Caribbean Trade Integration After the West Indian Commission: A Time of Inaction?

Final Draft

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One-Page Executive Summary

This study examines the performance of Caribbean exporters under various trade integration initiatives after the West Indian Commission Report. The study – written at a time of difficulty for the Caribbean regional integration project – examines the opportunities for CARIFORUM exporters under the region's various FTAs, contrasts those opportunities with the vision of the West Indian Commission and the region's actual trading performance, and finally explores some of the key challenges and policy conclusions arising from the analysis.

The Report of the West Indian Commission bases its economic development strategy squarely on the export sector. Recognizing the limitations of domestic markets, the Commission sought regional solutions that would create a business-friendly environment where exports could flourish. The record of take-up of the Report's nine recommendations has however been patchy, demonstrated vividly by the contrast between the volumes of research conducted on trade within the region, and the uneven outcome in terms of business environments between the different Member States.

The trade opportunities in CARIFORUM FTAs are largely limited to goods. With respect to goods, the study finds that potential market interests vary widely, between duty-free-quota-free access under the EPA and DR-CAFTA – which expand previous preferential access – and more restricted arrangements with Latin American partners. While there are provisions within the various Agreements establishing a framework for services negotiations, consideration of services liberalization is generally deferred until CARICOM has established its internal services regime; this picture may change however due to the EPA regional preference clause.

Export trends under CARICOM FTAs have not been generally favourable. CARICOM countries, as a group, tend to run trade deficits under various FTAs, particularly so when a narrow set of mining, energy and heavy industries are removed from the sample. Trends have also been negatively influenced by external market factors, including the global recession of 2008-2009. In certain instances, exclusively on the aggregate picture however hides important increases in exports within certain sectors and Member States. Export trends in services are difficult to measure given the absence of data.

In order to unlock the potential of FTAS, CARIFORUM needs a more targeted approach. Given the costs of negotiating FTAs, and the shrinking set of commercially viable opportunities within external market, CARIFORUM countries should avoid reflexive tariff negotiations and focus on (a) a strong voice for producers of niche manufacturing, agro-processing and services sectors, articulated by strong coalitions, and (b) addressing behind-the-border barriers that frustrates export-led growth.

1 Introduction: A Difficult Time For Caribbean Integration

This study examines the performance of Caribbean exporters under various trade integration initiatives after the West Indian Commission Report. This study, prepared by WTI Advisors (Geneva) for Caribbean Export, compares the 1992 vision of the West Indian Commission as regards export performance and the reality of trade flows from CARIFORUM countries[1] to their respective FTA partners. This study provides a brief overview of some of the market opportunities in goods and services trade within the region's various FTAs – including the intra-CARICOM CSME, DR-CAFTA[2], CARICOM's arrangements with its Spanish-speaking neighbours in the Caribbean Basin[3] and the Economic Partnership Agreement (EPA) with the European Union – and contrasts these opportunities with the actual trade performance of CARIFORUM countries. Finally, the study outlines some of the key challenges faced by the private sector in taking advantage of the trade opportunities provided by these FTA instruments.

The study comes at a time of difficulty for the Caribbean regional integration project, in particular within CARICOM. At the time of writing (winter 2013), CARIFORUM is facing a prolonged pause in its trade integration. The Dominican Republic, for example, has paused negotiations with Canada, Taiwan and Chile, with the lack of interest attributed to the fallout from DR-CAFTA[4] and the desire to focus on implementation of existing FTAs. The difficulties are even more acute within CARICOM, where the regional construct is facing difficult questions about its long-term impact, relevance and solvency, as reflected in both a wide-ranging report commissioned by the CARICOM Secretariat[5] and several media articles in the regional press.[6] The paralysis and lack of inertia within CARICOM institutions is reflected in the progress (or lack thereof) of various internal and external integration initiatives, including:

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[1] The CARIFORUM grouping consists of the fourteen independent Member States of CARICOM (Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname and Trinidad and Tobago) plus the Dominican Republic.

[2] The parties to the DR-CAFTA FTA are the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

[3] The analysis will cover CARICOM-Venezuela (1992), CARICOM-Colombia (1994), CARICOM-DR (1998) and CARICOM-Costa Rica (2004).

[4] "Canadá iniciará conversación de TLC con nuevo gobierno RD", *Diario Líder*, 14 March 2011, accessed online at http://www.diariolibre.com. Negotiations between the Dominican Republic and Chile have not been formally launched, having only been subjected to a joint feasibility study in 2010.

[5] *Turning Around CARICOM: Proposals to Restructure the Secretariat*. Landell Mills, UK, January 2012.

[6] For just one of several examples of the pessimistic tone of the regional debate on CARICOM's future – arguing that CARICOM "now faces acute and growing challenges of fragmentation, loss of direction and a paralysing inertia" – see "A Critical Reflection on Management of CARICOM", *Jamaica Observer*, Sunday February 21, 2010, accessed online at http://www.jamaicaobserver.com.

- Continuing frustrations with the creation of a truly Single Market and Economy among the CARICOM Member States, particularly on the issue of labour mobility and seamless goods trade, and more generally on ensuring legislative compliance among Member States whose economic prospects and orientations continue to diverge;[7]
- The stalled implementation of the CARIFORUM-EU EPA, despite a long and intense process of bi-regional negotiation that ended more than five years ago;[8]
- Calls (but no substantive progress) for negotiations between CARICOM and both MERCOSUR and the Central American Integration System (SICA);[9] and
- The stalled negotiations and implementation of the CARICOM-DR FTA, particularly in light of (a) the obligation to revisit non-reciprocal treatment for the CARICOM LDCs, (b) the obligations to extend no less favourable treatment to the DR than that afforded to the EU in the EPA (i.e. the so-called "regional preference" clause) and (c) continued tensions over the Dominican Republic's potential accession to CARICOM.[10]

