

TRADE NEGOTIATIONS: THE IMPACT ON THE DEVELOPMENT OF THE PRIVATE SECTOR IN THE CARIBBEAN

Caribbean Export Development Agency

Introduction

The trade negotiations being undertaken internationally and here in the Caribbean are all part of the movement to create a global market with all its promises of liberalised trade in goods and services and prosperity for all.

In January 1995, following the Uruguay Round of Trade Negotiations, The World Trade Organisation (WTO) was established to oversee the multilateral trading system, which evolved over the last 50 years. It is also a forum for continuing negotiations to liberalize the trade in goods and services through the removal of barriers and to develop rules in new trade-related subject areas.

In the region, bi-lateral and multi-lateral free trade agreements have been or are being brokered ahead of the eventuality of the Free Trade Area of the Americas (FTAA). These free trade agreements include CARICOM/Dominican Republic Free Trade Agreement, the Trade and Economic Cooperation Agreement between CARIFORUM and Cuba, CARICOM/Venezuela Free Trade Agreement and CARICOM-Colombia Free Trade Agreement.

There are also hemispheric and international trade arrangements established with the region. The ACP-EU Partnership Agreement, popularly known as the COTONOU Agreement is an aid and trade agreement established in 2000 between African, Caribbean and Pacific States (ACP) and the European Union (EU). This agreement represents a commitment to agree at a future date on ACP-EU trade agreements that are WTO compatible, and introduces a level of reciprocity with the EU as a successor to the Lome style preferential arrangements.

The Canadian version of a trade and economic development programme, CARIBCAN was introduced in 1986 to extend to a variety of Caribbean products, preferential one-way, duty free access to the Canadian Market. A recent decision has been made in the Caribbean Community (CARICOM) to negotiate a Free Trade Agreement with Canada. Then there is the United States (US)-driven Caribbean Basin Initiative

(CBI) of 1983, which was subsequently amended in 1990, affording duty free access to the US market for a range of products from CBI beneficiary countries. The Caribbean Basin Trade Partnership Act (CBTPA) also in place since 2000 provides beneficiary country status to 24 of the CBI countries in a somewhat enhanced trade preference arrangement, but one which requires conformity with some US trade and labour standards as well as WTO intellectual property agreements.

Concurrent with this high level of trade negotiations, the region has been pursuing over the last decade, the establishment of a CARICOM Single Market and Economy (CSME). At the recent intercessional meeting of the Heads of Government, a programme for the removal of restrictions on the right of establishment, provision of services and movement of capital was approved. This programme envisages that by the end of 2005, all barriers will be removed. The programme sets out all the various restrictions currently in place, by country, with different deadline dates for their removal (2003, 2004, 2005). The Heads also signed protocols to enable the transition to the CSME from a Caribbean Common Market and for the provisional application of the revised Treaty.

Status of the Agreements

Some of these Trade Agreements are already in place but are in various stages of implementation.

The main legal instruments negotiated in the Uruguay Round include the Marrakesh Agreement which established the **WTO**, Multilateral Agreements such as: the General Agreement on Tariffs and Trade (GATT 1994) and its associate agreements which include: Customs valuation; Pre-shipment Inspection (PSI); Technical Barriers to Trade (TBT); Application of Sanitary and Phytosanitary Measures (SPS); Import Licensing Procedures; Safeguards; Subsidies and Countervailing measures; Anti-Dumping (ADP); Trade Related Investment Measures (TRIMS); Textiles and Clothing (ATC); Agriculture; and Rules of Origin. There is also a General Agreement on Trade in Services (GATS), an Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and plurilateral trade agreements comprising Trade in Civil Aircraft and an Agreement on Government Procurement. These Rules are now in place and all members of the WTO can apply these in the conduct of Trade in Goods and services.

On February 1, 2002, the Trade Negotiating Council (TNC) comprising all WTO members and countries negotiating membership reached a broad agreement on the structure of the negotiations launched at Doha Ministerial Conference in late 2001. They also outlined the guidelines and procedures for the negotiations, which are scheduled to run until 1 January 2005.

