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INCORPORATION OF SPECIAL AND DIFFERENTIAL TREATMENT IN INTERNATIONAL TRADE AGREEMENTS AND THE IMPLICATIONS FOR CARIBBEAN ECONOMIES

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Executive summary

The provision for special and differential treatment favoring developing economies in multilateral trade agreements recognizes that countries compete on an unequal footing.

Special and differential treatment can be traced to early development theories and to the reports of the preparatory committee for the formation of the International Trade Organization (ITO).

The General Agreement on Tariffs and Trade (GATT, 1947) addressed developing countries' needs for an asymmetrical treatment in international trade relations. Later on, the incorporation of Annex IV to the GATT (1964) provided for the first time a legal framework that could be used to address developing countries' concerns over trade liberalization and economic integration. The Tokyo Round (1973-1979) introduced, in its enabling clause, the specific term "special and differential treatment."

The following round of trade negotiations, the Uruguay Round, changed the conception of special and differential treatment by focusing the discussion on the "treatment" these countries should be granted in order to become part of the international order. The Marrakech Declaration (1994) which created the World Trade Organization (WTO) recognized that special and differential treatment is an integral part of the World Trade Organization. The modalities for special and differential treatment in the WTO agreement include: (i) provisions to increase trade opportunities through greater market access; (ii) provisions to safeguard the interests of developing economies; and (iii) provisions to increase the flexibility and the extension of developing economies to comply with trade commitments. More recently, the Doha Ministerial Declaration (9-14 November 2001), which opens the way for a new trade negotiations round, reaffirmed the need for special and differential treatment and stated that its provisions must be revised to make them more precise, effective and operational.

This document analyzes special and differential treatment from the perspective of different trade agreements. These include both intraregional and extraregional trade agreements as well as market access preference schemes, such as the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP). It then provides an empirical estimation of the impact of special and differential treatment for Caribbean economies. The results indicate a lack of correspondence between the export structure of Caribbean economies shaped, partly, by special and differential provisions and the productive potential of Caribbean economies.

More to the point, special and differential treatment has not been associated with increasing market share, higher export growth, or with a greater diversification of the export base. As it stands, it has reinforced and perhaps determined a pattern of trade flows that does not correspond to the changes actually occurring in the production sphere. This pattern of trade flows is characterized by reliance on natural resource exports and low labor costs.

On the basis of the previous analyses the document delineates the foundations for a meaningful approach to special and differential treatment and discusses appropriate special and differential provisions for smaller economies. This last set of provisions could form the basis for a special and differential framework for the Free Trade of the Americas Agreement.

Introduction

There has been a long-standing unresolved debate among economists on whether free trade promotes growth in developing countries (Theberge, 1968; Helleiner, 1972, Deraniyagala and Fine, 2001), and if not, what measures must be put in place to provide appropriate treatment for developing countries. Those who see a positive relationship between free trade and growth, essentially, are of the view that long-run efficiency gains from global trade liberalization promote growth by ensuring a more efficient and productive use of resources, with producers and consumers benefiting from cheaper imports and expanded exports. This improved productivity and increased resource use stimulates investment and innovation, creating a virtuous cycle of economic growth.

According to the logic of this argument, the latest global trade negotiations, (the Uruguay Round) ought to have resulted in significant growth in the global economy and in trade liberalizing countries. Estimates of the impact of the Uruguay Round on developing countries range from $13 billion to $125 billion per annum in increased income per year (in 1992 dollars). These studies make the startling assertion that the gains accruing to developing countries, measured as a percentage of GDP, exceed the benefits to be realised by industrial countries (Hertel et al., 1996).

Others who conclude that there is "little evidence that open trade policies -- in the sense of lower tariff and non-tariff barriers to trade -- are significantly associated with economic growth", however, dispute such claims (Rodriquez and Rodrik, 1999). Rodrik has suggested that macroeconomic stability, human resources, investment and good governance should be the focus of developing countries seeking enhanced economic growth. (Rodrik, 1999). The International Monetary Fund (IMF), in its own survey of 110 developing countries for the decade 1985-1995 concedes that trade liberalisation is only one of several factors, which contribute to economic growth (IMF, May 1997, Chapter IV).

Many of those who see little direct correlation between free trade and economic growth in developing countries also argue that preferential measures must therefore be granted by developed countries within the context of free trade agreements to "compensate" for developing country "disadvantages" in these trading arrangements. These measures come under the rubric of "special and differential treatment" (S&D treatment). While over time, S&D measures have come to be included in trade agreements, in recent years, developed countries have been increasingly reluctant to provide these concessions, indicative of a shift in political attitudes and a change in economic thinking. This was the context in which the Uruguay Round was negotiated.

This paper examines how the concept of preferential, i.e. S&D treatment for developing countries, has been incorporated in multilateral, regional and bilateral trade agreements, and the implications for smaller developing countries such as those in the Caribbean. Although the WTO does not recognize smaller developing countries as a distinct category, these countries do have certain peculiarities that set them apart from developing countries in general. According to the Independent Group of Experts on Smaller

Economies, "smaller does not necessarily imply an economic disadvantage, (but) it does limit the range of policy options and resources available to policy makers, and increases the vulnerability of the economy to external shocks" (May 1997, p. 6). This report goes on to say that smaller island economies are particularly vulnerable, given their geographic limitations, narrow resource base and limited administrative capacity. All 15 members of the Caribbean Community (CARICOM) are smaller developing economies[1]. It is therefore important to review the evolution of S&D treatment for the broader category of developing countries in order to examine its impact on this subset of countries and also to determine how S&D measures ought to be improved to accommodate them.

This paper comprises five sections. The first section traces and analyzes the evolution of asymmetrical treatment as a defining principle of trade relations among unequal trade partners. Asymmetrical treatment was initially conceived as a means to attain a higher development stage. Over time it became embedded in multilateral trade agreements and constituted a discriminatory exception in favour of developing countries, exempting them from fulfilling the strict reciprocity principle in the implementation of the Most Favored Nation (MFN) clause within the GATT/WTO framework.

The second section furthers this analysis by describing more specifically the treatment of preferences granted to developing economies in GATT and the WTO. The section discusses the way in which special and differential treatment was initially incorporated as Part IV of the GATT agreement and later on in the Tokyo and Uruguay Rounds. In the Tokyo Round, it became identified with the enabling clause and in the Uruguay Round it was compartmentalized in a series of negotiating provisions constituting exemptions to the most favoured nation clause.

The third section focuses on the incorporation of special and differential treatment in regional and extraregional bilateral trade agreements. This section addresses the treatment afforded to less developing economies within CARICOM, the Lomé Convention, the CBI, the Caribbean Basin Trade Partnership Act (CBTPA) and the Generalized System of Preferences (GSP).

The fourth section centers on the implications of special and differential treatment for Caribbean economies with emphasis on the trade relations between these and the United States and Europe. The section uses trade data for 1985-1999 and two Economic Commission for Latin America and the Caribbean (ECLAC) software programmes, the Competitive Analysis of Nations (CAN) and the Module to Analyse the Growth of International Commerce (MAGIC). The focus of the section is the relationship between the export structure and structural change.

On the basis for these empirical results, the last section provides a first approximation to the meaningful application of special and differential treatment to developing economies

[1] For a succinct analysis of the characteristics of smaller economies and the implications of these characteristics for economic growth and adjustment to economic change, see Richard Bernal, "The Integration of Smaller Economies in the Free Trade Area of the Americas," 2 February 1998, pp. 8-10.

and, in particular, Caribbean countries. The section also includes a discussion of appropriate special and differential provisions applicable to the smaller economies

1. Asymmetric treatment as a defining principle of trade relations between unequal trading partners

Calls for preferential treatment for developing countries have their origins in development theories, specifically the structuralist approach to international trade. As early as the 1947 GATT conference in Havana, developing countries began to challenge the assumption that trade liberalisation on the basis on MFN principles would result in economic growth and development in their respective States. This assumption was based on traditional neo-classical trade theory, which assumes that: (a) international trade takes place among countries in an environment of perfect competition; and (b) trade occurs because of differences in comparative advantage which in turn derive from differences in resource endowments or technology.

While in fact "differentiated" treatment had its origin in colonial trade arrangements, developing countries maintained that the particular structural features of their economies, coupled with "distortions" based on these historical colonial-trading relationships had a negative impact on their trade prospects. They argued for flexibility within the GATT system to enable them to improve the terms of trade, diversify their economies beyond the exports of primary commodities and industrialize through protection of domestic industries and export subsidies. Over time, asymmetric or S&D treatment came to be embodied in the GATT itself, and came to be based on two operational principles. Developing countries were granted:

- Policy discretion *vis a vis* the right to erect trade barriers and other measures inconsistent with GATT obligations, in order to protect domestic industries or correct balance of payments problems (Gibbs, 1998 p. 2).

- Enhanced market access through: (a) the GSP; (b) non-reciprocity vis à vis the MFN principle in multilateral trade agreements; and (c) the creation of preferential trading arrangements with an exemption from Article XXIV of the GATT on free trade areas and customs unions.

Later on, the incorporation of Annex IV to the GATT (1964) provided for the first time a legal framework that could be used to address developing countries' concerns over trade liberalisation and economic integration. At the same time, a Committee on Trade and Development was established in response to developing country demands for adequate treatment of economic development issues within the GATT.

In essence, S&D treatment came to constitute a discriminatory exception in favor of developing countries, exempting them from fulfilling the strict reciprocity principle in the implementation of the MFN clause within the GATT/WTO framework. On their part,

developed countries agreed to preferential treatment out of a desire to keep the developing countries within the framework of multilateral trade rules (Oyeide, May 2000).

In the first few years of the GATT, developing country demands for preferences focused on the ability to protect the domestic market from imports. As the limits to import-substitution approach to development became clear, developing countries began to focus on export-oriented strategies, and the demand for preferences came to include access to markets in developed countries.

In the 1980s, developing countries took a broader approach with respect to S&D treatment. While seeking to preserve earlier gains with respect to preferences in the context of multilateral trade negotiations, they began to insist on the strict application of the MFN clause, obtaining MFN tariff reductions and focusing on strengthening the disciplines of the GATT, in areas such as dispute settlement. This was in response to the perception that S&D gains already achieved were being undermined by several measures being taken by developed countries: (a) voluntary export restraints, often directed against the most competitive exports of developing countries; (b) higher MFN tariffs on products of export interest to developing countries; (c) additional restraints on textile and clothing exports under the Multi-Fiber Agreement; (d) bilateral pressures on developing countries aimed at securing trade concessions, via the threat of trade sanctions; (e) the diminishing effectiveness of those GATT disciplines governing trade in agricultural products; and (f) increased pressures with regard to anti-dumping and countervailing duties (Oyeide, 2000 pp. 2-3).

By the early 1990s, most developing countries had adopted an export-oriented development model, in the context of a new international environment focusing on globalization and economic liberalisation. Consequently, the multilateral trade negotiations in the Uruguay Round were seen as a means of securing improved market access for their products. Accordingly, many developing countries made significant concessions in exchange for these preferences.

Indeed, the Uruguay Round negotiations essentially changed the concept of S&D treatment. Instead of addressing the issue of special rights to protect developing countries' markets, the focus was on the "treatment" that these countries should be granted in order to become full participants in the international trading system. The 1994 Marrakesh Declaration that created the WTO, recognized the principle of S&D treatment as an integral part of the Agreement. More recently, the Doha Ministerial Declaration (9-14 November 2001), which opens the way for a new trade round, reaffirmed the need for S&D treatment and stated that these provisions must be revised to make them more "precise, effective and operational".

Asymmetric treatment is now a well-established concept and practice in multilateral, regional and bilateral trade agreements. This has usually been based on differences in levels of development with three categories being recognized, namely, developed, developing and least-developed countries. There are generally no special provisions for smaller developing countries within multilateral or bilateral agreements. On the other hand, regional arrangements, such as Lomé, include special provisions for island States, and there are

proposals to accommodate the particular needs of smaller economies in the Free Trade Area of the Americas (FTAA) negotiations.

The principle of asymmetric treatment in trade relations between developed and developing countries now essentially includes two categories of measures. First, those that are embodied in multilateral trade agreements (GATT, WTO) and in several integration arrangements in the Western Hemisphere, such as the CARICOM, the CARICOM-Venezuela Agreement, the CARICOM-Colombia Agreement, the Central America Common Market (CACM) and the Andean Pact. These provisions provide protection for developing countries' markets and include permanent or temporary non-reciprocity arrangements with respect to tariffs, the broad exemption with respect to infant industry protection and the exception given to developing countries in multilateral trade negotiations from the general prohibition of quantitative import restrictions (OAS Trade Unit, 1996 p. 2).