The difficult state of negotiations within CARIFORUM is in direct contrast to the feverish pace of integration outside the region. Based on the SICE database maintained by the OAS,[11] the stasis within CARIFORUM stands in stark contrast to the number and intensity of trade negotiations among the region's hemispheric partners (shown in Table 1 below). Many of the negotiations involve, on one side, CARIFORUM's larger export competitors in Latin America, and on the other side, CARIFORUM's main/potential export markets in Latin America, North America, Europe, Middle East and Asia. This implies that these negotiations threaten either to erode the Caribbean margin of preference (for export markets in the EU, USA and Canada) or close market opportunities for Caribbean producers that are not party to this wave of FTAs. The "left behind" market access scenario for CARIFORUM could become even more acute following the potential negotiation of the Trans-Pacific Partnership, which would link several hemispheric neighbours into an expansive and deep trading relationship.[12]

Table 1: FTAs Currently Under Negotiation (or Signed But Not Yet In Force) by Latin American Countries

Andean Community – Central American Integration	Colombia – Korea*

[7] *Caribbean Regional Integration*, a report by the UWI Institute of International Relations, University of the West Indies, April 2011.
[8] "What happened to the CARIFORUM-EU EPA?", *Trade Negotiations Insights*, Volume 9. Number 3, International Centre for Trade and Sustainable Development, March 2010.
[9] "Brazil Calls For MERCOSUR-CARICOM FTA", *Global Tax News*, 28 April 2010.
[10] "Secretary General downplays reports of tensions within CARIFORUM", *Antigua Observer*, Monday, July 19th, 2010, accessed online at http://www.antiguaobserver.com/?p=37639.
[11] Website: http://www.sice.oas.org.
[12] Current members of the TPP negotiations are Australia, Brunei, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. Other countries that have expressed an interest in joining include South Korea, Taiwan, Thailand, the Philippines, Laos, Colombia, and Costa Rica.

System	Costa Rica – Peru*
Brazil – Mexico	Costa Rica – Singapore*
Canada – Central America-four (CA4)	Dominican Republic – MERCOSUR
Canada – Dominican Republic	Dominican Republic – Taiwan
Canada – Honduras	Ecuador – Guatemala Ecuador – Mexico
Canada – MERCOSUR	Ecuador – United States
Canada – Panama*	Guatemala – Peru*
Central America – European Free Trade Association	MERCOSUR – Central American Integration System
Central America – European Union*	MERCOSUR – European Union
Central America – MERCOSUR	MERCOSUR – Gulf Cooperation Council
Chile – Dominican Republic	MERCOSUR – Jordan
Chile – Hong Kong, China	MERCOSUR – Korea
Chile – Indonesia	MERCOSUR – Mexico
Chile – Thailand	MERCOSUR – Panama
Chile – Vietnam*	MERCOSUR – SACU
Colombia – Costa Rica	MERCOSUR – Turkey
Colombia – Israel	MERCOSUR – Egypt*
Colombia – Japan	MERCOSUR – Southern African Customs Union*
Colombia – Panama	Mexico – Korea
Colombia – Turkey	Mexico – Singapore
Colombia – Uruguay	Peru – European Union
Colombia – European Union*	Peru -Venezuela

*Source: SICE database (http://www.sice.oas.org), accessed 5 March 2013. * Denotes agreements that have been signed but have not yet entered into force.*

This inertia is causing some CARICOM Members to seek separate arrangements with key trading partners. Given the slow pace of negotiations in the regional configurations, some CARICOM Member States have pursued individual arrangements, often as partial scope agreements that do not cover all products or sectors.[13] These arrangements include Trinidad and Tobago's arrangements with Guatemala and Panama, Belize's arrangements with neighbouring Guatemala, and the partial scope agreement between Guyana and Brazil, to which St Kitts and Nevis acceded in May 2012.[14]

[13] These South-South arrangements are covered by the WTO's Enabling Clause, and thus do not have to satisfy the GATT Article XXIV requirement to liberalize "substantially all" trade.

[14] These individual arrangements are not prohibited under CARICOM law. Article 80 of the Revised Treaty of Chaguaramas enables its members to sign trade agreements with third countries upon certification by the CARICOM Secretariat that the agreement is not harmful to the other partners in the bloc. For any arrangement that involves tariff concessions, the approval of COTED is also needed. ("Panama makes approach to CARICOM", *INTAL Monthly Newsletter*, No 179, July 2011, accessed online at http://www.iadb.org/intal).

2 The West Indian Commission's Vision of Export Development

2.1 The Commissioners' Vision

The Report of the West Indian Commission[15] covers virtually every relevant area of social, economic and political policymaking. Published in 1992, the Report analyzes a wide range of concerns in Caribbean policymaking, beyond the imperatives and mechanisms of trade and regional integration.[16] The main thrust of the report was to solve the so-called "Achilles Heel" of CARICOM integration: the widening deficit between the ambition of regional initiatives and actual implementation within the Member States. To this end, the Commissioners focused a number of their primary conclusions on the creation of institutions for a "strong Community", centred on a Caribbean Commission. Apart from the structures of integration however the Report also provides a wide-ranging analysis on the economic platform for growth within the region, and *inter alia* the role of trade integration at various levels (i.e. the "core" countries, the wider Caribbean, and the global arena).

It is important to stress that the Report only covers the group CARICOM countries as of 1992. The Commissioners' analysis is limited to CARICOM as it stood during their deliberations, and thus excludes consideration of Suriname (which joined in 1995) and Haiti (which joined in 2002, after several years of provisional membership). As the EPA configurations were still well into the future, the Report does not address the Dominican Republic, although several parts of the analysis address CARICOM's relations with the wider group of Caribbean States. Thus the feasibility of the Commissioners' recommendations is largely limited to not only the CARICOM grouping but, in many instances, the "core" group of signatories to the CSME. In Chapter X.2 however the Report does speak to the "special situation" of the "remote" Member States such as Belize and the Bahamas, which could in parts apply to both the newer CARICOM Member States and the Dominican Republic.

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[15] Hereinafter referred to as "the Report". *A Time For Action*, University of West Indies / The Press, Mona, 1992.

[16] According to the Introduction (p.18), the Report covers "governance and politics; regional institutions and the mechanisms of integration; economic conditions; finance, trade and industry; education from primary to tertiary level and the overall development of human resources; social conditions including the state of health in the Region; the incidence of crime and unemployment and the special problems of youth; gender issues; communications in every sense of the word; the shaping of external policies to meet the challenges of international and regional developments; the special situation and needs of the aboriginal peoples of the Region; the place and influence of trade unions, religious bodies, professional associations and non-governmental organizations as a whole…".