The TNC (scheduled to meet once every three months, more frequently if necessary) agreed to seven negotiating bodies, viz., agriculture, services, non-agricultural market access, rules, trade and

environment, geographical indications for wines and spirits under the agreement on TRIPS and reform of the Dispute Settlement Understanding (DSU). Negotiations on agriculture, services, environment, TRIPS, and DSU reform will be executed in Special Sessions of the regular committees and councils. Negotiations in non-agricultural market access and rules will be conducted in new negotiating groups created for that purpose. The TNC and all other negotiating bodies and groups will operate under the authority of the General Council, as mandated by Ministers in Doha.

The proposed FTAA, comprising the 34 countries of the Organisation of American States (OAS), will be the largest free trade area in the world with an expected Gross Domestic Product (GDP) in excess of US\$9 trillion and a market of 765 million people. Political leaders at the first Summit of the Americas agreed to this in 1994. It is anticipated that the FTAA will promote prosperity through increased economic integration and free trade among the countries of our hemisphere establishing a Free Trade Area, in which barriers to trade in goods and services and investment will be progressively eliminated. Negotiations are ongoing and are scheduled for conclusion no later than 2005.

The FTAA process involves the Summits of the Americas, Trade Ministerial Meetings (Ministerial) meetings of the various negotiating groups and a Trade Negotiating Council . A preliminary draft FTAA Agreement was produced in the sixth Ministerial in Buenos Aires (April 2001). This is a heavily bracketed text that will be subject to substantial negotiation over the period up to 2005, the date for completion.

To date CARICOM has submitted to their Trade Negotiating Committee, texts and amendments to texts for all the negotiating groups. CARICOM States will have to be more proactive in providing guidance and information to the negotiators and to inform the regional negotiating strategy. Negotiations are to be initiated by May 15, 2002, with the results of this round of negotiations being put to the TNC Meeting in October.

The CARICOM/Dominican Republic Free Trade Agreement which was signed in 1998, entered into force provisionally in December 2001 between Dominican Republic and the More Developed Countries (MDCs) of the Caribbean Community, with the exception of Guyana and Suriname, which are currently undertaking internal consultations and will be advising the CARICOM Secretariat on its schedule of implementation shortly. The first meeting of the CARICOM/Dominican Republic Joint Council is scheduled for 25-26 February 2002, in the Dominican Republic to discuss any areas of concern and to begin negotiations on the services component of the agreement. There are reportedly on both sides, products which the respective parties wish to put on, or trade off the negative list.

The Trade and Economic Co-operation Agreement between Cuba and CARIFORUM was signed in June 2001 and should have been in force by July 2001. The CARICOM and Cuba Technical Team met in

Jamaica in August 2001 to consolidate and finalise the products lists (annexes I-IV) in both English and Spanish. To give effect to the agreement and protocols, member states of CARICOM were expected to put in place, the required internal legal and administrative measures. CARICOM MDCs need to legislate the preferential access for specific goods imported from Cuba and to provide the authorised signatures of the persons designated to certify documents related to the export of goods to Cuba. Under this agreement CARICOM Lesser Developed Countries (LDCs) are not required to legislate preferential access to goods from Cuba. Cuba has advised that it is in the process of ratification of the Agreement. CARICOM Member States are also expected to name their representatives to the expert groups on tourism, travel related services and entertainment.

The **CARICOM/Venezuela Free Trade Agreement**, became operational in 1992, on a non-reciprocal basis. In November 1998, the Government of Venezuela requested the extension of preferential tariffs as was granted to Colombia by CARICOM MDCs. On the basis of submissions by Member States, adjustments are being made to the list of products under consideration. There are still, however, some outstanding concerns relating to transportation, administrative difficulties, commercial agents, market information, language of documentation, protracted testing and difficulties relating to the harmonised coding system, which also need to be addressed.

The CARICOM/Venezuela Joint Council has not met in six years, however, CARICOM is trying to facilitate one in the first quarter of 2002.

The **CARICOM/Colombia Trade Agreement** came into effect in 1994 and was amended in 1998. This agreement is currently being reviewed and discussions were to have taken place in this regard at a meeting in Cartagena, Colombia in February this year. Meanwhile steps are being taken to forge a closer relationship between CARICOM and the Andean Community through the CARICOM-CAF project, a cooperation agreement that seeks to promote the development of closer relations between the private and public sectors of both regions.

