOR REGIONAL INTEGRATION

A. THE EPA AND REGIONAL INTEGRATION

Within the first few pages of the EPA, the importance of regional integration is asserted on two occasions: (a) as one of its objectives (Article 1, Paragraph d) of “*promoting regional integration, economic cooperation and good governance thus establishing and implementing an effective, predictable and transparent regulatory framework for trade and investment between the Parties and in the CARIFORUM region*”; and (b) in (Article 4, Paragraph 4) which states that: “*without prejudice to the commitments undertaken in this Agreement, the pace and content of regional integration is a matter to be determined exclusively by the CARIFORUM States in the exercise of their sovereignty and given their current and future political ambitions*”.

In spite of this, some have argued that within the agreement there is “No scope for open regionalism” and that the region is locked into an EPA development path.¹⁴ They further claim that the EPA undermines efforts towards establishing the CARICOM Single Market and Economy (CSME). Girvan has argued that the CSME as a work in progress for “regional integration for engagement with globalization, has been superseded by the CARIFORUM-EC EPA”. He further emphasizes that the agreement “imposes a wider scheme of regional integration in which CARICOM member States, along with the Dominican Republic, are incorporated into a European economic zone with free movement of goods, services, and capital; and with common policies and regulatory regimes in these areas as well as in competition, intellectual property and public procurement”¹⁵.

While the nexus between the EPA and CSME may become murky in terms of implementation, there is a clear conceptual difference between the two. In fact, the CARIFORUM negotiators of the EPA appear to see it as building on and enhancing the provisions of the CSME. For example, the EPA commitments on SPS/TBT which call for the

¹⁴ See C.Y. Thomas (2008) *Trinidad Express*, June 11.

¹⁵ Girvan, N. (2008) “Caribbean Integration and Global Europe: Implications of the EPA for the CSME”, available at (www.normangirvan.info)

development and application of region-wide policies are based on the CSME. The EPA seeks to advance the CSME process by locking in Caribbean-wide harmonized regional policies throughout the entire Agreement, for example, the issue of free circulation. The EPA provision on free circulation states that the EU will benefit from Caribbean policies after a transitional period in which the benefits accrue solely to the region.

Additionally, Article 238, Paragraph 1, states that “*Nothing in this Agreement shall oblige a Party to extend to the other Party of this Agreement any more favorable treatment which is applied within each of the Parties as part of its respective regional integration process*”. This unambiguously clears the way for a built-in agenda on CSME measures, including free circulation. It should be noted that although the CSME was promulgated in 1989, there is still no CSME regime on free circulation.

In addition, there could not have been any forward movement on market access in Government Procurement because there is no such policy framework within CARICOM. Furthermore, on the issue of safeguards, there are no perceived implications for the integrity of the CSME. The EPA safeguard regimes will only be applicable in the context of trade between the EC and the CARIFORUM States. It has no implications for the manner in which intra-CARIFORUM trade is regulated.

Conceptually, the CSME must represent a much deeper level of integration than what can come about simply due to implementation of the EPA. Perhaps, more controversially, it is possible that the EPA may act as a catalyst to governments in the region to implement policies that they already agreed to in regional treaties relating to economic integration. The reference recently to CARICOM as a “ramshackle” organization by a sitting Prime Minister underscores the need for action.

B. THE MDC/LDC DISTINCTION WITHIN CARICOM

Within CARICOM, the distinction between MDCs and LDCs is still taken seriously and there is some concern that there may be a loss of this dichotomy within the EPA. The agreement therefore attempted to address the issue in a number of ways. First, “LDCs enjoy on average twice as much protection as the MDCs, in that the share of their imports that is excluded from liberalization is 30%, whereas this figure is 15% for the MDCs. The corresponding figure for the Dominican Republic is 5%. It should be noted as well that CARIFORUM exempted from tariff liberalization all items currently on the Revised Treaty of Chaguaramas Article 164 list of products, which addresses the promotion of the industrial development of CARICOM-designated LDCs”. Second, with respect to the liberalization of services, where the sectoral coverage for LDCs is 65%, this is less than the 75% sectoral coverage granted by MDCs.