The Report bases its economic development strategy squarely on the export sector. Implicitly recognizing the limitations of the region's market, howsoever integrated, the Report calls for an economic strategy – one that increases CARICOM's "adaptability, resilience, innovation and international competitiveness"[17] – that is not only firmly oriented towards the global export market, but also favours regional platforms that overcome the limitations at the national level, and recognizes the emergence of then-novel approaches in services and telecommunications.[18] The original vision of the Commissioners is worth quoting in full:

> CARICOM has an opportunity for self-sustained growth, based on a strong orientation towards exports of goods and services in the context of the changing global environment. The export thrust must be fully supported by Government initiatives following the example of the successful East Asian exporters. Development will be based on increased competitiveness, innovation, the use of information services and the exploitation of CARICOM's good educational base and natural resources. Exports of goods and services will have to be of high quality. Many will be in the services areas, in tourism and in the new information services to which CARICOM has access through modern telecommunications facilities. Investment will also be directed to reducing costs and increasing productivity in traditional export items, to ensure that they command competitive niches in a dynamic export market.[19]

The Commissioners focus on the need for niche exports. While the passage of time has rendered a number of the 1992 Report's recommendations redundant, the Report is striking in its forward thinking with respect to what approach should be adopted by Caribbean exporters in an age of shrinking preferential markets, and continued dominance of trade of narrow commodity and extractive-industry exports. The authors of the Report argued that "given the uncertainties which attend the prospects for traditional exports… a compelling case exists" for focusing on manufacturing – notably in exports tourism- and culture-related products, such as handicrafts and furniture, agro-processed goods, and services.

An in-depth reading of the Report suggests that the Commissioners' vision of export development is not limited to Chapter 5. One of the immediate challenges in the analysis is to draw the full measure of the Commissioners' vision of export-led growth. There is a specific section dealing with the issue (Section 1 of Chapter V: "Export-Led Growth), which will be the focus of this study. An in-depth reading of the full text[20]

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[17] *A Time For Action*, p.95

[18] It is worth remembering that the Uruguay Round was still ongoing at the time of the Report's publication, and hence that the language and conceptual framework of the GATS had yet to reach a wider audience.

[19] *A Time For Action*, p.96

[20] This task has been significantly complicated by the fact that the Report is not available for download, nor is easily accessible in its printed version. The consultant has had to rely on an online scan via Google Books (http://books.google.ch/books?id=ejMN6MG1sJIC), which provides its own limitations – e.g. any given session/user is limited to only a certain number of page views, which is a difficult barrier given that the text, without annexes, exceeds 500 pages.

however suggests relevant conclusions in other chapters as well – particularly with respect to export opportunities within the CSME, as the Report's thrust is towards strengthening regional integration. This includes virtually all of Chapter IV (Development) and Chapter V (Economic Issues); relevant analysis is also found in Chapter VI (Human Resources Development) with respect to labour costs, Chapter VII (The Cultural Dimension) as regards the export of cultural goods and services, Chapter VIII (Communications and Sport) for telecommunications and e-commerce, and finally Chapter XI (Shaping External Relations) for the wider political and economic context of trade integration.

2.2 The Committee's Key Objectives & Recommendations: Following Up

The key objective of the Report is to create, at the national and regional level, a business environment "where exports can flourish".[21] The focus of the Commission was to create "an indigenous environment in respect to investment, finance and trade… to maximise the gains from integration", and thereby "[making] the further transition to a more broadly-based enterprise culture". Thus while the substance of the Commission's analysis are largely geared towards public policymakers, the aim of the Report's recommendations and the language of the text (e.g. "business environment") suggest a strong private sector bias, and an open acknowledgement that the region's fortunes lay not in large state-owned sectors (particularly those dependent on preferential access) but to smaller, more dynamic enterprises geared towards cutting-edge Caribbean niches. In order to create this export-led business environment, the Commission provided nine recommendations at the end of its analysis in Chapter V.1 (listed in Box 1 below), each of which will be considered and analyzed in turn.

Box 1: The Report's Nine Recommendations for Export-Led Growth

1. That CARICOM Governments, as a matter of urgency, take the necessary steps to make their currencies freely convertible with each other and allow for the free mobility of capital within the Region.

2. That the private sector and the Governments of the Region be allowed to recruit CARICOM citizens freely within CARICOM. Work permits should be automatic both for applicant and spouse and should not depend only on the educational status of the employee.

3. That each CARICOM country undertake an analysis of all factors affecting trade, with a view to removing all implicit and explicit anti-export biases.

4. That CARICOM Heads of Governments insist that all Member States immediately introduce the agreed CET and seek to prevent States from modifying the general rules for certain commodities or to suit certain circumstances.

[21] *A Time for Action*, p.143

5. That negotiations with NAFTA be conducted on a regional basis and continued with urgency, and that every effort be made to ensure that the Region obtains the same concessions as Mexico but without reciprocity.

6. A tripartite committees of Government, labour and the private sector be set up to maintain the Region's viability in the "footloose" industries of garments, electronics and the labour-intensive industries.

7. That Development Banks provide more long-term financing to the private sector and the CDB he urged to make much greater use of "equity" funding and to recognize that, in the area of exports, most firms need a degree of financial, marketing and management type of "extension services".

8. That every facility be put in place to promote and encourage the development of regional Trading Houses.

9. That every effort be made to enlarge and integrate the Region's stock exchanges, and widen transactions in the shares of companies owned by nationals in the Region.

Source: A Time For Action, pp. 159-160.

One set of proposals has been partially implemented, although important gaps remain. At the outset, it is important to highlight that a number of the Commissioners' proposals for export-led growth did in fact lead to some action being taken, although the record of implementation is likely below that envisioned in the Report. These include:

- Currency convertibility/monetary union: CARICOM Central Bank governors have , for the most part, made their regional currencies fully inter-convertible. The wider goal however of monetary union, and the ultimate objective of forming a wider pool of regional finance for export-led growth, has remained elusive. Attempts at designing a multi-phase process for exchange-rate convergence (along the European ERM model) were put on hold in 1993 and not revived since.[22] The major exceptions are the Member States of the OECS, who enjoy not only a common monetary authority (the ECCB) and a common currency, but have also taken important steps towards economic union – *inter alia* the free circulation of goods, the free movement of capital, a regional Parliamentary Assembly and an OECS Common External Tariff.