Second, there are those measures that provide special access to the markets in developed countries. The provisions are included in the various agreements that provide developing countries with duty-free or preferential access, such as the GSP, CBI, CARIBCAN and the Lomé Convention. These measures are non-reciprocal, generally granted unilaterally and are of limited duration, subject to renewal.

2. The treatment of preferences provided to developing countries in multilateral trade agreements

Differentiated treatment became universally recognized when the GATT was formed and evolved within the multilateral trading system in response to pressures from developing countries. These pressures were successful because of the growing representation of developing countries within the GATT, and their predominance in the United Nations Conference on Trade and Development (UNCTAD), as well as the increasing importance of developing country exports as a percentage of world trade. The rationale for developing country demands for preferential treatment in the GATT was that the MFN principle was not appropriate for trade involving unequal partners. Furthermore, it was thought that preferences were needed so that developing countries could compete effectively in world markets (OAS Trade Unit, 1996, p. 1).

Although the initial premise underlying GATT in 1947 was parity of obligations between all trading nations, the concept of permitting differentiated treatment existed from the outset. This took the form of preferential treatment to developing countries, meaning preferential access to developed country markets through tariff preferences, and exemptions from GATT rules. These provisions were actually incorporated after the GATT agreement was signed. In 1965, the special status of developing countries in the multilateral trading system was established with the adoption of a new Part IV of the GATT, which embodied what was termed "special and differential treatment." This was essentially defined as non-reciprocity for developing countries.

Box 1: Main provisions of the GATT Agreement - Part IV

1.	**Principles and objectives** • Expansion of export earnings of developing countries • Ensuring that less developed countries secure a share in the growth of international trade commensurate with their economic development needs • Improved market access conditions both for exports of developing countries • Increased collaboration with the financial institutions and UN organizations • Joint action by Members in the pursuit of these objectives • Non-reciprocity for GATT commitments on tariff reduction or elimination of tariffs and other trade barriers
2.	**Commitments** • Developed countries will give priority "to the fullest extent possible" to the reduction of tariff and non-tariff barriers to products of export interest to developing countries • Developed countries should exercise restraint in introducing or increasing tariff or non-tariff barriers on these products • Developed countries should exercise restraint on imposing new fiscal measures on primary product exports of developing countries

Source: WTO – www.wto.org

In the first few decades of the GATT, developing countries were granted significant exemptions from GATT disciplines to facilitate import-substitution strategies and protection of infant industries, the development approach that was advocated at that time. However, these concessions did not represent a significant departure from the basic trading principle of the GATT, namely that tariff concessions should be granted on a MFN basis. Eventually, countries were granted either preferential tariffs or complete removal of tariffs on a non-binding basis, particularly on raw material exports. However, trade barriers or quantitative restrictions were maintained on those products that could form the basis of an export-led growth strategy e.g., textiles and processed agricultural products. One view is that this treatment of developing countries in the global trade regime was an obstacle to export-led growth (Trebilcock and House, 1995 p. 302).

Until the Tokyo Round of trade negotiations in 1979, exceptions to the MFN principle were considered to be deviations from the norm. However, during these negotiations, consistent lobbying by the developing countries resulted in the adoption of the

"Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries" or the so-called Enabling Clause, which provided a legal basis for preferential treatment, in spite of the MFN principle (OAS Trade Unit, 1996, p.1). While the Tokyo Round resulted in enhanced disciplines with respect to subsidies, technical barriers to trade and customs valuation, these were not accepted by most developing countries (Gibbs, 1998 p. 2). Furthermore, the Agreement also made clear that S&D treatment was granted on a temporary basis, rather than instituted as a permanent right.

In the Uruguay Round, there was a shift in approach to S&D treatment, from enhanced market access opportunities to the granting of transition periods and technical assistance (WTO, 2001 p.2). This shift also coincided with a change in trade strategies on the part of developing countries. The import-substitution strategies of the previous decades were perceived as failures and trade liberalisation was now viewed by developing countries as the way to increase growth and welfare.

During the Uruguay Round, Concessions were given to developing countries, not as substantive exemptions from specific GATT principles, as in previous trade rounds, but via specific negotiated provisions. In addition, special treatment was negotiated separately, within each negotiating group, rather than as a framework to the overall agreement. These provisions gave "time-limited derogations" i.e, longer transition periods for implementing GATT obligations, greater flexibility in undertaking commitments and implementing agreements, "best endeavor" clauses and non-mandatory offers of technical assistance to help developing countries fulfil specific obligations (Oyejide, 2000, p.7). Essentially, many of the S&D provisions are, therefore, non-binding and not legally enforceable. Furthermore, the time limits for implementing GATT obligations will be phased out in the context of the WTO by 2005 so, in essence, the Uruguay Round has significantly eroded the preferential arrangements of previous agreements. Indeed, S & D treatment is only linked to economic criteria in the area of subsidies and countervailing measures, where countries with less than US$1,000 per capita are exempt from the prohibition of export subsidies. In exchange for these measures, some developing countries made important concessions in terms of market access (Oyejide, 2000, p.3).

Box 2: Selected aspects of special and differential treatment in the Uruguay Round

1. Time extensions and exemptions

a. Agreement on Agriculture
Developing economies are given a 10-year period for the implementation of tariff reduction commitments and developed countries a 6-year period.

b. Technical barriers to trade
Developing countries are granted limited exceptions for the fulfilment of their obligations.

c. Trade related investment measures (TRIMs)
Developed and developing countries are given 2 and 5-year periods respectively to eliminate TRIMs, which were not in conformity with the agreement.

d. Customs valuation
Developing countries are granted a 5-year extension period for implementation.

e. Subsidies and countervailing measures
Following the entry into force of the agreement, developing countries can continue to apply export subsidies for 8 years. They can also continue to apply explicitly forbidden subsidies for 5 years. The prohibition of subsidies does not apply to those countries whose GNP is less than US$1, 000 per capita.

f. Safeguards
Developed and developing countries can continue to apply safeguard measures for 8 and 10 years respectively.

g. Trade related aspects of intellectual property rights (TRIPS)
Developing countries are given a time extension of 4 years for its implementation.

h. Import licensing procedures
Developing countries are granted a 2-year period for the implementation of the agreement.

2. Preferential disciplines

a. Agriculture
Tariff reduction for all agricultural products for developed and developing countries is set at 36% and 24% respectively. The total reduction in the Aggregate Measurement of Support (AMS) is established at 20% for developed countries and at 13% for developing countries. The cuts in the value of subsidies is set at 24% for developing countries and at 36% for developed countries. Developing countries are allowed to maintain restrictions on the imports of basic products.

b. Subsidies and countervailing measures
More generous provisions for countervailing measure investigations in developing countries.

3. Flexibility in the fulfilment of the agreements

a. Agriculture
Exemptions from domestic support reduction commitments are applicable to measures oriented to encourage agricultural and rural development. Developing countries are exempted from the export prohibitions contained in Article 11 of the GATT.

b. Dispute settlement
Developing countries have the right to include a developing country as a panel member. Time extensions are granted for developing countries during the different phases of the dispute settlement process. Panel reports must specify how S&D treatment was incorporated in dispute settlement procedures.

4. Best efforts
a. Developed countries must take into account the interests of developing countries in the implementation of market access and antidumping decisions.
b. Establishment of procedures to preserve the availability of foodstuffs in countries that are net importers of these products.
c. Developed countries must provide incentives to less developed countries for the transfer of technology.
5. Services
a. Within 2 years from the date of entry into force of the WTO Agreement, developed countries should establish contact points to facilitate the access of developing country members' service suppliers to information, related to their respective markets concerning: i) commercial and technical aspects of the supply of services; ii) registration, recognition and obtaining of professional qualifications and iii) the availability of services technology.
b. Particular pressures on the balance of payments of a member in the process of economic development may necessitate the use of import restrictions.
c. The interests of developing countries should be taken into account in subsidy negotiations.
d. Increasing participation of developing countries should be facilitated through negotiated specific commitments relating to: i) the strengthening of their domestic services capacity and its efficiency and competitiveness; ii) improvement of their access to distribution channels and information networks; iii) liberalisation of market access in sectors and modes of supply of export interest to developing countries.

Source: Based on Whalley (1999) and on the final documents of the Uruguay Round.

In the Uruguay Round of negotiations on investment it was agreed, at the insistence of the developing countries, that only trade-related investment measures (TRIMs) would be negotiated in the negotiations on goods, while trade in services would be on a separate track. Developing countries insisted that discussions be limited to investment measures that had a "direct and significant" impact on trade. The idea was to maintain maximum flexibility in applying investment policies such as technology transfer requirements, local equity requirements and incentives to achieve economic growth. They argued that TRIMs were necessary to offset anti-competitive practices of multinational corporations. As a result, developing countries won limited concessions. The TRIMs agreement permits developing countries to maintain TRIMs to 2002 (in the case of the Least Developed), and includes the possibility of extensions in individual cases (Gibbs and Mashayekhi, 1998 p.7).

While the WTO Agreement[2] does not recognize smaller economies as a separate category, it explicitly recognizes that they are different types of economies and that these economies require rules and disciplines, which are specifically designed to take account of their needs. The preamble of the WTO Agreement recognizes that there is need for positive efforts designed to ensure that developing countries, "secure a share in the growth in international trade commensurate with the needs of the economic development." Furthermore, the "Enabling Clause" of the GATT, which was carried over into the WTO permits, but does not require, WTO members to provide S&D treatment in favor of developing countries. This basically consists of: (a) the granting of more extensive time limits for the adoption of general rules; (b) "best endeavor clauses"; (c) the establishment of some exceptions for smaller countries and the less developed states; and (d) the provision of technical assistance (SELA, 1997 p.1).

During the recent WTO Ministerial Meeting held in Doha in November 2001, developing countries were opposed to the launch of a new trade round being advocated by the developed countries. This was based on the fact that many issues and concerns regarding the implementation of several WTO agreements (on intellectual property, technical barriers to trade, agriculture, etc.) had not been resolved. In addition, the difficulties and resource constraints they encountered in the implementation of many WTO obligations had not been addressed.

The African Caribbean Pacific (ACP) countries, in particular, continued to lobby for recognition of the needs and concerns of smaller developing economies. These countries expressed the view that a specific work programme on smaller economies should be adopted, and that S&D treatment should be institutionalized within the WTO, and obligations in this regard are made legally binding. Indeed, a meeting of the WTO General Council in Geneva in October had proposed "substantial and differential treatment for developing countries", stating that this should be a "broad and integral part of all elements" of any future trade talks (Patterson, 2001). Accordingly, the Doha Ministerial Declaration stressed that the needs and interests of developing countries should be a central part of the future work of the WTO. While there was agreement on a work programme for smaller developing economies under the auspices of the General Council, there was however an implicit recognition that any responses to the trade-related issues identified as a result of this work should not lead to a new "smaller developing country" classification within the WTO. A work programme for S&D treatment was also endorsed, essentially a review of existing provisions in order to make them more effective. Finally, of special interest to CARICOM countries, waivers were granted for the ACP-EC Partnership Agreement and the European Commission (EC) Transitional Regime for bananas until 31 December 2007 and 31 December 2005, respectively.

[2] The Agreement includes GATT 1994, the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

3. The treatment of preferences provided to smaller developing countries within regional and bilateral agreements

According to one analysis, the debt crisis of 1982 served as a catalyst for a major shift in development strategies in developing countries, including those in Latin America and the Caribbean (LAC). These strategies have focused on trade reform and trade liberalisation, both unilaterally and also within the context of integration agreements, in contrast to the integration undertakings of the 1960 and 1970s (Devlin and Garay, 1996 p.7 & pp. 10-11). Given the vast differences in levels of development in the LAC region, regional and bilateral agreements have tended to incorporate specific provisions for the "least developed", or "disadvantaged" economies. Special and differential treatment has either been: (a) "institutionalized" within agreements, giving permanent preferences and easier terms for compliance with obligations (CARICOM and the Andean Community); or (b) limited to temporary measures such as extended periods for complying with trade liberalisation obligations (MERCOSUR). In some instances, for example the CACM, there are no special and differential provisions. This is increasingly the case with the "new style" free trade agreements being negotiated in the LAC region.