Furthermore, Article 17 of the EPA allows for the CARICOM-designated LDCs and Guyana to re-calibrate their tariff schedules. This provision was imported from Article 164 of the revised Treaty of Chaguaramas and is aimed at facilitating the industrial development of the smaller CARICOM states. Finally, the EPA regional preference clause is consistent with Article 8 of the revised Treaty of Chaguaramas.

Based on the above discussion, it is clear that any movement toward implementing the EPA can be complementary to the CSME process. The leadership within the region will have to iron out the specifics as to which institutions and organizations will take charge of particular aspects of the implementation process. This must be done carefully given the capacity constraints in the region. Furthermore, given the lack of progress within CARICOM toward fulfilling obligations of the CSME, it will be interesting to see the speed at which EPA provisions are acted upon. The fact that the region will be bounded by the treaty may provide the leaders with a way out in terms of implementing unpopular decisions at home.

VII. THE GOVERNANCE STRUCTURE OF THE AGREEMENT

The EPA is expected to be implemented based on a governance structure that is fairly common in such agreements. There is the Joint CARIFORUM-EC Council at the top then there is the CARIFORUM-EC Trade and Development Committee where most of any arising disputes will be addressed. Two other committees have also been set up to address various aspects of the agreement. The structure from top to bottom is:

- The Joint CARIFORUM - EC Council
- The CARIFORUM-EC Trade and Development Committee
- The CARIFORUM-EC Parliamentary Committee
- The CARIFORUM-EC Consultative Committee

While final authority rests with the Joint CARIFORUM - EC Council, the “workhorse” for implementation of the agreement is expected to be the Trade and Development Committee. It will be responsible for supervising and monitoring implementation of the agreement, in addition to making recommendations to avoid disputes, and for setting priorities for cooperation. Norman Girvan and others have raised serious concerns that the structure superimposes itself on the one which governs the establishment of the CSME and is too heavily biased in favor of the EU. In fact, Girvan (2008, p.29) concludes that “Its governance and dispute settlement provisions endow the EPA with stronger implementation, monitoring and enforcement machinery than that provided for the CSME”¹⁶. Girvan makes two additional points that can be potentially problematic: one, “it appears that EPA governance will have a degree of effective supranational authority that is absent from CARICOM governance”, and two, “CSME implementation is likely to be a casualty of EPA implementation. CSME implementation measures are not legally binding, whereas EPA implementation obligations are”.

It is clear, however, that the CRNM sees no necessary EPA-CSME conflict in the manner by which Girvan asserts. In fact, it seems that they were fully aware of the implications and saw no problem at all. As the Vice Dean of its College of Negotiators concluded “We hope that the EPA’s support for and compatibility with our regional integration project will inject much-needed resources and a heightened dynamism into the CARIFORUM-designed and prioritized regional integration effort”. In effect, it appears to be a deliberate attempt to push the regional

¹⁶ Girvan (2008, p.29)

integration movement to a higher level via the EPA. However, even though the goals may be compatible, there still remain issues of articulation that must be clarified. There has to be a regional consensus at the highest level as to the exact relationship between the EPA and the CSME entities. For example, will the CARICOM Secretariat, along with a representative from the Dominican Republic, comprise the EPA's Trade and Development Committee or will the members come from elsewhere?

In terms of the make-up of the various entities of the EPA, the text is somewhat vague in terms of the number of members on each committee. CARIFORUM must speak as one voice on matters that they agreed upon to act collectively. What is clear is that the agreement contains rules for alternating chairmanships between the two parties on an annual basis. Also, provisions are made for independent mediation when disputes cannot be resolved within the committees. These mediators must not be citizens of the EU or CARIFORUM countries. These are fairly standard arrangements in international agreements and in themselves should not be major causes for concern.

VIII. SUMMARY AND RECOMMENDATIONS

The implementation of the CARIFORUM-EU economic partnership agreement will pose some challenges for the region. Many of these challenges are not new especially since most CARIFORUM States are already members of the WTO and have otherwise committed themselves to a process of trade liberalization. This is one context of which the EPA must be kept in mind when trying to access its merits. It involves a high degree of liberalization on the part of CARICOM States in both goods and services over an extended period of time. Also, smaller States will have to shift away to more indirect taxes rather than tariffs. The example of Mauritius is cited as a case in which this was successfully done, and can be emulated.