According to regional press reports, CARICOM governments have also recently agreed to begin talks on a free trade agreement with the Central American Countries.

The **COTONOU Agreement**, which replaces the LOME Agreement, is presently awaiting ratification. In January 2002, the EU Parliament had consented to the Agreement, but only three EU Member States had ratified thus far. All EU Member States have to ratify the Agreement as well as two-thirds of ACP countries before the Agreement can enter into force.

The COTONOU Agreement is expected to last twenty years with allowances for revision every five years. The COTONOU agreement focuses on economic and human development, regional cooperation and integration, with gender, environment and institutional development being promoted as well. Unlike the LOME Conventions where trade cooperation took the form of preferential tariffs, trade and economic cooperation under the COTONOU agreement will consist of a more comprehensive set of arrangements. The new approach will focus on improving the ACP capacity in trade and to attract international private investment. In the long run, there will be a progressive removal of the obstacles to trade between the parties in accordance with WTO rules. This will be achieved through, trade arrangements to be negotiated from September 2002 and is supposed to enter into force as of January 1, 2008. Meanwhile, the current non-reciprocal preferences and the regimes of the various protocols, with some modifications, will be maintained.

The 1986 **CARIBCAN Agreement** continues to provide benefits for CARICOM partners. So too is the US-driven **CBI** and the **CBTPA**. There have been concerns that recent changes in US trade policy, viz., the approval of the US Trade Promotion Authority or "Fast Track Authority" undermines the CBTPA, as it imposes stricter rules of origin for preferential imports of Caribbean goods under the CBI into the US. This decision by the US Congress imposes stricter enforcement of trade laws for textiles by mandating that all US knit and woven fabrics undergo all dyeing, finishing and printing procedures in the US in order to qualify for benefits under the existing CBI.

Issues and Implications

The rationale behind CARICOM involvement in this bewildering array of trade negotiations varies. For some agreements, there is a strong trade (export) interest, particularly in the regional (Caribbean Basin) agreements. The potential for both outward and inward investment through the policy framework created by these agreements is also important. With an older existing agreement such as the LOME, the interest has been to maintain the status quo, which has been critical for several traditional commodity-like exports from the Caribbean. For some countries, the FTAA and WTO processes are part of a positioning strategy to maintain and build a stable investment-open profile as opposed to a market-opening strategy.

The strategy behind the proliferation of regional free trade agreements is the joining of forces to negotiate better terms with the larger more powerful players. It is also an approach to prepare a more gradual entry into hemispheric or global liberalised economy. This strategy implies a phased process with regional agreements preceding the hemispheric and global arrangements. However, this clearly has not occurred, as the regional arrangements have moved at a far slower pace than originally envisaged. Even the CSME core arrangements (free movement of services, capital and right of establishment) will not be fully

implemented until the end of 2005, the same time frame for the completion of the FTAA treaty. Indeed, in some areas, the regional process is in danger of being overtaken by progress at other levels.

Notwithstanding the benefits to be realised from these trade arrangements, there are also some other concerns and issues. A major concern is the ability of regional entrepreneurs to participate in these arrangements. At the same time, civil society actors have expressed concerns related to the opportunity and ability of corporate interests to dictate the trade agenda at the expense of human rights and environmental integrity. Others have criticised the secrecy of the negotiations, the increasing commodification of everyday life including control of education, health, food, water and electricity by corporations operating at a profit.

Although the Trade and Economic Cooperation Agreement between CARIFORUM and Cuba has not been fully implemented there was some anxiety by participating Caribbean Governments that regulations such as the US Helms-Burton Law may encourage withdrawal of US aid and technical support from the region. Caribbean Governments also failed to take advantage of the liberalisation and diversification of the Cuban economy, although several barriers to market access still persists.

Many of the trade issues and implications are inextricably linked to social and economic concerns. The ability to trade and compete effectively in a global market place requires a level of efficiency and productivity, which perhaps will not be realised in a Caribbean, separated in micro economies. Smaller economies such as those in the Caribbean and elsewhere, competing in a fully liberalised economic space will be at a distinct disadvantage. While Caribbean Governments are being coerced to remove subsidies from agriculture and other sectors, those in the developed countries seem to disregard the recommendations of the World Trading system and continue to support their economies through massive subsidies.