- Free movement of labour: CARICOM has taken important steps towards the creation of a common regime for free recruitment of labour – easing requirements for establishment, and easing permit requirements for certain categories of skilled nationals and wage earners (e.g. media workers, graduates, artistes and sports people). The Commissioners' vision however of a freedom to recruit that does "not depend only on the educational status of the employee"

[22] Kendall (2000). "Exchange Rate Convergence in CARICOM", Caribbean Development Bank, Barbados, August 2000.

has not yet been realized, implying that there continues to be mismatches in *inter alia* the supply of, and demand for, unskilled labour throughout CARICOM. Once again, the OECS is an important exception: from August 2011, the six independent OECS States agreed to the citizens of the sub-region to enter their territories and remain for an indefinite period in order to work, establish businesses, provide services or reside.[23]

- Introduction of the CET: The Commissioners' goal of all CSME Members applying the CET (either fully or within one of its Phases) has been realized. The practical application of the CET however has led to a somewhat "less-than-Common" External Tariff, given the existence of multiple Lists allowing for diverging rates on key items, suspensions granted by COTED for countries on commodities of interest (a specific complaint of the Commissioners), and even a number of rates and/or breakouts that have not received COTED sanction.[24]

- Development financing: Public financing institutions (both regional and multilateral) have expanded their portfolio of financial products since the Report, including at times a greater allowance of equity financing. The focus of these financial institutions on avoiding distortions in the credit market (leading to *inter alia* channelling funds through market rates, and thus crowding out private sources) and the increasingly complex lending requirements have blunted the impact of development lending in the region.

Another set of proposals has seen far lower levels of success, or no activity at all. For some of the Commissioners' proposals, either the passage of time has rendered the original objective obsolete, or practical difficulties led to the abandonment of the proposal soon after the publication of the Report. These include:

- A regional approach to NAFTA: The Commissioners were rightly alarmed about the potential impact of NAFTA, and expressed fears that the Caribbean would be left behind as US and Canadian investment left the region in order to enjoy Mexico's more favourable market access conditions into North America.[25] The CARICOM grouping however was not made a party to the negotiations, and subsequent regional efforts to achieve NAFTA parity were scuttled by the demise of the FTAA negotiations in late 2005. The market access picture has been radically altered by the wave of hemispheric FTAs being signed – although, as noted in the Introduction to this paper, a wave that has largely bypassed the Caribbean.

[23] "Freedom of movement begins in OECS economic union", *Caribbean News Now!*, August 8, 2011, accessed online at http://www.caribbeannewsnow.com.
[24] Hornbeck (2008). "CARICOM: Challenges and Opportunities for Caribbean Economic Integration", Congressional Research Service, January 2008.
[25] Worrell (1994). "CARICOM Responses to NAFTA: Options and Implications". Central Bank of Barbados, Bridgetown, June 1994.

- Integration of stock exchanges: The region remains some distance from enjoying the benefits of scale from a single stock exchange. While efforts have been undertaken to integrate the main stock exchanges in the region (Jamaica, T&T, Bahamas, Barbados, and the OECS), the actual amount of cross-listing is low and Member States continue to maintain barriers and disjointed regulatory frameworks.[26]

- Regional trading houses: Drawing from the East Asian experience – and reflecting the intellectual fashions at the time of the Reports' publication, when Japan's industrial successes were being widely promoted – the Report advocates the development of "major trading houses" that would allow support small businesses through "bulk procurement of inputs, consolidation of export volumes, financing, quality-control and marketing". These trading houses, which the Commissioners likely saw as a strategic public-private undertaking, have not yet been created in the region. While there are a number of firms that have trans-national operations within the region,[27] they do not possess the link to industrial policy envisioned by the Commissioners in the "trading house" concept, nor provide the necessary range of services.

- Committee on "Footloose" Industries: The author is not aware of the establishment of the envisioned tripartite committee on garments, electronics and labour-intensive industries. The passage of time and adjustment to economic circumstances have resulted however in many Caribbean states' moving away from these so-called "footloose" industries, and orienting their economies towards services.[28] The double whammy of NAFTA and the end of the Multi-Fibre Arrangement in 2005, for example led to the closing of virtually the entire Caribbean garment export industry outside of Haiti and the Dominican Republic; in some Member States, small-scale production occurs, although largely for the domestic market (e.g. school uniforms). The characterization of the electronics industry as "footloose" in the Commissioners' minds was likely influenced by the (at the time recent) closure of electronics operations in Barbados and Antigua, although significant operations continue in St Kitts.[29] Many labour-intensive industries – particularly those agricultural exports

[26] Girvan (2007). *Towards A Single Development Vision And The Role Of The Single Economy*. University of the West Indies, Jamaica.
[27] See "Intra-Regional Reach of Selected CARICOM Transnational Firms, 2009", *Caribbean Trade and Investment Report 2010*, CARICOM Secretariat, Georgetown.
[28] This is not of course to argue that tourism is not subject to the same fickle investor behaviour, or the large swings in revenue that come from close linkages to the OECD markets.
[29] The Kittitian electronics industry was in fact a major *demandeur* for accession to the Guyana-Brazil PSA. See "SKN Seeking To Export Electronic Products To Brazil", *St Kitts and Nevis Observer*, Friday November 11 2011, accessed online at http://www.thestkittsnevisobserver.com/2011/11/18/electronic-products.html.