3.1. CARICOM

CARICOM itself grants special and differential treatment to the lesser-developed countries within the Community. Furthermore, CARICOM has signed two bilateral agreements with Venezuela and Colombia, which contain preferential trade provisions. Both agreements provide temporary non-reciprocal trade benefits to CARICOM States. In 1998, CARICOM also negotiated an agreement with the Dominican Republic for a free trade area. These agreements are part of a growing trend towards trade liberalisation in the region.[3] They represent concrete expressions of "South-South" cooperation and are being granted from one developing country to a group of "Lesser Developed" countries in order to strengthen economic and trade linkages.

S&D treatment is embodied in the CARICOM Treaty with a distinction being made at the outset between the More Developed Countries (MDCs) (Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago and Suriname) and the Less Developed Countries (LDCS) of the Eastern Caribbean and Haiti (CARICOM Secretariat, 2001). Preferential treatment is extended to the LDCs through a Special Regime for Less Developed Countries. This implies a recognition of the different levels of development between both groups of countries, which will result in differences in the ability to comply with the various provisions of the Agreement, as well as the ability to take advantage of the benefits of the Treaty and, therefore, a determination to minimize the possible skewing of benefits in favor of the MDCs. The Special Regime (CARICOM Secretariat, 2001, p. 98) focuses on trading arrangements, fiscal measures, the facilitation of financial flows, technical assistance and use of technological and research facilities in the MDCs.

[3] For an extensive examination of this phenomenon, see, *Toward Free Trade in the Americas*, Jose Manuel Salazar-Xirinachs and Maryse Robert eds. OAS and Brookings Institution Press, 2001.

Box 3: Specific features of the CARICOM Special Regime

1. Original Treaty of Chaguaramas (1973) – LDCs are allowed to continue to impose import duties or fiscal charges on an agreed list of goods imported from Member States, whether or not these goods were eligible for Common Market Treatment. Revised Treaty (2001) – LDCs can apply to the CARICOM Council on Trade and Economic Development (COTED) in order to impose import duties in cases of loss in revenues from importing goods eligible for Community treatment. (Article 160)

2. The special needs of LDCs are to be taken into account with respect to Article 30, in which Member States are required to remove restrictions on the right of establishment, the right to provide services and the right to move capital in the Community.

3. The special needs of LDCs are to be considered with respect to: the establishment of the Common External Tariff (Article 163); the Process List regarding qualifying criteria for regionally-produced goods; and the Scheme for the Harmonization of Fiscal Incentives to Industry.

4. The LDCs are allowed, on application to COTED, as a temporary measure, to suspend Common Market Tariff treatment of eligible goods from the MDCs, on grounds of domestic production. (Article 164)

5. LDCs are exempt from the provision on Public Undertakings i.e. they are allowed to protect domestic industry by imposing duties or quantitative restrictions on goods of Community origin (Article 165)

6. MDCs should cooperate in promoting the flow of investment capital to the LDCs through: private investment capital or joint ventures; double taxation agreements; loan capital to LDCs; and the establishment of an investment institution.

7. MDCs should make their technological and research facilities available to LDCs.

8. Technical and financial assistance is to be extended to disadvantaged countries (LDCs), regions and sectors to allow them to participate meaningfully in the CARICOM Single Market and Economy and to administer trade agreements in general via a Development Fund to be established. (Article 157)

9. Special arrangements for Belize which: allow the country to enter arrangements with third countries or other economic groupings as long as CARICOM States are accorded no less favorable treatment; allow the application of quantitative export restrictions on live animals of the bovine species and meat of bovine animals; permit the suspension of Common Market treatment on imports competitive with the products of its tire recapping and steel products industries.

Sources: OAS Trade Unit, 1996 p. 27; CARICOM, 2001.

3.2. CARICOM -Venezuela Agreement

The trade component of the Agreement includes the provision of one-way duty free access to the Venezuelan market for goods originating in CARICOM States. Access is granted through tariff reduction and the elimination of non-tariff barriers.

Box 4: Main trade provisions of the CARICOM-Venezuela Agreement (1992)

1. CARICOM

CARICOM's export products are either given immediate duty-free treatment or there is a phased reduction of duties as follows:

- Beginning January 1, 1993, 75 % of the MFN rate of duty will apply
- Beginning January 1, 1994, 50% of the MFN duty will apply
- As of January 1, 1995, 25% of the MFN duty will apply;
- As of January 1, 1996, duty-free treatment will apply

2. Venezuela

CARICOM States will grant MFN treatment to all imports from Venezuela and agree not to "without prior consultation with Venezuela, apply any quantitative restrictions to imports from Venezuela, beyond those currently in place or those authorized under the CARICOM Treaty".

3. Other provisions

Provisions are also made for:
a) the application of safeguards and the settlement of disputes;
b) the establishment of regional joint ventures between the Parties; and
c) the promotion and protection of investment, through bilateral investment treaties and double taxation agreements with individual CARICOM states.

A call for an evaluation process by the CARICOM-Venezuela Joint Council on Trade and Investment within four years after the Agreement is ratified, in order to possibly introduce provisions for reciprocity.

Source: CARICOM 1992, Articles 4 and 6.

3.3 CARICOM – Colombia Agreement

This Agreement also seeks to promote trade as well as mutual economic and technical cooperation. As in the accord with Venezuela, provisions are made for the negotiation of bilateral investment treaties with CARICOM States and investment promotion activities. Also, in similar fashion, to facilitate convergence with the Latin American Integration Association (ALADI), this Agreement remains open to those member countries. Technical cooperation activities in the Colombia Agreement, however, include additional areas such as

science and technology and environmental management. The Agreement also remains in force indefinitely (CARICOM, 1994 Article 27).

Box 5: Trade provisions of CARICOM-Colombia Agreement (1994)

1. CARICOM
The promotion and expansion of trade places particular emphasis on exports from CARICOM in the early stages of the agreement.

Colombia grants preferential treatment to products from CARICOM States through the elimination of non-tariff barriers and the elimination of tariffs on three groups of products as listed in the Annexes to the Agreement.

Duties on these products are either eliminated when the Agreement comes into force on June 1, 1998, or eliminated in three equal annual reductions as of that time.

A third list of products are granted M FN treatment initially and possible preferential treatment in 2002, based on negotiations between CARICOM and Colombia.

2. Colombia
For products from Colombia entering CARICOM, MFN treatment will apply initially, with the reduction and elimination of tariffs on an agreed list of products beginning on January 1, 1999.

With respect to this clause however, a distinction is made between LDCs and MDCs within CARICOM. LDCs are not required to grant these tariff concessions.

Source: CARICOM 1994, Articles 5 & 6

3.4. CARICOM-Dominican Republic Agreement

The free trade agreement between CARICOM and the Dominican Republic is a much more comprehensive agreement than the Venezuela and Colombia accords and covers many of the issue areas to be negotiated in the FTAA, such as intellectual property rights and government procurement. It includes provisions on trade in goods and services, investment and economic cooperation. A distinction is made at the outset between MDCs and LDCs within CARICOM and specific goals of the Agreement are as follows:

1. The establishment of a Free Trade Area which is WTO consistent;

2. The promotion and expansion of trade in goods through free market access, elimination of non-tariff barriers to trade, and the establishment of a system of rules of origin, customs cooperation and the harmonization of technical, sanitary, and phyto-sanitary procedures;

3. The progressive liberalisation of trade in services;

4. Free movement of capital, and the promotion and protection of investments;

5. Promotion of private sector activities, including the promotion and establishment of joint ventures;

6. Cooperation in all the major economic sectors, such as agriculture, mining, tourism, transportation, telecommunications, banking, science and technology;

7. The discouragement of anti-competitive business practices (CARICOM, 1998 Article II).

Box 6: Trade provisions of CARICOM-Dominican Republic Agreement (1998)

1. CARICOM Reciprocity in trade in goods, but the LDCs in CARICOM are exempt from this requirement. CARICOM products from all CARICOM territories are entitled to duty-free access into the Dominican Republic, except for a prescribed list as outlined in the Appendices II and III of the Agreement on Trade in Goods. These products will either receive a phased reduction in tariffs or the application of the MFN duty.
2. Dominican Republic The same conditions apply for goods from the Dominican Republic entering CARICOM markets. However, the LDCs in CARICOM are not required to extend duty-free treatment on products from the Dominican Republic. LDCs in CARICOM are allowed to apply the MFN rate of duty until 2005.
3. Services The principle of reciprocity also extends to trade in services. In the Agreement on Trade in Services, the Parties agree to immediately and unconditionally apply MFN treatment. This does not prevent either party from "conferring or according advantages to adjacent countries to facilitate exchanges of services that are locally produced and consumed".

Sources: CARICOM 1998, Annexes I & II.

CARIBCAN, the Caribbean Basin Economic Recovery Act (CBERA), the CBI and its successor agreement, the CBTPA of 2000, the Lomé Convention and, to a lesser extent, the Cotonou Agreement, generally provide one-way preferential access to the markets of Canada, the United States and the European Union (EU), respectively. These agreements

establish strict rules of origin to ensure that benefits only accrue to producers in the beneficiary countries.

3.5 CARIBCAN

The main component of the programme, which began in 1986, includes duty-free treatment for CARICOM countries and dependent territories, such as the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands. To qualify for duty-free treatment, at least 60 per cent of the ex-factory price of the goods must originate in one or more beneficiary countries or Canada. The following products were originally exempted from the programme:

- Textiles and apparel
- Certain leather goods (i.e. leather-covered trunks or cases for goods, except for leather luggage)
- Petroleum oils in retail packages
- Methanol
- Lubricating oils, partly based on petroleum
- Articles of apparel and clothing accessories of leather etc. (OAS Trade Unit, 1996 p. 54)

However, the list of preferences has expanded over the years to include all imports from the Caribbean except, textiles, clothing and footwear, as well as goods subject to MFN duties of above 35 per cent. In 1999, over Cdn$400 million out of the Cdn$550 million worth of goods imported by Canada from CARIBCAN countries received duty-free treatment on a MFN basis. The Caribbean products that are benefiting from the scheme include cane sugar, fish, spirits and certain agricultural products (Salazar-Xirinachs and Robert, 2001 p. 115).

There are no conditionality provisions in the Agreement except in relation to standard requirements regarding documentation, direct shipment and rules of origin provisions. In addition, Canada reserves the right to withdraw duty-free privileges from any of the beneficiary countries. Benefits under CARIBCAN have qualified for a waiver from Article of the GATT that would require Canada to extend similar duty-free treatment to any other country. The WTO Understanding in Respect of Waivers of Obligations under the GATT revised the expiry date for the waiver (OAS Trade Unit, 1996).

3.6 The Caribbean Basin Initiative and the Caribbean Basin Trade Partnership Act

Duty-free access for developing countries in the Central American and Caribbean region was initially provided under the United States GSP programme enacted in 1974, and was based on the wider GSP initiative negotiated in UNCTAD. As originally conceived, however, only 60 per cent of the products in United States tariff schedules were included. A wide range of products, some of which are important Caribbean exports, were excluded, such as citrus, tobacco, apparel and textiles and petroleum products. The programme is subject to

annual reviews and benefits can be reduced or withdrawn if the country in question fails to provide "reasonable access to its markets" or fails to provide "adequate and effective protection of intellectual property rights". There is also a provision for the "graduation" of developing countries from GSP status at a certain level of per capita, (for example, US$8,500 in the amended GSP programme in 1984) (Trebilcock and House, 1995 p. 309). Finally, products can be removed from the GSP list if a country's exports of these products exceed "competitive need" limits.

In addition to GSP, the CBI, a preferential access programme, was established in 1983, specifically for the countries of the Caribbean Basin, many of which are smaller States. Under the 10-year programme, the President was authorized to grant duty-free treatment for eligible products from 24 Central American and Caribbean countries. Duty-free and reduced duty entry was granted on a non-reciprocal, preferential basis with notable product exclusions.[4] Rules of origin required that textile products had to be directly imported from a CBI country, with at least 35 per cent value-added. If a product included foreign components, then it should have undergone substantial transformation. In addition, a Special Access Programme (SAP) provided quota free entry or higher quota entry into the United States for qualifying textile and apparel products for six countries under guaranteed access levels (GALS) (IDB, 2000, pp. 55-56)[5]. Preferences did not eliminate quantitative restrictions on CBI agricultural products entering the United States.

Unlike CARIBCAN, preferences were contingent on the fulfilment of certain requirements in beneficiary countries, namely, adherence to internationally recognized worker rights and to provide effective protection of intellectual property rights. Furthermore, as in the GSP programme, the President could suspend or limit a country's benefits at any time.