Governments will be operating in a situation where their ability to maintain sovereignty over natural resources will be increasingly reduced. It is in this context that the proponents of the CSME urge the consolidation and hastening of the process to complete the CSME prior to the completion and coming into force of FTAA. Otherwise, Caribbean people are doomed to become mere consumers in a global market place.

Moreover, in the context of maintenance of cultural integrity and diversity, the protection of indigenous and traditional knowledge is of major concern especially in smaller societies such as the Caribbean. The protection of intellectual Property rights and the associated issues of bio-diversity, geographical indicators and trademarks of special relevance to the region continue to be nebulous and feature prominently as negotiations continue.

There is also concern in the region that there is shift in focus from the Agricultural Sector in favour of Tourism and Services sector. This is based on a perceived comparative advantage in the aforementioned sectors. The reality is that agricultural production still accounts for a major percentage of the region's GDP and of its exports. The food and agricultural business activity must be the basis for creating value added and creating a situation where Caribbean countries are in control of the food supply chain in the region, especially with the issues surrounding organic food, Genetically Modified Organisms and the like. The food security issue must be understood in the context of these trade negotiations and the questions of independence, sovereignty and terrorism where food can be used as a bargaining chip in what can soon become "food terrorism".

Role of the Private Sector

In each of these negotiations, the private sector must set out its interests and the opportunities and threats presented. While governments have been generally good at deriving an overall framework that respects the special needs of the developing and the Caribbean (e.g. special and differential treatment), business must develop positions, sector-by-sector, product-by-product, which must be reflected in the trade negotiations. They must also determine, what assistance is necessary to enable them to participate in the developing trade arrangements.

The private sector must feature prominently in respect of these agreements, as they provide the opportunity for trade and market access. The private sector is also expected to make use of the enabling environment provided by the public sector through these agreements to generate wealth and drive the economies of their respective states.

The private sector must encourage the participation of its members in the development process and support their member organisations to provide services, mobilise their interests and engage governments in dialogue. They must also be involved in the process of understanding the issues, creating the ideas and informing the negotiators of their special access needs. The private sector needs to secure adequate representation at the level of government interaction in trade and policy negotiations. A key role must be in developing the trade and economic policies required for the new environment.

The reality is that the private sector organisations are ill prepared to make meaningful contributions to policy dialogue. In some cases, too, the private sector is perceived as focussed solely on profit making at the expense of the public interest and as such is viewed with suspicion by governments. On the other hand, governments have tended not to engage the private sector in decision-making, although this is changing. It means therefore that there is need for building and strengthening the capacity for policy

dialogue. The ability of the private sector to work collectively and respond fruitfully to policy issues requires investment in institutions.

Under the COTONOU Agreement, there is a comprehensive programme of action to support the private sector. There is a new investment facility to stimulate investment and strengthen the capacity of local financial institutions. There is also support under this agreement for an ACP-EU Private Sector Business Forum to encourage dialogue among ACP and EU private sector actors and in the public sectors of these regions.

This means that members of the private sector in the region must now work with Government and other agencies to develop strategies and programmes for increasing their capacity in areas to support the objectives of the many agreements brokered.

Conclusions

A few conclusions can be drawn here. Certainly, the CSME and other sub-regional arrangements must be concretised well before the conclusion of the FTAA negotiations. The Private Sector must be at the forefront of supporting such efforts at regional integration.

It is clear that the private sector must be informed and become conversant with the workings of the many agreements, which relate to trade in Goods and services. This requires training and access to relevant information. The many agencies and organisations involved in trade related concerns must also engage the Private Sector in the region to keep them abreast of the shifts and changes in policy as it relates to trade and the agreements.

Private sector capacity to engage in governmental decision-making and their inclusion in that process is now more than ever a priority. The strengthening and enhancement of that capacity must be effected sooner than later through skills development and the creation and or strengthening of mechanisms for dialogue between the public and private sector.

It has been recommended elsewhere that the creation and or revitalisation of vibrant, functioning private sector organisations should be considered as a means of improving opportunities at participation. Key also is forging links with other regional private sector agencies and associations to develop common approaches to accessing opportunities through private sector assistance programmes.

The private sector must also liaise with community groups, other members of civil society and with governments to advise on and contribute their needs in respect of negotiations.

Additional Reading

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