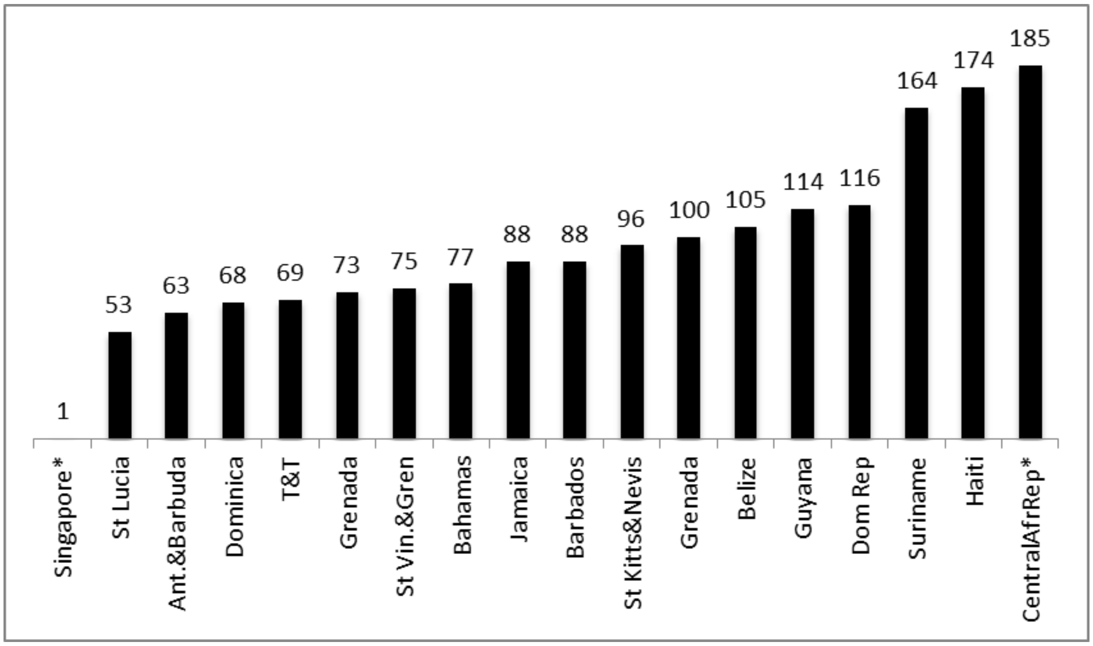
dependent on preferential access – have seen declining production levels due in part to unfavourable market conditions and in part to intra-industry fiscal problems.

The proposal for a Member State-level analysis of trade obstacles has led to uneven progress in creating a business-friendly environment. Both before and after the publication of the Report, CARICOM countries benefited from volumes of trade-related analysis and consultancy reports outlining the existence or absence of what the Report characterizes as the "anti-export bias". Country studies and sector-specific studies on Caribbean trade issues are regularly published by virtually every major bilateral donor, regional/multilateral financing institutions, the CARICOM Secretariat and Caribbean Export. All CARICOM countries apart from the Bahamas benefits from the Trade Policy Review Process held every six years (longer in the case of Haiti), which lays out in significant detail barriers to trade and export biases.[30] The actual take-up of recommendations from these reports however varies significantly, as demonstrated by the most recent rankings of the World Bank's "Doing Business" initiative (shown in Figure 1 below, with a higher score indicating a worse business environment). Measured against the best/worst benchmarks of Singapore and the Central African Republic, the World Bank indicators show wide divergences in the degree to which Caribbean countries have created a business-friendly platform for export-led growth.[31]

[30] The coverage will eventually extend to all CARICOM countries as the Bahamas is currently in WTO accession negotiations.

[31] The Doing Business rankings cover ten different criteria from starting a business to resolving insolvency, and only one ("trading across borders") specifically mentions trade, whose sub-indicators are largely focused on importing costs and formalities. The wider metric was chosen given that the Report focuses on "anti-export bias" trade policies that extend well beyond Customs procedures.

Figure 1: Doing Business Rankings for CARIFORUM (2013)



*Source: Doing Business website (www.doingbusiness.org) World Bank – IFC, Washington, 2013. * Singapore and the Central African Republic (the top and bottom of the Doing Business ranking) included for comparison purposes only.*

3 CARIFORUM Trade Agreements: Market Opportunities

3.1 Trade Under CARICOM's FTAs with the DR and Latin America

At present, the market access opportunities under CARICOM's FTAs with the DR, Cuba, Costa Rica, Venezuela and Colombia[32] are limited to goods. The only market access provisions with legal force in CARICOM's FTAs with the DR and Latin America are those relating to goods (with sub-components addressing rules of origin and technical/sanitary barriers). While there are provisions within the various Agreements that establishing a framework for services negotiations, the relevant schedules have yet to be negotiated; consideration of services liberalization is generally deferred until CARICOM has established its services regime, subject to multilateral commitments under the GATS.[33]

The scope of the various exclusions lists – and thus the potential market opportunities – as they apply to current CARICOM agricultural interests vary widely. With respect to agriculture, Table 2 below maps the exclusions (in grey) and the areas of liberalization (in white) under the various CARICOM-Latin America FTAs, mapped over the current universe of CARICOM export sectors. This approach was chosen by the consultant given that a mere listing of the various lists (the preferred approach of most studies on the subject) would be misleading – for example, the CARICOM-Colombia FTA excludes 80% of Colombia's tariff lines, but in practice provides the widest market access for CARICOM's current slate of exports.[34] The summary visually demonstrates that the various CARICOM FTAs with its Caribbean Basin partners vary widely in their coverage. Only three agricultural product groupings (spices, prepared fruits such as jams and jellies, and animal feed) are reciprocally liberalized under all three FTAs. All other products are excluded in at least one market, with important CARICOM exports limited to just one or two FTA partners in Latin America – fish, for example, is only liberalized under the Venezuela FTA, as is sugar only under CARICOM-DR; coffee is duty-free only under the DR and Colombia FTAs (themselves major coffee producers); CARICOM rum is exported duty-free into the DR, Venezuela and Colombia (again, each with its own thriving rum industry), but not into Cuba or Costa Rica. The lack of convergence between FTA coverage could, in theory, inhibit the ability of a given CARICOM firm to

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[32] With respect to Colombia, this analysis includes both the original 1994 Agreement and the revised Agreement in 1998.

[33] In the CARICOM-Cuba agreement, both sides have agreed to promote the diversification and development of tourism and to encourage multi-destination travel, as part of the parties' obligations under the Declaration for the Establishment of the Sustainable Tourism Zone in the Caribbean (STZC). This does not however constitute substantive market access commitments.