The CBI programme was enhanced through the CBERA in 1990. Benefits were made indefinite, and rules of origin now allowed for regional accumulation, and tariff reductions or tariff-free treatment was extended to some products that were previously exempt. By 1992, tariffs were further reduced or eliminated on an additional 122 tariff categories. Indeed, by 1999, 13.6 per cent of total United States imports from CBI countries, representing about 6,900 individual products, were covered by preferential treatment under CBI (IDB, 2000).

New CBI legislation was passed in May 2000 in an attempt to maintain preferences that were undermined by benefits to Mexico under the North American Free Trade Agreement (NAFTA). The CBTPA, Title II of the Trade and Development Act of 2000, eliminates many of the remaining CBI exemptions, but imposes extensive new requirements for country eligibility. These include: (a) fulfilment of WTO obligations; (b) participation in

[4] Products excluded were: textiles and apparel, leather goods, canned tuna, petroleum and petroleum products, certain footwear, certain watches and parts, and certain agricultural goods. Although textiles and apparel were excluded, special duty concessions still applied under the 807 provisions. Under this programme, imports into the United States assembled in CBI countries from United States fabric, cut to shape in the United States, were only subject to duties on the non- United States value-added component.

[5] In this regard, bilateral agreements were signed with the six apparel-producing CBI countries: Costa Rica, the Dominican Republic, Guatemala, Haiti, Jamaica and Panama.

negotiations for the FTAA; (c) protection of intellectual property consistent with, or greater than, Uruguay Round standards; (d) implementation of internationally recognized labor rights; (d) positive certification in counter-narcotics efforts according to criteria in the United States Foreign Assistance Act of 1961; (e) a commitment to eliminating child labor as defined in the United States GSP law; (f) adoption of the Inter-American Convention Against Corruption; and (g) transparency in government procurement as outlined in the WTO Agreement on Government Procurement (IDB, 2000 p. 25). As is clear, this is therefore a highly conditional programme.

Enhancements to CBI include:

- Tariff treatment similar to NAFTA for products previously excluded from the old Agreement, such as canned tuna, footwear, handbags, luggage and leather wearing apparel, watches and watch parts, petroleum and petroleum products;
- Duty free and quota free treatment for apparel formed and cut in the United States and assembled in CBI countries from American yarns and fabrics;
- Duty free and quota treatment for apparel articles knit to shape or cut and assembled in a CBI country from United States yarns (other than outwear T shirts and socks), with an initial annual limit of 250 million square meter equivalents. Outwear T shirts will be subject to an initial annual limit of 4.2 million dozen. Both quotas will increase 16 per cent annually in the subsequent three years;
- Preferential treatment for rum beverages (90 per cent rum content) processed in Canada from rum originating in a CBI country, where the rum is imported directly into Canada and the beverages are sent directly from Canada to the United States.

Agricultural products important to the Caribbean, such as sugar, rice and tobacco, continue to be subject to high tariff rate quotas.

Table 1

Quota distribution of the 250 million square meters of knit apparel	
Country (Country Grouping)	**Quantity (squared meters)**
CARICOM	12 312 500
Costa Rica	18 690 250
Nicaragua	4 925 000
El Salvador	53 496 000
Guatemala	48 496 250
Honduras	62 995 250
Dominican Republic	45 334 750
Panama	3 750 000
Total	250 000 000

Source: Agency for the Promotion of International Trade of Costa Rica (2001)

Table 2

Quota distribution of the 4.2 million dozen outwear T-shirts	
Country (Country Grouping)	**Quantity (squared meters)**
CARICOM	210 000
Costa Rica	63 000
Nicaragua	168 000
El Salvador	872 655
Guatemala	471 345
Honduras	1 764 000
Dominican Republic	609 000
Panama	42 000
Total	4 200 000

Source: Agency for the Promotion of International Trade of Costa Rica (2001)

Benefits under the programme expire in September 2008, or on the date when the FTAA enters into force. In spite of the high level of conditionality attached to CBTPA, some see it as a short-term opportunity to promote labor-intensive export activities, particularly in the textile and apparel sector. These potential benefits will be undermined as early as 2005 however, when the Multi-fiber Agreement expires on 1 January of that year, resulting in increased competition in the United States market from Asian producers, and the possible beginning of a Free Trade Area of the Americas (IDB, 2000, p.1).

3.7 The Lomé Convention

The Lomé Convention is a comprehensive framework providing for ACP-EU cooperation in poverty reduction and sustainable development. The idea is to facilitate the progressive integration of the ACP countries into the world economy. Under Lomé, the products of the ACP States are granted duty-free access into the EU. This is important, as according to the Commonwealth Secretariat's Vulnerability Index, 29 of the most vulnerable 31 developing countries are smaller States and 27 of them are in the ACP group (Sutton, 2000). Virtually all manufactured goods and many agricultural products qualify for preferential treatment.

The first Lomé Convention was signed in 1975 (with 45 ACP countries) following the accession of the United Kingdom to the European Community. There followed Lomé II in 1975 (with 58 ACP countries), Lomé III in 1984 (with 65 ACP countries), and Lomé IV in 1989 (with 68 countries in 1989 and 70 in 1995). Under Lomé IV, all CARICOM exports enter the EU duty free and the agreement also provides for special regimes for bananas, rum, beef and sugar. The Cotonou Agreement (Cotonou, Benin, 23 June 2000) replaces Lomé IV and is valid for a period of 20 years, with periodic revisions every five years. The Cotonou Agreement fundamentally changes trade relations between the European Community and

ACP States. Contrary to the "spirit" of Lomé, it was decided that trade relations rather than being based on non-reciprocal trade preferences should be founded upon the progressive dismantling of trade barriers and preferences integrating ACP countries into the multilateral system and making the European Union-ACP trade relation WTO compatible.

As originally established in 1975, ACP agricultural exports falling under the EU's Common Agricultural Policy (CAP), such as dairy products, poultry meat, certain cereals and rice, were entitled to preferential treatment, although not unlimited access. They enjoyed substantial reductions in import levies within a tariff quota.[6] Furthermore, special highly preferential protocols were formulated to apply to fixed quantities of exports of rum, sugar, bananas, beef and veal. In addition, the Lomé Agreement included two special financing facilities --- STABEX, to stabilize export earnings of ACP countries in agricultural products, and SYSMIN to support the mining sector.

STABEX provided protection for the following products: groundnuts, cocoa, coffee, coconut products, cotton, palm nut and palm kernel products, raw hides, skins, leather, wood products, tea and sisal. In each case, the programme would apply only if earnings from the products represented at least 7.5 per cent of a country's total earnings from merchandise exports. For the least developed, landlocked and island States, there was an additional concession. The percentage only had to be 2 per cent (ACP-EEC, 1975, Article 17). In order to implement the stabilization system, a reference level was calculated for each ACP State and for each product. The level corresponded to the product's share of export earnings during the four years before export earnings fell. ACP States could apply for a financial transfer under STABEX if actual earnings for the particular product were at least 7 per cent below the reference level. For the least developed, landlocked and island States, the required percentage was only 2.5 per cent (ACP-EEC, 1975, Article 19). Countries did not qualify for the programme if the decline in export earnings was due to trade policy measures.

Compensatory mechanisms for declines in export earnings continued through Lomé IV. In the case of STABEX, an individual product now qualified if it comprised at least 5 per cent of total merchandise exports. In the case of the least developed and island States, the percentage was as low as 1 per cent. The reference level was now calculated on the basis of the average export earnings over six years, rather than four (Lomé IV Agreement, 1989, Articles 196 and 197). In the case of SYSMIN, countries qualified in instances where during at least two of the four years preceding a request for aid, at least 15 per cent of their earnings were derived from: copper, phosphates, manganese, bauxite and alumina, tin, iron ore; or 20 per cent of export earnings were derived from all mining products. In the case of the least developed, landlocked or island States, the figures were 10 per cent and 12 per cent, respectively (Lomé IV Agreement, 1989, Article 215).

While the Lomé Convention is non-reciprocal, ACP States cannot discriminate among EU member States. In other words, any benefits relating to tariffs or non-tariff barriers granted by a member State of the EU to an ACP State must be granted to similar imports from the other EU member States (OAS, 1996 p. 58).

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[6] A number of fruits and vegetables enjoy duty-free treatment (e.g. grapefruit, melons and papayas), whereas others are limited by seasonal restrictions (e.g. tomatoes, garlic, peaches, cherries)

Lomé has been subject to periodic renewals. The new Cotonou Agreement, signed with the European Union on 23 June 2000, sets up a new framework for cooperation on trade and economic issues.

With respect to trade, the ultimate aim is to conclude new WTO-compatible trading arrangements, by progressively removing trade barriers between the Parties. Cotonou stipulates that the EU will continue to grant non-reciprocal preferential treatment for ACP products, only for a preparatory period based on the product lists of Lomé IV. Furthermore, the preferences in the special protocols for key Caribbean exports - sugar, rum, rice and bananas - are already being dismantled.

In the case of rum, the EU and the United States have come to an agreement to eliminate duties on rum by 2003. Caribbean producers have therefore expressed concern about their ability to compete in a fully liberalized market without the EU subsidy (IDB, 2000). As a result of lobbying, through the West Indies Rum and Spirits Producers' Association, the EU has agreed to a programme of assistance to the Caribbean and other ACP countries, within the context of the Cotonou Agreement, which continues to guarantee duty-free access and provides financial assistance to improve the competitiveness of the industry.

With respect to bananas, the United States and several Latin American countries successfully challenged the EU regime under Lomé IV in the WTO. In November 1999, the EU unveiled a new regime that would gradually phase out the existing tariff-quota system and replace it with a tariff-only regime by 1 January 2006. In July 2000, after continued resistance to this new proposal, the EU proposed that tariff quotas would be allocated on a "first come, first served basis", with a tariff preference for ACP countries. In 2001, the EU reached final agreement with the United States on the tariff-only regime, with a transition period in which import licenses will be allocated on the basis of historical trade. This new arrangement began on 1 July 2001. The EU has also offered financial assistance available to ACP countries for restructuring the industry.

Box 7
The banana case

In 1997, Ecuador Guatemala, Honduras, Mexico and United States challenged the European Community regime for the importation, sale and distribution of bananas established in 1993. This regime consisted of the establishment of a tariff quota of 2 million tons allocated to Latin American countries and non-traditional ACP bananas. The tariff quota increased to 2.1 and 2.2 million in 1994 and 1995 respectively. Also an additional tariff quota of 353,000 tons was introduced in the same year. The increase in the tariff quota was justified on the grounds of the enlargement of the European Community. The quantities allocated to traditional ACP banana exporters totalled 857, 700 tons. The tariff applied to Latin American producers within the quota was 75 ECUs per ton and a zero duty for ACP countries. This regime was found to be illegal by the WTO dispute settlement body. In 1999, the European Union implemented a new regime that was still found to be WTO incompatible. The United States and Ecuador were granted the right by the dispute settlement body to suspend tariff concessions to the European Union. A solution was finally reached in 2001. The Agreement consisted of the adoption of a tariff-only regime by the European Union to be implemented no later than January 1, 2006. In the interim, the regime to be applied consists of a two-phased scheme. The first phase consists of a modified import regime based on the historical allocation of licenses and entered into force in July 2001. It consists of three tariff rate quotas, A, B, and C. Quota A, is set at 2, 200, 000 tons. Quota B is set at 353, 000 tons. Quotas A and B are open for imports originating in all third countries. Quota C (850, 000 tons) is open to imports originating in ACP countries. In the second phase, which starts in January 2002, 100, 000 tons are to be transferred from C quota to the B quota. The remaining 750, 000 tons will be still reserved for ACP bananas. At the Fourth Ministerial Conference in Doha, WTO waivers were granted regarding obligations under Article I (permitting continued tariff preferences for ACP imports) and Article XIII of the GATT (permitting the setting aside of the C quota for ACP bananas).

Source: European Community (2000). European Community Council Regulations No.2587/2001 (19 December, 2001); No.896/2001 (May, 2001). WTO. WT/MIN(01)/15 and WT/MIN/(01)/15 (14 November, 2001).