CARIFORUM States will have to significantly improve their production processes and technical know-how in order to fully take advantage of the greater access to EU markets. Some improvement in the rules of origin may also serve to boost exports to the EU for certain products.

There are numerous clauses in the agreement that can be used in order to safeguard domestic producers and labour. The challenge will be to insist that these be invoked in cases of injury to the domestic market, or social dislocation brought about by surges in imports.

On the other hand, there are those who firmly believe that the agreement does not go far enough. For example, to support regional integration, the EPA provisions should not only stop at references to regional integration, but should systematically aim to attract FDI into the East African Community (EAC) region in line with the priorities of the region (Mangeni, 2008, p. 23).¹⁷ There also could be a strengthening of the dispute settlement facility by insisting that all matters be resolved internally, not just those relating to safeguards.

¹⁷ Mangeni, F. (2008, p.23) "Cariforum EPA and beyond: Recommendations for negotiations on Services and Trade related Issues in EPAs", Study commissioned by GTZ on behalf of the German Federal Ministry of Economic Cooperation and Development(BMZ), Germany.

Additionally, there are some major issues that need further study and can prove to be problematic during the implementation phase, these include:

- (a) The exact implications of the MFN clause;
- (b) The capacity of the region to react quickly to prevent injury and implement safeguards;
- (c) The non-cumulation in sugar related products;
- (d) The shift to non-tariff revenue sources, especially in the LDCs;
- (e) The precise make-up and power relations within the various EPA committees and CARICOM bodies; and
- (f) The articulation between the relevant EPA committee and the CARICOM/CARIFORUM Secretariat.

In the end, the relative bargaining power of each party will probably ebb and flow over the life of the agreement. The EU with its greater size and level of resources will always have a natural advantage. The question then is how can the CARIFORUM group really maximize its benefits in this context of unequal power? Some see an imperfect agreement with lock-in benefits as being good enough while others steadfastly believe in holding out for more.

Annex I**TABLE 1: Commonly Used Non-Tariff Trade Barriers¹⁸****1.1. Voluntary Industry Standards and Government Regulations**

Technical standards and regulations, in particular:

- product standards;
- technical specifications and requirements;
- country of origin requirements;
- product safety requirements;

Other standards and regulations such as those concerning:

- human health;
- animal and plant life and health;
- consumer safety;

Conformity assessment procedures;

- labelling requirements, for example concerning contents;
- accreditation of laboratories;
- packaging;

Certification requirements.

1.2. Insufficient Protection of Intellectual Property

- | | |
|--------------|-------------------------------|
| - patents; | - business and trade secrets; |
| - designs; | - trade marks; |
| - copyright; | - unfair competition. |

1.3. Measures on Consumer Protection

- regulation of product liability;
- labeling and marking requirements.

1.4. Non-Transparent Rules

- import and customs procedures;
- import licensing.

1.5. Restrictions on Services Based

- requirements on the establishment of a business;
- rules on the granting of visas;
- exchange and money transfers;
- restrictions on foreign personnel.

1.6. Protectionist Policies

¹⁸ Vahrenwald A. (2002) "Non-Tariff Barriers to Trade (in Particular Standards, Technical Regulations and Conformity Assessment), Policies of China and the EU", see (www.vahrenwald.com)

- government procurement regulations and discriminatory government procurement practices;
 - domestic production subsidies;
 - limitations on joint venture ownership;
 - discriminatory government procurement practices;
 - state-sponsored monopolies;
 - import quotas and import bans;
 - voluntary export restraints (VERs)
 - customs valuation procedures;
 - subsidies on exports or certain industries
- 1.7. Measures Aiming at a Balancing of Economic Interests
- countervailing duties;
 - anti-dumping measures;
 - boycotts