[34] It is important to note that, in the aim of providing a concise summary, the product categories are significantly aggregated; exporters are encouraged to consult directly with the relevant legal texts to ensure accuracy regarding a specific tariff line or sector.

build a pan-Latin American export strategy. With respect to the opportunities outlined in the tables below, it is important to note that:

- The Bahamas and Haiti export interests are included in the table, although they are technically not a party to any of CARICOM's FTAs; and
- The analysis includes only the current export interest of individual Member States – many countries in the region, for example, produce poultry and eggs, but production is largely for domestic consumption.[35]

A similar patchwork picture is shown in CARICOM access in non-agricultural items. As with agriculture, there is little sense of convergence between the exclusions lists of CARICOM's FTA partners in Latin America (shown in Table 3). There is only a handful of sectors/products – salt, construction materials (e.g. sand/stone), bauxite/alumina, wood and garments – that enjoy duty-free access across all four FTAs. Nonetheless, there are important regional exports that enjoy wider Latin American FTA access, including paper products, essential oils, electronic components and furniture. The difference in coverage could however act as a brake on exports, as it could in theory decrease the return on investment in market research and transport logistics.

[35] "Regional Trading Agreements", Caribbean Poultry Association website, accessed online at http://www.caribbeanpoultry.org/gpi/gpi2.htm.

Table 2: CARICOM Market Access Opportunities Under FTAs with DR and Latin America: Agriculture

Sector	HS Code	Member State Export Interest*	DR	Cuba	Venezuela	Costa Rica	Colombia
Fish	03	ANB, GRE, GUY					[1]**
Crustaceans and molluscs (e.g. lobster, shrimp, crabs, conch)	03.06 - 03.07	ANB, BHM, BZE, GUY, JAM, SKN		[2]			
Peas	07.13	BZE					
Beans	07.13	BZE					
Roots/tubers	07.14	DMA, JAM, SVG					
Other vegetables	07	DMA					
Coconuts	08.01	DMA					
Bananas & plantains	08.03	BZE, DMA, JAM, SLU, SVG					
Citrus	08.05	BZE, DMA, HTI					
Other fruits (esp. papayas, watermelon)	08	BZE, JAM, SLU		[3]			
Coffee	09	JAM, HTI					
Spices	09	GRE					
Rice	10.06	GUY					
Milled products (e.g. flours)	11	GRE, SVG	[5]		[6]		
Oil and fats (e.g. margarine)	15	BBS		[7]	[8]		
Cane sugar & molasses	17.01	BBS, BZE, GUY, JAM, SKN, HTI					
Cocoa & chocolate	18	GRE, HTI			[9]	[10]	
Baked goods	19	BBS, JAM					
Fruit preparations (e.g. jams/jellies)	20	Most Member States					
Fruit juices	20	BZE, JAM	[11]		[12]		
Sauces & food preparations	21	DMA, JAM, SLU	[13]			[13]	
Bottled water	22.01	BBS, SKN					
Beer & malt beverages	22.02-.03	Most Member States					
Rum & liqueurs	22.08	Most Member States					
Animal feed	23	GRE					

*Trinidad & Tobago is not specified as it has export interests in the majority of these sectors. **Scope of exemptions – a grey square indicates exclusion, and a white square indicates liberalization. Exemptions to exclusions are – 1: Fresh/chilled fish; 2: Exc. shrimps/conch, 3: Exc. melons, papayas, christophine; 4: Pineapples; 5: Wheat; 6: Wheat flour & semolina; 7: Exc. coconut oil and margarine; 8: Peanut, palm, coconut, and corn; 9: Cocoa beans; 10: Chocolate; 11: Citrus; 12: Orange juice; 13: Pepper sauce. *Source: OAS SICE database (http://www.sice.oas.org).*

Table 3: CARICOM Market Access Opportunities Under FTAs with DR and Latin America: Non-Agriculture/Industrial

Sector	HS Code	Member State Export Interest*	DR	Cuba	Venezuela	Costa Rica	Colombia
Salt	25.01	BHM					
Construction materials (sand, stone, limestone)	25	BHM, DMA, SLU					
Cement	25.23	BBS			[1]**		
Petroleum & energy products	27-29	BZE		[2]			
Bauxite & alumina	26-28	GUY, JAM					
Chemicals (e.g. acetylene)	28-29				[3]	[4]	
Medicines	30	BBS					
Paints & varnishes	32	ANB, DMA					
Essential oils	33.01	BZE, DMA, GRE, HTI					
Toiletries	33.04-33.07	DMA				[5]	
Soaps & cleaning products	34	DMA					
Candles	34.06	DMA					
Insecticides & disinfectants	38.08	BBS, DMA		[6]		[6]	
Plastics	39	BHM					
Wood	44	GUY					
Paper products	48	BBS, BZE, GRE, SLU, SVG					
Garments	61-63	BZE, GRE, SLU					
Glassware (esp. bottles/packaging)	70						
Gold/diamonds	71	GUY					
Aluminium/iron/steel products	72-76	BBS					
Solar water heaters	84.19	SLU					
Electronic components	85	BBS, SKN					
Furniture	94						
Handicrafts	95***	Most Member States					

*Trinidad & Tobago is not specified as it has export interests in the majority of these sectors. **Scope of exemptions – a grey square indicates exclusion, and a white square indicates liberalization. Exemptions to exclusions are – 1: Grey/Portland; 2: Exc. liquefied natural gas, propane, butane; bitumen, asphalt; 3: Oxygen, CO2, NO2, ammonia, aluminium, methanol; 4: hydrocarbon derivatives; 5: Toothpaste; 6: Disinfectants; 7: Iron/steel; 8: Copper wires; 9: Dolls. *** Handicrafts could, in theory, extend beyond HS Chapter 95. *Source: OAS SICE database (http://www.sice.oas.org).*