Box 8 Comparison of the quota/tariff structure under the previous and current banana import regime				
	Quota (tons)	**Remarks**	**Tariff rate**	**Remarks**
1993 banana import regime				
Latin American and non-traditional ACP bananas	2, 000, 000	Increased to 2.1 and 2.2 million following the Banana Framework Agreement. In 1995, the EC following its enlargement introduced an additional tariff quota of 353 000 tones.	75 ECU per ton for Latin American countries and 0 for ACP countries	Within quota
Traditional ACP banana suppliers	857, 700		75 ECU per ton for Latin American countries and 0 for ACP countries	Within quota
Modification of the 1993 import regime in 2001				
Quota A. Quota A is open for imports of products originating in all third countries	2, 200, 000	The EC Council Regulations which amended the 404/93 regulation introduced a three tiered quota system (Quotas A, B and C)	75 ECU per ton for Latin American countries and 0 for ACP countries	
Quota B. Quota B is open for imports of products originating in all third countries	453, 000		75 ECU per ton for Latin American countries and 0 for ACP countries	
Quota C. Quota C is open for imports of products originating in ACP countries.	750, 000		0 for ACP countries	

Sources: Official Journal of the European Communities. Council Regulations (EC), No. 2587/2001 (December, 19, 2001); No. 896/2001 (May, 7, 2001); No.216/2001 (January, 19, 2001)

Cotonou maintains preferential access for a limited quota of rice from ACP countries. However, the proposed reform to this regime will include the application of a fixed rate of duty on imports of husked Indica rice, and this will have an adverse effect of rice exports from Guyana and Suriname. Furthermore the provision on rice in the EU's EBA Decision stipulates that the Least Developed Countries will receive an annual duty-free quota beginning in October 2001, and that this will be increased by 15 per cent annually until 2009. The EU has also made financial and technical assistance available to assist ACP countries adversely affected by these developments (Caribbean Trade and Adjustment Group, 2001).

In terms of sugar, prices received by ACP States under this regime have averaged more that twice the world price. For example, the average price paid for sugar imported from ACP States into the EU in 2000 was US .22 cents per pound, compared to a world market price of US .9 cents (Caribbean Trade and Adjustment Group, 2001). In keeping with a trend towards dismantling preferences for all but the Least Developed countries, the EU price regime will be brought in line with world prices.

The preparatory phase for the new trading arrangements under the Cotonou Agreement is eight years from the entry into force of the Agreement's trade provisions (1 March 2000). Formal negotiations for these new trading arrangements will begin in September 2002, and the new agreement will enter into force by 1 January 2008. A transition period of 12-15 years towards full reciprocal trade is expected to begin at that time. The new trading arrangements will possibly be in the form of a series of Economic Partnership Agreements, including reciprocal free trade agreements between the EU and subregional groupings of ACP countries.

Cotonou stipulates that negotiations will take into account the level of development and the socio-economic impact of trade measures on ACP countries, as well as their capacity to adapt and adjust their economies to the liberalisation process. Accordingly, negotiations will "be as flexible as possible in establishing a sufficient transition period, the final product coverage, and the degree of asymmetry in terms of the timetable for tariff dismantlement in conformity with WTO rules" (Cotonou Agreement, Article 37).

Part 5 of the Cotonou Agreement also contains specific provisions for the Least Developed, Landlocked and Island States (LDLICs). Article 84 specifies that ACP-EU cooperation will ensure special treatment for these countries, taking into account their particular economic vulnerability. With respect to island States, which include the Caribbean, the Agreement provides for specific provisions and measures to be established to assist these countries in their efforts to overcome "the natural and geographic difficulties and other obstacles" to their development (Cotonou Agreement, Article 89).

As part of the programme of assistance to Least Developed States, the EU has announced a "Everything But Arms" Decision (EBA), in which these countries will be granted duty and quota free entry all their exports except arms. This will undermine the Lomé IV preferences maintained under the Cotonou Agreement, for important Caribbean exports of rice, sugar and bananas. The programme will be phased in for bananas between 2002 and 2006, for rice and sugar between 2006 and 2009.

3.8 The Generalized System of Preferences (GSP)

GSP, instituted under the auspices of UNCTAD in 1968, represents an important application of the principle of non-reciprocal S&D treatment in the global trading system (OAS 1996, p. 47). As such, GSP violates Article I of the GATT on MFN treatment. This has resulted in the creation of a legal exception to Article I, namely a special GATT waiver adopted in 1971, and subsequently the Enabling Clause adopted in 1979. There are currently 16 different GSP schemes in 28 developed countries, including the 15 member States of the European Union, Canada, Japan and the United States.[7]

Besides non-reciprocity, GSP schemes are non-discriminatory, meaning that all developing countries are treated equally and because they are tailored to meet particular country objectives and priorities, these arrangements vary in the way they are designed. There are differences in areas such as eligibility rules, levels of tariff cuts, conditionalities, safeguards and rules of origin. Programmes generally grant preferences to manufactured or semi-manufactured goods and, to a lesser extent, some agricultural products excluding some items such as textiles. Developing countries are usually "graduated" from these schemes beyond a certain per capita income threshold or a "development index", as in the case of the EU. In some instances, there is partial graduation for some products when exports of these products reach a certain threshold (OAS 1996, pp. 47-51). The idea is to ensure that GSP preferences accrue only to the low and middle-income countries.

The United States renewed its GSP scheme again in December 1999, with the enactment of legislation (HR 1180) that retroactively authorized the arrangement from 1 July 1999 to 30 September 2001. This renewal enhances access for eligible Sub-Saharan African countries through the granting of duty-free treatment for more products from these countries. Thirty-eight Least Developed countries are eligible for a higher level of preferences, in that a wider range of their products are eligible and they are not subject to "competitive need limitations".[8] The products excluded from the GSP programme, e.g. textiles, watches, are currently granted preferential treatment in the latest Caribbean Basin Initiative. Products are also subject to strict rules of origin. The value of the materials produced in the beneficiary country, as well as the direct cost of processing, must equal 35 per cent of the appraised value of the product. Imported materials can meet the 35 per cent requirement only if they are "substantially transformed" into new materials. However, the 35 per cent value added can be spread across more than one country when imported from GSP eligible members of certain regional groups such as the Andean Group and CARICOM (www.unctad.org/gsp/usa).

The Canadian GSP scheme (the General Preferential Tariff [GPT]) went into effect in 1974, and has been renewed every 10 years. The latest renewal in 1994 provided expanded product coverage and lower GPT rates of duty. Like all GSP arrangements, both agricultural

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[7] New Zealand, Norway, Australia, Poland, the Slovak Republic, and Switzerland, also have GSP programmes in place. UNCTAD has established a website at: www.unctad.org/gsp, which provides details of GSP arrangements for all these countries, together with rules of origin regulations.

[8] In essence, this means that GSP privileges can be terminated if during the calendar year, United States imports from a beneficiary country account for 50 per cent or more of the value of total United States imports of that product. In the case of "sufficiently competitive" products, the level is 25 per cent.

and industrial products are covered, excluding certain textiles, footwear and products of chemical and plastic industries. With respect to rules of origin, goods must either be wholly produced in the beneficiary country, or the value of the import content must equal no more than 40 per cent of the ex-factory price, or 60 per cent, in the case of the Least Developed countries. Goods must be shipped directly from the beneficiary country to Canada, although transshipments are allowed under certain conditions. In other words, the goods must remain under customs control and must not enter trade or consumption in the intermediate country (www.unctad.org/gsp/canada).

Reductions in tariff barriers under the Uruguay Round will tend to erode preferential access for those developing country exports that enjoy preferential access under GSP schemes. In the case of the Caribbean, this erosion will only affect exports to developed countries outside the EU, the United States and Canada, as well as exports to the United States, Canada and the EU, which are not covered by either the CBTPA, CARIBCAN or the Cotonou Agreements, respectively. In reality then, the range of exports affected is quite small. However, according to one view, the impact of the Uruguay Round is in effect to make the diversification of exports into new Organization for Economic Cooperation and Development (OECD) markets difficult for the Caribbean. Indeed, the exports of developed countries will enjoy greater tariff cuts than those of developing countries (Davenport, 1996, p. 20).

3.9 The Free Trade Area of the Americas

The Summit of the Americas Declaration of Principles, which launched the FTAA process, recognized the difficulties involved in the formation of a free trade area among 34 countries, "particularly in view of the wide differences in the level of development and size of the economies existing in our hemisphere" (Summit of the Americas, 1994, p.3). In essence, this was the first time that multilateral negotiations at the outset specifically recognized the need to take into account the special circumstances of smaller developing countries. Accordingly, the heads of State committed the participating countries to facilitate the integration of the smaller economies into the FTAA and increase their level of development (Summit of the Americas, 1994, p. 8).

This was a reflection of the insistence of the Caribbean and Central American States that smaller economies not suffer adverse consequences from participation along with larger, and, in some cases more developed, economies in the FTAA. A Working Group on Smaller Economies was established in August 1995 to ensure that the needs of the smaller economies would be taken into account in the deliberations of all the FTAA Working Groups. This Working Group remained in place until September 1997, when it was converted into the Consultative Group on Smaller Economies. The creation of the Working Group was significant because it translated the recognition that smaller economies required special attention in the integration process, into empirical documentation of what specifically were the difficulties faced by this type of economy, and it initiated the discussion of appropriate measures to address these challenges. The Consultative Group deepened this debate and brought the results to the Trade Negotiating Committee (TNC) which took the decision to establish guidelines at its meeting in September 2001.

In accordance with the Buenos Aires Ministerial Declaration (1997) and taking into account the recommendations of the Consultative Group on Smaller Economies, the Trade Negotiations Committee adopted a series of guidelines or directives for the treatment of differences in the levels of development and size of economies in the FTAA. The Committee pointed out that these initial proposals did not preclude the adoption of other guidelines or directives by the TNC. Furthermore, these measures should be consistent with the objectives and principles of the FTAA, set forth in Annex I of the San Jose Ministerial Declaration (1998). The TNC also agreed that the measures would:

1. Provide a flexible framework to accommodate the characteristics and needs of each one of the countries participating in the FTAA negotiations.

2. Be transparent, simple and easily applicable, while recognizing the degree of heterogeneity among the FTAA economies.

3. Be determined by each of the Negotiating Groups. Nevertheless, when issues refer to topics that were crosscutting or not confined to one Negotiating Group, it should be determined by the TNC or other entities designated by the TNC.

4. Be determined on the basis of case-by-case analysis (according to sectors, topics and country/countries).

5. Include transitional measures, which could be supported by technical cooperation programmes.

6. Take into account existing market access conditions among the countries of the hemisphere.

7. Consider longer periods for compliance with obligations (FTAA, Trade Negotiations Committee, 2001).

The TNC also agreed that the guidelines should be accompanied by a programme of complementary supporting measures, which could include:

1. A Hemispheric Cooperation Programme, and the Consultative Group on Smaller Economies was instructed to draft a proposal to the TNC on this initiative, based on contributions from the Negotiating Groups.

2. Technical assistance and training during negotiations and the implementation process.

Financial transfers

The question of financial transfers in the form of loans, grants and technical assistance in support of specific trade measures is an unresolved debate in the FTAA. The CARICOM countries have argued that trade liberalization creates opportunities which can

only come to fruition if investment capital is available to create or expand productive capacity and improve competitiveness. Given that smaller developing countries are at a disadvantage in global financial markets regardless of their credit rating and quality of economic management, the CARICOM countries proposed the creation of a regional integration fund to finance the adjustment process. This proposal has been put forward on several occasions but there has been no agreement. Opponents have argued that such a fund is beyond the scope of a free trade agreement and outside of the jurisdiction of trade ministers. The latter point is one which can be overcome through consultations between trade ministers and finance ministers.

Financial transfers within the ambit of trade and cooperation agreements are not unprecedented as they were an integral component of succeeding Lomé Conventions between the EU and the ACP countries. Such transfers are also contemplated under the new Cotonou agreement. It has also been the practice for regional integration schemes to be accompanied by a regional development bank e.g. CARICOM and the Caribbean Development Bank and the Central American Common Market and the Central American Bank for Economic Integration.

The success of the FTAA negotiations will depend on the extent to which it is truly an inclusive process, where proposals, such as these, are adopted to accommodate the smaller States, which constitute the majority in the FTAA. The United States will also have to do its part by making good faith gestures, such as abandoning discriminatory trade practices during the negotiating phase, rather than when an agreement is concluded. In this regard, Joseph Stiglitz, former chief economist at the World Bank, has warned that the FTAA will not benefit either the Caribbean or Latin America unless the United States is willing to eliminate farm subsidies and import barriers on products such as sugar and beef, prior to 2005. If these are not eliminated, the FTAA will simply prolong an unequal relationship between the United States and the countries in the Hemisphere (Lucas, 2001).