Table 2: Value of Domestic Exports to the EU by CARICOM countries: 2004 - 2006

	US\$000		
CARICOM COUNTRIES	2004	2005	2006
CARICOM	987,065	893,925	2,037,357
MDCs	865,044	799,290	1,933,982
BARBADOS	36,275	40,549	38,717
GUYANA	183,173	208,307	196,641
JAMAICA	424,534	343,443	476,305
SURINAME	*	*	*
TRINIDAD & TOBAGO	221,063	206,991	1,222,319
LDCs	122,021	94,636	103,375
BELIZE	60,686	55,667	84,357
OECS	61,335	38,968	19,018
ANTIGUA & BARBUDA	*	103	*
DOMINICA	7,422	6,869	7,622
GRENADA	10,127	5,378	1,878
MONTserrat	0	0	-
ST. KITTS & NEVIS	9,673	60	121
SAINT LUCIA	22,052	16,014	*
ST. VINCENT & GRENADINES	12,060	10,544	9,397

Source: CARICOM Secretariat (2008)

www.caricomstats.org/Files/Databases/Trade/eXCEL%20FILES/CC_EU.htm

Key: - means Nil; * means not available

Table 3: Value of Imports from the EU by CARICOM Countries: 2004 – 2006

	US\$000		
CARICOM COUNTRIES	2004	2005	2006
CARICOM	2,079,906	1,821,804	1,934,573
MDCs	1,859,210	1,542,321	1,701,057
BARBADOS	195,852	210,390	220,140
GUYANA	54,359	66,752	84,649
JAMAICA	314,078	340,529	466,526
SURINAME	177,560	249,736	240,302
TRINIDAD & TOBAGO	1,117,361	674,916	689,440
LDCs	220,696	279,482	233,517
BELIZE	25,540	30,723	42,458
OECS	195,156	248,760	191,059
ANTIGUA & BARBUDA	*	59,326	*
DOMINICA	19,512	21,026	19,264
GRENADA	30,706	46,422	37,553
MONTSERRAT	4,678	3,183	2,379
ST. KITTS & NEVIS	18,547	19,756	17,913
SAINT LUCIA	85,572	63,251	77,411
ST. VINCENT & GRENADINES	36,140	35,795	36,539

Source: (www.caricomstats.org/Files/Databases/Trade/eXCEL%20FILES/CC_EU.htm)

Key: -means Nil; * means not available

Annex II**Articles Relevant to the Governing Structure of the EPA****Article 227****Joint CARIFORUM-EC Council**

1. A Joint CARIFORUM-EC Council is hereby established, which shall supervise the implementation of this Agreement. The Joint CARIFORUM-EC Council shall meet at ministerial level at regular intervals, not exceeding a period of two years, and extraordinarily whenever circumstances so require, if the Parties so agree.
2. Without prejudice to the functions of the Council of Ministers as defined in Article 15 of the Cotonou Agreement, the Joint CARIFORUM-EC Council shall generally be responsible for the operation and implementation of this Agreement and shall monitor the fulfillment of its objectives. It shall also examine any major issue arising within the framework of this Agreement, as well as any other bilateral, multilateral or international question of common interest and affecting trade between the Parties.
3. The Joint CARIFORUM-EC Council shall also examine proposals and recommendations from the Parties for the review of this Agreement

Article 228**Composition and rules of procedures**

1. The Joint CARIFORUM-EC Council shall be composed, on the one hand, of the members of the Council of the European Union and members of the European Commission, and, on the other hand, of the representatives of the Governments of the Signatory CARIFORUM States.
2. The CARIFORUM States shall mandate one of their representatives to act on their behalf on all matters under this Agreement for which they have agreed to act collectively.
3. The Joint CARIFORUM-EC Council shall establish its own rules of procedure.
4. The Joint CARIFORUM-EC Council shall be chaired in turn by a Member of the European Commission and by a CARIFORUM representative, in accordance with the provisions laid down in its rules of procedure. The Joint CARIFORUM-EC Council shall provide periodic reports on the operation of this Agreement to the Council of Ministers established in accordance with Article 15 of the Cotonou Agreement.
5. Members of the Joint CARIFORUM-EC Council may arrange to be represented, in accordance with the conditions laid down in its rules of procedure.