DR access into the CARICOM market is fairly widespread in product terms, albeit limited to the MDCs. The CARICOM-DR FTA's fairly limited exclusions list (reproduced in Box 2 below) provides a range of market access opportunities for the current slate of DR exports into the CARICOM MDCs, including *inter alia* coffee, cocoa, maize, rum, processed foods, furniture, construction materials and plastics.[36] The DR has yet to secure market access in goods into the CARICOM LDCs (i.e. the OECS plus Haiti and Belize), given that under the current Agreement, the LDCs are exempt from making any tariff reduction commitments. This Agreement does however, under Article III.4 of Annex I, commit both sides to review LDC non-reciprocity in 2004; thus far no revision has taken place. The market access benefits for the DR are also reduced in those CARICOM Member States that have yet to ratify the Agreement.[37]

Box 2: DR-CARICOM Exclusions List

Beef	Pepper sauce
Poultry	Bottled water Beer
Pork	Tobacco
Fish	Cement
Dairy	Paints/varnishes
Onions	Toiletries
Garlic	Soap
Beans	Cleaning products
Coconuts	Candles
Rice	Glass bottles
Wheat flour	Iron/steel
Cane sugar	Solar water heaters
Guava cheese	
Peanuts	Seasonal restrictions on
Citrus juice	certain fruits & vegetables

Source: CARICOM-DR FTA. Note that product descriptions are at an aggregated level.

3.2 The Impact of the EPA on Opportunities under DR-CARICOM

With respect to goods, the regional preference obligation under the EPA commits both sides to further reductions on a range of other items. Under Article 238 of the CARIFORUM-EU EPA – the so-called "regional preference clause" – the CARIFORUM parties commit to extending no less favourable treatment to each other than that extended to the EU; put differently, that CARICOM and the DR would treat each other's exporters no worse than they treat European exporters. In terms of goods trade, the benefit is relatively larger for CARICOM: in part to reflect its DR-CAFTA commitments,

[36] Products exported from the DR's duty-free zones are excluded from the Agreement.
[37] Based on the OAS SICE database, the Agreement has been ratified by T&T, Jamaica, Barbados, the DR, Suriname and Guyana. The non-ratification by CARICOM LDCs is likely due to the fact that they are exempt from liberalization, although the commitments under CARICOM-DR extend beyond tariff liberalization.

the DR's liberalization commitment to the Europeans opens its market to CARICOM producers of fresh and powdered milk, garlic, citrus juices and beauty products. The CARICOM EPA commitments are not as broad, although the regional preference obligation opens opportunities for DR exporters of *inter alia* cement, glass bottles and certain iron/steel products into CARICOM MDCs.[38] The major impact of the regional preference obligation will arguably be focused on DR access into the LDCs. While the LDCs were exempt from tariff reductions under CARICOM-DR, the LDCs did undertake tariff reductions towards the European Union, which they are now obligated to extend to the DR. These obligations – while excluding most domestic production and sensitive revenue items – still run across 5,000-plus tariff lines in the CARICOM CET, and include some significant DR exports as summarized in Table 4 below. At present, virtually all LDC imports from the DR are non-agricultural goods: building stones, building cement, urea, chemical fertilizers, plastic items and steel wires/rods. Nearly all of these items will be liberalized under the EPA regional preference clause. While these obligations have not been given agreed upon between CARICOM and the DR, nor given effect within the relevant LDCs, they break the long-standing non-reciprocity of CARICOM LDCs in external FTAs.

Table 4: Significant EPA Regional Preference Liberalization from DR into CARICOM LDCs

HS Code	Product	EPA	Highest LDC Applied Rate
06.03	Fresh Cut Flowers	25 years	40%
0704.20	Brussels Sprouts	20 years	40%
0709.30	Eggplants	25 years	40%
08.01	Coconuts	20 years	40%
15 ex	Fats and oils (except for lard, soy-bean, olive, palm, sunflower, margarine and some other edible oils)	10-15 years	40%
19.03	Tapioca	15 years	25%
2005.20	Potatoes (preserved but not frozen)	25 years	30%
24.01	Raw tobacco	15 years	5%
25.23 ex	Building cement	20 years	15%
3004.90	Medicines for retail sale	15 years	15%
39 ex	Plastic tubes, bags and kitchenware/household goods	15-20 years	30%
4819.50	Paper boxes	15 years	15%
6109.90	T-shirts	20 years	25%
6404.19	Footwear	15 years	25%
69 ex	Ceramic tiles, sanitary fixtures and other articles	15-25 years	25%
7010.90	Glass bottles	20 years	15%
72 ex	Iron/steel	15-20 years	15%
7308.90	Steel structures	15 years	5%
8309.10	Crown metal corks	15 years	15%
87 ex	Parts for motor vehicles	15 years	30%

Source: Author's Calculations.

[38] Despradel (2012), "Assessment of current trade flows between CARICOM and the Dominican Republic", report prepared for Caribbean Export, Santo Domingo / Barbados, April 2012.

The regional preference obligation also creates, for the first time, market opening between the Bahamas and the DR. Prior to the signature of the EPA, the Bahamas had not undertaken any trade liberalization commitments in any bilateral FTA. The signature of the EPA (and, on an arguably much wider scale, the ongoing accession negotiations for the WTO) represents the first tariff reduction commitments that the Bahamas has undertaken. With respect to imports from the CSME States, Haiti and the Dominican Republic, the regional preference clause commits the Bahamas to liberalize all goods that it did not exclude in the EPA. This liberalization more than 5,000 tariff lines in the 8-digit Bahamas national tariff. The export interests are largely in non-agricultural products, given that nearly all the major agricultural items produced within the CARIFORUM are excluded in the EPA. For the DR, the regional preference obligation opens export opportunities for exporters of *inter alia* plants/flowers, desiccated coconuts, cocoa beans, prepared/preserved potatoes, tobacco, construction materials (e.g. sand, limestone, ceramic tiles, building blocks), cement, fertilisers, plastics and machinery.