4. Special and differential treatment and its impact on Caribbean Economies

Special and differential treatment schemes recognize that countries do not compete and trade on an equal footing. Countries at a higher stage of industrialisation and development have an advantage over developing economies. On a superficial level, special and differential treatment is thus conceived simply as a set of provisions allowing the latter to actively participate in multilateral trade schemes. At a more profound level special and differential treatment seeks ultimately to provide a basis for developing economies to undertake a 'catching up' process with the developed countries. S&D provisions are generally classified into those providing for time-limited derogations from obligations and longer periods for implementing obligations; more favourable thresholds to undertake certain commitments; flexibility in obligations and procedures; and best endeavour clauses.

The conceptual basis of special and differential treatment bears a striking resemblance to that underlying the infant industry argument put forward by economic development

theorists in the late 1950s and 1960s. According to this argument, industries in developing economies require time to "learn the business" and to achieve the economies of scale required for competitive pricing. Given enough time and protection, infant industries can grow up, compete with industries in developed economies and forego the need for preferential or asymmetric treatment.

The analysis of the impact of special and differential treatment is an empirical issue. It is a question of showing, given the available data, if special and differential treatment has achieved its expected goals. That is, whether it has led to greater export growth and diversification, and has thus created the conditions for economic development. In this section the analysis is undertaken for the Caribbean's main export markets, namely the United States and Europe.

Trade in the Caribbean is highly concentrated towards North America and Western Europe (the EU). Between 1985 and 1999, more than 45 per cent of Caribbean countries' imports, on average, originated in the United States and 17 per cent in Western Europe (see Table 3 below). Likewise, during the same period, Caribbean merchandise exports to both destinations represented more than 60 per cent of the total. [9]

Exports that enter under preferential arrangements i.e. the CBI in the case of the United States and the Lomé and subsequently Cotonou agreements for Europe, represent a significant part of the total. In the case of Caribbean exports to the United States, available data for 11 Caribbean countries show that: (a) on average the share of CBI exports increased by 21 per cent in 1989, 27 per cent in 1995, 37 per cent in 1997 and 28 per cent in 2000; and (b) at the national level, countries exhibit important disparities. On average for 1989-2000, in the case of Saint Lucia, Trinidad and Tobago, Guyana and Antigua and Barbuda the share of CBI exports represents less than 15 per cent of the total. By contrast for the same period, CBI exports for Barbados and St. Kitts and Nevis represent 39 per cent and 49 per cent, respectively, of the total. Notwithstanding these differences most countries have increased their share of CBI exports (see Table 4 below).[10]

With respect to Caribbean exports to Europe, the data shows a decline for the great majority of countries under the Lomé Convention or Cotonou Agreement. As shown in Table 5, these export products represent more than 75 per cent of total imports to Western Europe. Overall, between 1985 and 1999, they have registered a decrease of between 85 per cent and 77 per cent of the total, largely due to the decrease in petroleum and fuel oil exports from Trinidad and Tobago.

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[9] Estimations based on ECLAC data.

[10] Caribbean exports to the United States falling under the Generalized System of Preferences (GSP) were not taken into consideration since these represent a small percentage of the total. On average for 1989-2000, GSP exports represented for Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago, 6.8%, 2.9%, 10.4%, 6.2%, 6.9%, 4.2%, 2.5%, 1.5%, 0.4%, 1.6%, 5.9% and 1.0% of the total. Moreover in all cases, GSP preferences have steadily decreased form 1989 to 1999. On average GSP exports represented 5.1% of the total in 1989 and 1.4% in 2000.

Table 3
CARICOM's direction of trade
Imports by origin (1985-1999)

Regional Block	1985	1990	1995	1999
NAFTA	47.4	48.1	50.1	47.4
Western Europe	18.8	17.4	16.6	16.3
CARICOM	7.7	7.9	9.1	9.7
Andean Community	5.9	6.7	6.2	8.7
Mercosur	2.3	3.9	2.4	1.9
CACM	1.1	0.7	0.8	1.1

Note: CACM = Central American Common Market.
Source: Competitive Analysis of Nations (2001)

Table 4
Caribbean countries exports under the Caribbean Basin Initiative as a percentage of the total exported to the United States (1989 – 2000)

Country	1989	1992	1995	1997	2000	Average
Antigua and Barbuda	19	6.1	54.6	10.6	0.2	14.5
Barbados	29.2	71.0	33.9	59.3	27.6	39.1
Belize	33.5	40.5	32.6	45.7	38.1	32.6
Dominica	12.2	30.2	41.8	27.4	5.3	33.3
Grenada	28.0	15.4	14.9	60.9	61.1	33.4
Guyana	4.6	1.1	15.2	23.3	12.0	10.7
Jamaica	17.8	15.2	28.3	29.3	40.5	26.1
St. Kitts and Nevis	36.3	47.7	27.9	82.5	75.0	48.9
St. Lucia	1.3	2.7	4.7	2.9	14.8	6.2
St. Vincent and the Grenadines	51.4	3.6	32.4	54.7	22.0	35.5
Trinidad and Tobago	2.4	2.3	7.1	14.1	12.5	7.3

Source: Based on United States Trade Representative data for 1989 to 2000.

Table 5
Main CARICOM exports to Western Europe as a percent of the total (1985-1999)

Product	1985	1990	1995	1999
Aluminium Ores and concentrates	19.2	29.1	25.8	24.0
Sugars	15.3	12.1	14.3	13.2
Alcoholic beverages	4.1	5.6	7.0	12.8
Bananas	12.9	14.2	11.7	9.7
Ships and boats	0.7	16.0	10.4	5.0
Petroleum and fuel oils	21.0	2.1	1.9	4.0
Crustaceans and molluscs	0.4	1.4	1.7	3.0
Inorganic chemical elements	4.1	1.4	.....	2.4
Rice	3.5	2.0	1.7	2.3
Aluminium	2.4	1.5	2.1	1.2
Garments	0.2	1.3	1.7	.....
Medical and pharmaceutical	1.0	1.1	.....	.....
Jewellery	0.7	0.9	.....	.....
Total	85.3	88.7	78.4	77.3

Note: "..." data not available.
Source: Competitive Analysis of Nations (2001)

Official assessments of the trade impact of special and differential treatment are mixed. The recent Fourth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act (31 December 2001) states that: "the total U.S. dollar value of CBI exports to the United States in 2000 was $22.2 billion, or 2.5 times greater than in 1984" (page 1). Subsequently, (page 3), it goes on to state: "Collectively, the CBI countries rank ninth among U.S. market export destinations, ahead of countries such as France, Singapore and the Netherlands".[11] This optimistic outlook contrasts with that of the European Union. A report on the bilateral trade relations between ACP countries and Europe (July 2001) which looks at market share, indicates that ACP countries face increasing difficulties in integrating into the world economy, and that their share of exports to the European Community has decreased even in those periods when they most enjoyed preferences for market access.[12]

The available evidence for Caribbean countries supports this conclusion. Despite the importance of the United States and European markets, Caribbean countries have failed to increase or even maintain their overall market share. Between 1985 and 1999, the export market share of Caribbean countries in regional trading blocs such as NAFTA and the EU (Western Europe), has decreased from 0.71 per cent to 0.26 per cent and from 0.15 per cent to 0.10 per cent, respectively (see Table 6). It is worthy of note that the Caribbean's market share has decreased as much in those markets that grant preferential access as in those where Caribbean economies compete on an equal footing with third countries. Also, historically more than half of the Caribbean market share in the EU is concentrated in Trinidad and Tobago and Jamaica.

Table 6
CARICOM's market share in other regional trading blocks
In percentages
1985-1999

Regional block	1985	1990	1995	1999
NAFTA	0.71	0.43	0.32	0.26
Western Europe	0.15	0.13	0.12	0.10
Andean Community	0.40	0.96	0.41	0.30
Mercosur	0.30	0. 34	0.19	0.07
CACM	0.20	0.18	0.38	0.66

Source: Competitive Analysis of Nations (2001)

Market share can be disaggregated into a volume (volume share) and a value (relative unit value) component (see Table 7 below).[13] Thus, as a first approximation, the decrease in market share can be explained by the interaction of both components. Available evidence for the United States market at the lowest level of disaggregation allowed by the Harmonised System Code (i.e, the 10-digit level of disaggregation) shows that in most cases value

[11] In a similar way, the Inter-American Development Bank (IDB) estimates that United States imports under the CBI programme, increased an average of 10.7 per cent annually from 1984-1999, while total imports worldwide to the United States increased by 7.4 per cent (IDB 2000, p. 1). However, the Bank partly attributes this performance to the dramatic growth in the United States economy.

[12] See, Bilateral Trade Relations. ACP countries (77). July 2001. Europa. European Union. Also see, European Commission. Green paper on relations between the European Union and the ACP countries on the eve of the 21st century. 20 November, 1996.

[13] For a more detailed explanation see, MAGIC. User´s Manual (2001). ECLAC.

changes accounted for the decrease in market share. [14] Table 7 shows that three out of eight main export products experienced declines in volume, but that five products out of eight registered decreases in the value or price component of market share.

Table 7
Volume share and relative price changes for main Caribbean export products
1995 – 1999

Product	Volume share change In percentages	Relative price change In percentages
Crude petroleum testing	-7%	0.9
Anhydrous Ammonia	40%	-10
Aluminium Oxide	52%	-10
No. 6 type fuel	40%	2
Aluminium ores	5	-8
Methanol	100	-16
Panty hose	-56	17
Men's or boys cotton underwear	-66	-3

Note: The products here analysed belong to the lowest level of desaggregation under the United States harmonised system code. Volume share is defined as the ratio of the bilateral to the global export volume to the United States.
Source: Module to Analyze the Growth of International Commerce (MAGIC) (2001).

Beyond an analysis on volume and price changes stands a more fundamental issue. Special and differential treatment is granted at a point in time for a period of time. It ultimately responds to the requirements and priorities of the country granting the trade preference and to the lobbying power of the interest groups of the beneficiary countries. Europeans view bananas as an important consumption item. In the same vein, the more recent extension of the Caribbean Basin Initiative to cover apparel products under the enactment of the United States-Caribbean Basin Trade Partnership Act (CBTPA, May, 2000) was partly due to the significance of out-sourcing for United States firms.

As a result, special and differential treatment may be divorced from, and not be responsive to, the factors that determine export competitiveness. In particular, special and differential treatment is not conceived as a scheme to promote export potential on the basis of the production possibilities of the developing countries involved. In this sense, the export pattern determined by S&D treatment may not correspond to the changes in the production structure of economies (i.e. to structural change). In the cases where it has corresponded to a structural change in the economies involved it has been an engine for economic growth.

During the 1990s, on average, Caribbean economies experienced a change in the sectoral composition of output from agriculture to the services sector, with a stagnant manufacturing sector. In terms of weighted averages, agriculture accounted for 13.5 per cent of output in 1990 and 9.5 per cent in 1999. For the same years, manufacturing represented 12.6 per cent and 11.56 per cent. The service sector increased its contribution to output from 39 per cent to 47 per cent (see Table 8, below). [15]

[14] The computations of the volume share and relative unit price require export volumes and these were available only for the United States.
[15] The data on agriculture excludes Guyana. The country experienced a 300% increase in sugarcane production between 1990 and 2000, which as shown in Table 3, distorts the average for the region.

Yet, with a few exceptions, during the same period, there were no significant changes in the export structure of Caribbean countries. For example, in the case of exports to Europe, natural resource and agricultural commodities remained throughout the 1990s the most important exports. Aluminium, sugar, bananas and alcoholic beverages represented more than 50 per cent of the total exported in 1985 and in 1999 (see Table 8, above). The exception to this rule is Trinidad and Tobago.