*Article 229***Decision-making powers and procedures**

1. In order to attain the objectives of this Agreement, the Joint CARIFORUM-EC Council shall have the power to take decisions in respect of all matters covered by the Agreement.
2. The decisions taken shall be binding on the Parties and the Signatory CARIFORUM States, which shall take all the measures necessary to implement them in accordance with each Party's and Signatory CARIFORUM State's internal rules
3. The Joint CARIFORUM-EC Council may also make appropriate recommendations.
4. For the matters for which Signatory CARIFORUM States agree to act collectively the Joint CARIFORUM-EC Council shall adopt decisions and recommendations by mutual agreement between the Parties. For the matters for which Signatory CARIFORUM States have not agreed to act collectively, adoption of any decision shall require the agreement of the Signatory CARIFORUM State or States concerned.

*Article 230***CARIFORUM-EC Trade and Development Committee**

1. The Joint CARIFORUM-EC Council shall be assisted in the performance of its duties by a CARIFORUM-EC Trade and Development Committee composed of representatives of the Parties, normally at senior officials' level. The CARIFORUM States shall mandate one of their representatives to act on their behalf on all matters under this Agreement for which they have agreed to act collectively. Any Party or Signatory CARIFORUM State may bring to the attention of the Committee any issue related to the application of the Agreement or the attainment of its objectives.
2. The Joint CARIFORUM-EC Council shall establish the rules of procedure of the CARIFORUM-EC Trade and Development Committee. The CARIFORUM-EC Trade and Development Committee shall be chaired alternately by a representative of each of the Parties for a period of one year. It shall report annually to the Joint CARIFORUM-EC Council
3. The CARIFORUM-EC Trade and Development Committee shall have, in particular, the following functions:
 - (a) In the area of trade:
 - (i) to supervise and be responsible for the implementation and proper application of the provisions of the Agreement and to discuss and recommend cooperation priorities in this regard;

(ii) to oversee the further elaboration of the provisions of this Agreement and evaluate the results obtained in its application;

(iii) to undertake action to avoid disputes and to resolve disputes that may arise regarding the interpretation or application of the Agreement, in accordance with the provisions of Part III;

(iv) to assist the Joint CARIFORUM-EC Council in the performance of its functions;

(v) to monitor the development of regional integration and of economic and trade relations between the Parties;

(vi) to monitor and assess the impact of the implementation of this Agreement on the sustainable development of the (vii) to discuss and undertake actions that may facilitate trade, investment and business opportunities between the Parties; and

(viii) to discuss any matters pertaining to this Agreement and any issue liable to affect the attainment of its objectives.

(b) In the area of development:

(i) to assist the Joint CARIFORUM-EC Council in the performance of its functions regarding development cooperation related matters falling under this Agreement;

(ii) to monitor the implementation of the cooperation provisions laid down in this Agreement and to coordinate such action with third party donors;

(iii) to make recommendations on trade-related cooperation between the Parties;

(iv) to keep under periodic review the cooperation priorities set out in this Agreement, and to make recommendations on the inclusion of new priorities, as appropriate; and

(v) to review and discuss cooperation issues pertaining to regional integration and implementation of this Agreement.

4. In the performance of its functions, the CARIFORUM-EC Trade and Development Committee may:

(a) set up and oversee any special committees or bodies to deal with matters falling within its competence, and determine their composition and duties, and their rules of procedure;

(b) meet at any time agreed by the Parties;

(c) consider any issues under this Agreement and take appropriate action in the exercise of its functions; and

(d) take decisions or make recommendations in the cases provided for in this Agreement or where such implementing power has been delegated to it by the Joint CARIFORUM-EC Council. In such cases the Committee shall take decisions or make recommendations in accordance with the conditions laid down in Article 229(4).

5. The CARIFORUM-EC Trade and Development Committee shall generally meet once a year for an overall review of the implementation of this Agreement, on a date and with an agenda agreed in advance by the Parties, in the EC Party one year and in a CARIFORUM State the next. The Committee shall hold specific working sessions to perform the functions provided for in paragraph 3(a) and (b).

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