In the 1990s Trinidad and Tobago, an oil-producing country, switched its productive structure from oil to natural gas and other manufacturing products. This change in its production structure was accompanied by a change in its export pattern. As Table 3 shows, between 1985 and 1999, petroleum and fuel oils lost substantial market share in the European market decreasing from 21 per cent of total CARICOM exports to 4 per cent. At the same time methanol exports, a recent successful Trinidadian product, increased by 100 per cent in volume terms between 1995 and 1999 (see Table 7, above). Trinidad and Tobago was the only country in the CARICOM region (besides Guyana) that registered higher rates of GDP growth with lower GDP growth volatility in the 1990s relative to that of the 1980s.[16]

Table 8
Sectoral share of output
1990 and 2000
Percentages

	Agriculture		Mining		Manufacturing		Tourism		Financial Services		Other services	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Antigua/Barbuda	4.2	4.9	2.0	2.2	3.4	2.8	14.44	14.40	7.2	11.2	18.9	25.1
Barbados	7.3	6.1	0.8	0.9	10.0	9.3	13.90	14.96	0.0	0.0	7.8	8.3
Belize	18.4	21.0	0.7	0.8	17.2	17.2	19.23	19.75	5.1	5.2	25.2	24.8
Dominica	25.0	18.2	0.8	0.8	7.1	7.2	2.06	2.44	11.3	13.2	16.2	20.9
Grenada	13.4	10.1	0.4	0.6	6.6	9.9	5.80	11.79	7.8	12.9	20.1	30.5
Guyana	23.6	35.4	9.5	10.9	11.1	11.7	.....	.....	6.0	5.7	8.7	8.5
Jamaica	6.2	7.1	8.7	9.1	21.1	15.8	.....	.....	9.2	14.9	9.4	16.9
St. Kitts/Nevis	6.5	3.8	0.4	0.5	12.9	14.3	7.62	8.97	8.0	19.3	15.0	17.6
St. Lucia	14.6	7.7	0.4	0.5	8.2	5.9	9.60	13.28	7.3	10.6	16.8	20.0
St. Vincent/Grenadines	21.1	12.0	0.3	0.3	8.5	5.8	2.23	2.48	7.6	9.6	20.5	25.2
Suriname	9.3	11.1	9.1	17.8	13.0	10.6	12.13	10.56	17.8	9.3	5.4	8.9
Trinidad/Tobago	1.9	1.8	57.7	56.5	4.5	6.0	5.73	7.36	5.0	4.7	5.9	6.2
Weighted Average a/	17.18	18.58	39.44	36.84	12.66	11.57	39.07	46.63	.....	.....	.....	.....
Weighted average for agriculture without Guyana	13.50	9.50	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Note: "..." data not available. Other services include communications and transport.
a/ The weighted average was estimated was calculated for agriculture, manufacturing and the service sector as a whole (including tourism,
transport and communications).
Source: ECLAC (2001).

[16] See, IMF (2000). Itam S. et al. Development and Challenges in the Caribbean Region. International Monetary Fund. Washington D.C. Table 2. p. 7.

The lack of correlation between the export and the production structures has had two important consequences for Caribbean economies.

First, it reinforces the constraint to fulfil existing quotas granted by preferential trade arrangements. This has caused some to question the usefulness and efficiency of special and differential treatment. In the Caribbean, the inability to fulfil existing quotas may be due to a series of factors including: the lack of managerial capacity, poor organization, weak institutions, a slow response to a changing environment and the lack of technological capacity.

But it also has to be recognised that patterns of structural change in the Caribbean have meant a shift in the orientation of resources from the traditional sectors, such as agriculture, to the non-traditional services sector. A lower level of resources reinforces the difficulty of meeting export commitments or undertaking restructuring processes required by productive activities to comply with multilateral obligations.

For example, prior to the European modification of the import banana regime in 2001, the European Union granted quotas of 71,000 tons, 127,000 tons, 82,000 tons and 14,000 tons to Dominica, Saint Lucia and Saint Vincent and the Grenadines, respectively. But the quantities actually exported for the period 1993-1999 were on average, 37,204 tons, 89,756 tons, 41,638 tons and 2,318 tons, representing 52 per cent, 71 per cent, 51 per cent and 17 per cent, respectively, of their total quota. [17] In his analysis of the Windward Islands banana sector, Sandiford (2000, p. 46) provides an explanation for this shortfall. He writes:

> "It was commonly agreed that the critical factor in the adjustment process was the need to enhance the quality of bananas produced by the industry so as to increase its international competitiveness. At the same time, the institutional arrangements for management and governance of the industry were identified as areas in need of realignment. In addition to the structural deficiencies in the areas of management and governance, all of the BGASs were in serious financial difficulties. The financial constraint added complications to the adjustment process as limited resources were available for its financing".

Second, the mismatch between production and export structures constrains the capacity of Caribbean countries to exploit their export potential and thus to diversify their export base and enhance their growth.

The export performance of Caribbean countries can be also measured by the ratio of exports to the average propensity of import (i.e.the ratio of imports to GDP). When exports are equal to imports, the export performance ratio is equal to GDP. When exports are greater (less) than imports, the export performance ratio is greater (smaller) than GDP. Table 9 shows the export performance ratio for selected Caribbean economies. With the exception of Jamaica and Trinidad and Tobago, for all countries the export performance ratio was below

[17] See European Union Council Regulation 404/93. WIBDECO and Sandiford (2000).

GDP indicating a disequilibrium in the balance of trade. Moreover, from 1985 to 1999, it decreased for all countries, showing that the export performance deteriorated.

Table 9
Export performance for selected Caribbean countries, 1985-1999

Export performance	1985	1990	1995	1999
Antigua and Barbuda	0.12	…..	0.15	0.09
Barbados	0.58	0.30	0.31	0.24
Belize	0.70	0.61	0.63	0.45
Dominica	0.51	0.47	0.38	0.46
Grenada	0.33	0.25	0.18	0.13
Guyana	0.67	0.83	…..	……
Jamaica	1.14	1.14	0.50	0.43
St. Vincent and the Grenadines	0.72	0.65	…..	…..
Trinidad and Tobago	1.56	1.11	1.43	0.75

Note: export performance is calculated as the ratio of merchandise exports to the average propensity to import.
Source: On the basis of USTR data, MAGIC (2001), CAN (2001) and IMF financial statistics (Several issues).

Table 10 United States and European market share and import structure for Caribbean countries 1985-1999				
	1985	**1990**	**1995**	**1999**
The European market - European import market share				
1. Natural resource exports	16.01	13.64	13.1	11.14
2. Natural resource based manufacturing exports	33.89	25.97	23.57	20.7
3. Manufacturing exports not based on natural resources	46.67	56.99	59.14	63.77
Low technology	20.26	23.39	24.49	24.65
Medium technology	26.41	33.60	34.65	39.12
4. Other exports	1.76	1.94	2.58	2.88
Caribbean export structure to Europe				
1. Natural resource exports	55.68	61.61	59.81	56.23
2. Natural resource based manufacturing exports	25.43	11.12	14.87	2305
3. Manufacturing exports not based on natural resources	13.02	25.82	24.9	19.15
Low technology	10.82	8.36	11.75	11.30
Medium technology	2.20	17.46	13.15	7.85
4. Other exports	1.49	1.47	0.32	1.03
The United States market - United States import market share				
1. Natural resource exports	9.1	7.91	7.03	6.23
2. Natural resource based manufacturing exports	31.32	28.42	26.06	25.08
3. Manufacturing exports not based on natural resources	54.88	59.35	62.52	63.64
Low technology	13.23	15.61	15.91	16.62
Medium technology	41.65	43.74	46.61	47.06
4. Other exports	3.35	3.28	3.46	4.06
Caribbean export structure to the United States				
1. Natural resource exports	19.21	25.25	25.45	26.46
2. Natural resource based manufacturing exports	66.11	55.23	41.1	44.18
3. Manufacturing exports not based on natural resources	11.25	14.80	22.93	17.54
Low technology	4.77	12.90	20.47	14.95
Medium technology	6.48	1.91	2.46	2.59
4. Other exports	1.97	3.20	8.94	9.44

Note: Export performance is calculated as the ratio of merchandise exports to the average propensity to import.
Source: On the basis of USTR data, MAGIC (2001), CAN (2001) and IMF financial statistics (Several issues).

Table 10 shows the evolution of the composition of Caribbean countries exports to the United States and Europe. Exports are classified in four categories. These are: exports based on natural resources, natural resource based manufacturing exports, manufacturing exports that are not based on natural resources and other exports. In turn, the manufacturing exports that are not based on natural resources are classified into low and medium technology exports.[18]

[18] This classification of exports follows the methodology of Mortimore and Peres. Exports based on natural resources include basic products. Natural resource based manufacturing exports include wood, metal, oil, cement, glass products. Manufacturing exports not based on natural resources of low technology include apparel and garments and other products such as jewellery. Manufacturing exports not based on natural resources of

Between 1985 and 1999, Caribbean counties have maintained or increased the share of natural resource based exports. In the case of the United States, it has increased from 19 per cent to 27 per cent. In the case of Europe it has remained above 50 per cent. Resource based manufacturing exports have declined (66 per cent to 44 per cent in the case of the United States and 25 per cent to 23 per cent in the case of Europe). Finally, manufacturing exports that are not based on natural resources have increased, due to the increasing importance of the apparel industry in the case of the United States. In the case of Europe, the increase responds mainly to the external sales of ships and boats.

This pattern does not necessarily correspond with the evolution of the composition of external demand. In both the United States and European markets, natural resources have lost market share and manufacturing exports not based on natural resources that are of medium technology represent the most important component of their import market and have steadily increased.

Taking into account two time periods 1990-1994 and 1994-1999, a brief survey of more than 2000 products at the 10 digit level exported by Caribbean countries to the United States shows that: (a) more than 30 per cent of the total corresponded to products combining a declining regional share in dynamic products (i.e., products increasing their United States market share); (b) between both periods of time there has been a decline in percentage of the products whose relative importance in the United States market has increased; (c) likewise there has been an increase in the percentage of the products whose relative importance in United States markets has decreased (26 per cent and 33 per cent of the total in 1990-1994 and 1994-1999).[19]

More importantly, the evolution of the export structure highlights the fact that the basis on which special and differential treatment is granted may have reinforced an existing trade pattern based on comparative advantage, that is, on natural resources and low labor costs.

Caribbean economies remain dependent on primary commodities. On average during the 1990s, sugar, molasses and rum represented a quarter of total exports for Barbados and Guyana and more than a third for St. Kitts and Nevis. Bauxite and aluminia accounted for more than 40 per cent of total exports in the case of Jamaica and more than 70 per cent in the case of Suriname (IMF, 2000). In addition, despite its poor export performance, the banana sector represented, in the case of Winward Islands, more than 6 per cent of GDP in 1998 and 18 per cent of the labor force (Sandiford, 2000).

The failure to enhance export growth and increase diversification has been accompanied by a continued growth in imported merchandise. Imports are mainly driven by consumption. As shown in Table 11 below in eight out of the 12 Caribbean countries considered, consumer goods account for more than half of total imports. In turn consumer goods have accounted historically for a significant share of expenditure (see Table 12). In

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medium technology include machinery and equipment, automobile parts, pharmaceutical products. Other products include non-classified products.

[19] The computations were carried out with MAGIC (2001).

2000, consumption accounts for more than 80 per cent of national expenditure. Thus, as expenditure increases, consumption and imports follow *pari passu*.

Table 11
The importance of consumption in total imports
1994 – 1998

Percentage	Countries
Above 60% of total imports	Dominica.
Between 50% and 60% of total imports	Bahamas, Belize, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.
Between 40% and 50% of total imports	Barbados
Between 30% and 40% of total imports	…….
Between 30% and 20% of total imports	Suriname, Jamaica, Guyana
Below 20% of total imports	Trinidad and Tobago

Source: IMF (2001)

Table 12
Levels of consumption relative to total expenditure
In percentages
1965 - 2000

	1965	1970	1975	1980	1985	1990	1995	2000
Antigua and Barbuda	.....	.....	.....	.....	.....	65.6	71.8	67.2
Barbados	.....	.....	85.9	77.4	76.7	83.7	81.7	84.9
Belize	.....	.....	73.8	87.8	91.2	74.8	81.1	83.6
Dominica	.....	.....	97.4	120.7	94.9	85.2	84.6	83.9
Grenada	.....	.....	94.1	100.4	99.0	83.7	84.05	83.0
Guyana	80.1	77.5	67.0	81.7	89.4	74.5		
Jamaica	84.7	72.6	84.6	86.2	84.9	76.2	81.0	84.3
St. Kitts and Nevis	.....	.....	93.4	92.1	91.8	76.0	77.3	100.3
St. Lucia	.....	.....	97.2	91.0		84.0	77.9	91.3
St. Vincent and the Grenadines	....	.....	100.4	111.7	86.0	79.9	84.2	80.9
Suriname	79.2	76.7	68.8	78.9	88.7	.....	.....	.....
Trinidad and Tobago	78.9	73.0	54.9	57.9	77.4	70.5	64.7	62.8

Note: .... denotes not available.
Source: On the basis of IMF International Financial Statistics (Several issues) and ECLAC (2001)

The overall result of an export structure 'landlocked' by special and differential treatment and an import pattern driven by the dynamism of consumption is to make the external constraint more binding. Most Caribbean economies have increased their trade deficit during the last decade. In addition, with a few exceptions, tourism earnings and remittances have not been sufficient to close the gap. This has made most economies dependent on foreign direct investment flows and official assistance aid.

Yet foreign direct investment flows have been concentrated in a few countries. Between 1990 and 1999, Trinidad and Tobago accounted for the lion's share of foreign direct

investment (45 per cent and 46 per cent, respectively) followed by Jamaica (23 per cent and 24 per cent, respectively).

At the intraregional level, the same pattern is found for investment and for trade flows (see Table 10).[20] This process compounded simply intensifies existing disparities in terms of income per capita and stages of development that are found in Caribbean countries (IMF, 2000). It also calls into question the Special Regime for LDCs found in the Chaguaramas Treaty (1973) and ultimately could lead to the fragmentation of the Caribbean subregion.

Table 13
Percentage distribution of extraregional and intraregional foreign direct investment in Caribbean countries (1990-1999)
Averages

Countries	Share in extraregional foreign direct investment Percentage of total	Share in intraregional Foreign Direct Investment Percentage of total
Antigua and Barbuda	3.0	3.1
Bahamas	4.0	3.5
Barbados	1.5	1.5
Belize	1.3	1.4
Dominica	2.1	2.1
Grenada	2.5	2.6
Guyana	7.2	7.3
Jamaica	22.9	23.5
St. Kitts and Nevis	3.0	3.0
St. Lucia	5.0	5.1
St. Vincent and the Grenadines	2.6	2.7
Suriname	0.0	-2.1
Trinidad and Tobago	44.9	46.2
Total	100	100

Source: ECLAC (2001)

Overall special and differential treatment has not been associated with increasing market share, higher export growth or with a greater diversification of the export base. As it stands, it has reinforced and perhaps determined a pattern of trade flows that does not correspond to the changes actually occurring in the production sphere. This pattern of trade flows is characterised by reliance on natural resource exports and low labor costs. The mismatch between trade and production structures has not allowed exports to keep up with the dynamism in imports, mainly driven by consumption. This has important ramifications for the balance of payments position and the process of Caribbean regional integration.

[20] Computations for intraregional trade flows were carried out with the software Competitive Analysis of Nations (2001). The results show that in 1985 Trinidad and Tobago accounted for 36% of intraregional trade. This percentage increased to 57% in 1999.

5. Proposals to apply special and differential treatment meaningfully to developing economies

The principle of special and differential treatment posits that discrimination in favour of developing countries is beneficial to their economic development. However, as has been analysed in the previous section, the application of this principle in the Caribbean has not lived up to expectations. Nevertheless, there are individual successes. Some exports that have benefited from preferential tariff rates and exemptions in quota requirements have expanded. But the results are "patchy " at best. This has questioned the usefulness of special and differential treatment.

Special and differential treatment will be further eroded by the impending conflict between multilateral agreements based on the principle of non-discrimination and preferential treatment which requires a waiver to that principle. As the WTO principles and free trade gain wide support in the face of globalisation there will be a narrower basis for supporting and justifying special and differential treatment. Moreover, the competition for aid and special privileges leads some developing economies to adopt a position that questions the legitimacy of special and differential treatment. For example, in the WTO banana case, Ecuador, Costa Rica and other developing economies questioned the special and differential European import regime granted to ACP because it discriminated against their production and exports. In the same way, some Caribbean countries have questioned the Cotonou Agreement due to the importance it gives to less developed countries. A higher allocation of resources for these countries in effect means a lower level of resources for the Caribbean region.

Yet for all its weaknesses it is clear that special and differential measures remain important for the vast majority of developing countries. The demise of these arrangements would have dire social and economic consequences.[21] Indeed, many proposals have been put forward for a more efficient and realistic framework for special and differential treatment.[22] The most recent proposal views S&D treatment as a fundamental element of the multilateral trading system. [23] Building on these and the evidence presented in the last section, the following principles can be suggested for a meaningful application of special and differential treatment.

First, special and differential measures should provide a stable framework for firms involved in export activities.

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[21] Sandiford (2000, p. 152) estmated that a scenario of liberalisation in the banana industry in the Winward Islands could result on average in a 66% increase in the rate of unemployment.

[22] See for example, WTO Market Access under Special and Differential Treatment for Small Developing Economies. Proposal by Swaziland. G/AG/NG/W/95. 22 December 2000. Preparations for the 1999 Ministerial Conference. Negoatiations on Agriculture. Special and Differential Treatment. Communications from Australia. WT/GC/W/167. 9 April 1999. Special and Differential Treatment for Developing Countries in World Agricultural Trade. Submission by ASEAN. G/AG/NG/W/55. 10 November, 2000. Special and Differential Treatment and Proposals. WT/COMTD/W/85. 14 May 2001. Preparations for the Fourth Session of the Ministerial Conference. WT/GC/W/442. 19 September 2001.

[23] See, WT/GC/W/442

Second, S&D treatment should maintain the spirit of paragraph 5 of the Enabling Clause:

> "The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to trade and developing countries, i.e., the developed countries do not expect the developing countries, in the course of the negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore, not seek, neither less developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs".

Third, special and differential treatment should be based on the principle of contractuality, as with the Lomé trade preferences. These should be jointly agreed and not modified unilaterally by the granting country.

Fourth, special and differential treatment should not be a set of homogeneous measures. It should be recognized that developing countries are heterogeneous in their production structures as well as in their stages of development. These disparities should result in a differentiated approach.

Fifth, special and differential treatment should not only focus on market access and thus, export performance, which is the main focus of the current proposals. Imports should also be incorporated. Imports can be a channel for the transfer of technology and for research and development. This would allow for the development of a more technologically oriented composition of exports.

Sixth, empirical evidence shows that while there is no automatic link between trade liberalisation and growth, free trade can enhance growth through the promotion of investment. This should be a vital, if not the essential part of S&D treatment.

This leads to an important proposal. Special and differential treatment cannot be divorced from the rest of the economy. It must correspond to the structural changes that characterize the evolution of economies over time. It must be an evolving and dynamic concept rather than a static one. In practical terms it means that it must be "situated in a sectoral context". As stated by Godley and Cripps (1983, p.44): "The evolution of whole economies, like their political systems, must be highly contingent historical process". So must be the concept and framework of special and differential treatment. Given the evidence presented of structural change in the case of Caribbean economies (see Table 6 above), a framework for special and differential treatment must therefore also include services.

These proposals are valid for all economies and specially for smaller sized economies as they should be part of a strategy to build capacity to confront the challenges of globalization. Such a strategy should also concentrate in creating compensation mechanisms

to avoid excessive gains and losses to individual sectors caused by changes in the direction of economic policy.

Smaller economies have characteristics which affect their capacity to participate in and benefit from international trade. These countries constitute a large part of the membership of the multilateral and regional trading arrangements, such as the WTO and a future FTAA. In addition, their effective participation in trade negotiations on both a multinational and regional basis will enhance both their own development and that of the global economy, international trade agreements must take account of their circumstances. Therefore future trade agreements such as the FTAA, must incorporate in their objectives, disciplines and schedules, measures specifically designed to facilitate the effective participation of smaller economies.

Within this scenario appropriate provisions specific to smaller economies can be grouped under seven headings (Bernal, 2001).

1. A lower level of obligations

Smaller economies would be required to undertake commitments and concessions to the extent consistent with their adjustment capacity, development, financial and trade needs, and their administrative and institutional capabilities for implementation. This should be negotiated on an issue-by-issue basis and, where appropriate, a product-by-product basis.

2. Asymmetrically phased implementation timetables

Given the smaller size of firms in smaller economies and the smaller scale of production and limited size of the market, export sectors will require a longer period of adjustment than larger firms and larger, more developed economies. Hence, there must be asymmetrically phased implementation of rules and disciplines, permitting a longer adjustment period for smaller economies. For example, in agricultural trade, in particular, food items, smaller economies should be allowed the flexibility to implement their commitments to reduction of protection and domestic support over a longer period than the implementation period prescribed for larger economies.

3. Best endeavor commitments

Both larger and smaller economies should commit to best endeavors in implementation of S&D treatment: (a) Larger economies should, wherever possible, provide measures and accept timetables, which provide consideration to smaller economies. For example, careful regard should be given by developed countries to the peculiar situation of smaller economies when considering the imposition of antidumping duties. Larger, more developed economies should be required to explore the possibility of constructive remedies (i.e. price undertakings) before imposing duties where these would affect the essential interests of smaller economies; (b) Where flexibility is provided, there should be some criteria to assess the extent to which smaller economies are making adequate efforts, for

example, when smaller economies have achieved "export competitiveness" in a given product they would be expected to phase out concessions over an extended period.

4. Exemptions from commitments in certain areas

Given the vast disparities in size, the extremely smaller size of some economies and the human, financial and institutional cost involved in implementing new trade agreements, such as the FTAA, smaller economies should be permitted some exemptions. This would not only address the question of disparities, but also avoid delays, which may occur because smaller economies, despite their best effort, were not able to meet certain requirements and timetables. For example, if, as is likely, exports subsidies are outlawed, smaller economies should be exempt from this requirement, or standardizing technical requirements through national organizations and participation in international standardization processes where these have no applicability because of lack of production or importation or exports. Where complete exemptions are not feasible, the minimum provisions would be helpful.

5. Flexibility in application and adherence of disciplines under prescribed circumstances

Smaller economies are highly open economies and are therefore more susceptible to balance of payments problems. This is particularly the case for smaller developing countries where balance of payments deficits tend to be persistent because of their structural origins. For example, the FTAA process might consider balance of payment provisions such as those provided in Articles XII and XIII of the GATT. It should be noted that these provisions are not confined to any particular type of country, but all members may avail themselves of the right resort to these provisions under the circumstances prescribed. Smaller economies, because of their vulnerability to balance of payment problems, should be permitted additional facilities to enable them to: (a) maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of a particular industry; and (b) apply quantitative restrictions for balance of payments purposes which take full account of the continued high level of demand for imports likely to be generated by their programmes of economic development.

6. Enabling access to mediation

The Understanding on Rules and Procedures governing the Settlement of Disputes is currently under review in light of the experiences of the past few years. The problems, which have been identified with the operations of the dispute settlement mechanism include: (a) the limited capability of smaller countries to make use of the mechanism because of their inadequate expertise and institutional capacity to implement panel findings; (b) the high cost and administrative difficulties of using the dispute settlement mechanism.

7. Technical assistance and training

The promise of technical assistance to the smaller economies is now widely accepted. Such assistance could: -

(a) Contribute to efforts by smaller economies to undertake the structural, institutional and legislative adjustment;

(b) Promote the development of adequate institutional capacity, including training to improve their handling of negotiations, and implementation of the international trade agreements;

(c) Assist smaller economies in fulfilling their obligations under the various international agreements, particularly in commitments under the WTO

No trade agreement and no set of relevant and meaningful special and differential measures should be expected to rectify structural and market weakenesses at the national level. A special and differential framework, such as that described, is unlikely to generate welfare gains for smaller economies unless it is accompanied by internal policies aiming at reducing their vulnerability.

In this sense, smaller States, such as those in the Caribbean, must see any new preferential provisions in trade agreements not as ends in themselves, but as a temporary means to facilitate adjustment to the demands of globalization. In a new trading environment of reciprocity, smaller States and developing countries, in general, must use the "breathing room" provided by preferences to undertake the necessary structural changes to become competitive in international markets. This will include strategies such as: (a) orienting the economy towards new types on activity based on global trends; (b) rationalizing and modernizing existing production and revitalizing traditional exports; and (c) improving international marketing techniques to keep abreast of world demand (Bernal, 1998, p. 16). There is already recognition in the Caribbean that fundamental structural reforms or "strategic global repositioning" (Bernal, 1996) needs to be implemented or the region will be marginalized in the international economy. Furthermore, that it is only through improving the competitiveness of Caribbean countries that they will be in a better position to undertake the reciprocal obligations in the WTO, FTAA and bilateral trade agreements.

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Table VI: Value and Distribution of CARICOM's Imports by Principal Sources. www.caricom.org/ statistics/tables/tablevi.html

TableVII: Value and Distribution of CARICOM's Exports by Principal Destinations www.caricom.org/statistics/tables/tablevii.html.

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