Even more significant EPA-related market opening may occur in services. The issue of services liberalization between CARICOM and the DR may have been pre-empted both (a) the MFN obligation under Article V of the CARICOM-DR FTA[39] and by (b) the regional preference obligation under the EPA. While there have been no substantive services negotiations under the CARICOM-DR framework, both sides undertook commitments (exceeding their GATS obligations) that they are now obliged to extend to each other. There has however been no definitive conclusion as to whether the EPA regional preference obligations prejudges – or even renders irrelevant – efforts to craft separate CARICOM-DR services schedules.[40] Notwithstanding the outcome of the negotiation within the CARICOM-DR Trade in Services Working Committee, a strict interpretation of the regional preference obligation would be, in effect, separate liberalization schedules for not only the DR but also the different CARICOM Members States, as there is no single harmonized offer (as in the EPA goods schedules).[41] Under the EPA, individual CARIFORUM States committed to opening between 50-70% (with 90% in the case of the DR) of their GATS W/120 sectors. The CARIFORUM liberalization offer – which would form the basis of the regional preference obligation – includes a range of services commitments, including business services (e.g. accounting, architecture, engineering, management consultancy, and advertising), communication, construction, distribution,

[39] The Article states in part that "Each Party shall accord immediately and unconditionally to services and service suppliers of the other Party treatment no less favourable than that which it accords to like services and service suppliers of any third country."

[40] "5th CARICOM-DR Business Forum – Trade in Services Committee", Trinidad and Tobago Coalition of Services Industries. It is worth noting that even in the case of the EPA goods schedules, there are significant divergences from a common regional offer.

[41] Stevens, Kennan and Meyn (2008). "Analysis of Contents of the CARIFORUM and Pacific ACP Economic Partnership Agreements and Challenges Ahead", Overseas Development Institute and Commonwealth Secretariat, London, December 2008.

education, environmental services, financial services, health, tourism, transport and recreational services.[42]

3.3 Opportunities Under DR – CAFTA[43]

There are significant opportunities for the DR in the DR-CAFTA Agreement, given the relatively aggressive liberalization schedule and virtual absence of exclusions. DR-CAFTA – whose signatories are the United States, the Dominican Republic, Nicaragua, El Salvador, Honduras, Guatemala, Nicaragua and Costa Rica – commits all parties to liberalize trade on virtually all tariff lines (the United States has excluded sugar, Costa Rica has excluded onions and potatoes, and the remaining countries have excluded white maize). The liberalization is effected either through tariff reductions or gradual expansion of quotas[44], with each party maintaining a separate schedule of commitments. The vast bulk of goods are liberalized immediately (as are 100% of non-textile, non-agricultural goods in the case of the United States), with the majority of the remainder liberalized within 10 years, and a very small number of goods (e.g. rice and dairy) subject to up to 20 years phase out periods.[45]

In the US market for goods, the Agreement locks in CBI access for the DR, and expands access into new and previously excluded sectors. Under DR-CAFTA, the U.S. will liberalize 99.8% of manufacturing products upon entry into force of the Agreement, with only 19 exports from the DR facing a 10-year gradual phase-out of tariffs into the U.S. market. The Agreement locks in the preferences available to the DR under the CBI and GSP regimes, and includes in the liberalization schedule a number of goods excluded from the CBI (including canned tuna, shoes, jewellery and hooks). Just as importantly, the DR-CAFTA text introduces reforms into the rules of origin for textile products (a major DR free-zone export) to remove barriers that had previously frustrated exporters under the CBI regime. The changes include possibilities of cumulation from regional and hemispheric sources, less restrictive rules for certain products, and a higher *de minimis* allowance than that currently allowed for under the CBI. The expanded access creates market opportunities in virtually the entire range of DR exports to the US, particularly in pharmaceuticals, plastics, optical/medical instruments, sugar, footwear, textiles and tobacco.[46]

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[42] Stevens, Kennan and Meyn (2008), page 53.
[43] This section draws heavily from "DR-CAFTA: Challenges and Opportunities for Central America", World Bank, Washington, date unknown.
[44] The products subject to continuing quota restrictions include beef, pork, poultry, dairy products, yellow maize, beans, potatoes, rice and sorghum.
[45] Hornbeck (2005), "The Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA)", CRS Report for Congress, Congressional Research Service, January 2005.
[46] Ugarte, Bussolo and Iacovone (2012). "Market access through the DR-CAFTA: New opportunities for Central American exporters?". University of Geneva / World Bank, Geneva/Washington, July 2012.

In the goods markets of Central American partners, opportunities for the DR are more limited due to similarities in export and production, and the prospect of more aggressive US competition. The Central American parties to DR-CAFTA have undertaken wide-ranging commitments under the Agreement, in several instances reducing prohibitive tariffs. For the Dominican Republic however the economic benefits in Latin America will likely not be as high as in the US market, given the overlap in export profiles among the developing country partners to DR-CAFTA. This overlap covers virtually the entire range of DR production and export, including *inter alia*:

- On the agricultural side, coffee, cotton, cocoa, sugar, fruits (esp. bananas), vegetables (e.g. beans, peas and potatoes), tobacco, rice, dairy and animal products (e.g. live animals, meat and eggs); and
- On the non-agricultural side, medical equipment, iron/steel goods, textiles/apparel, plastics, cotton, plastics, petroleum products and electrical components.

With respect to services, the DR-CAFTA Agreement contains a limited set of market access commitments. Chapter 11 ("Cross-Border Trade in Services) of the DR-CAFTA final text sets out a range of service-sector commitments, in addition to an Annex on the development of standards in professional services, and other standard provisions on mutual recognition, domestic regulation and non-discrimination. The provisions include:

- A range of commitments in financial services, including (a) the prohibition of restrictions on market access and on nationality restrictions for senior management, (b) the granting of national treatment to cross-border financial service suppliers, and (c) specific market access commitments on banking, insurance services and pensions;
- Commitments in telecommunications services, including obligations on access, interconnection, national treatment and regulation; and
- Commitments in e-commerce, including a probation on charging fees for at the border for digital goods, transparency and national treatment.

3.4 Opportunities Under the CARIFORUM – EU EPA

Much like the DR-CAFTA Agreement, the EPA provides a range of market access opportunities in goods, given the duty-free/quota-free access granted by the European Union. The access granted to the DR and CARICOM exporters under the EPA, as with the DR-CAFTA arrangement, locked in existing preferential access (the Cotonou unilateral preferences in this instance) and broadened access to all goods on a permanent, duty-free/quota-free (DFQF) basis.[47] Moreover, the EPA has extended CARIFORUM DFQF treatment to the signatory Member States of the European Free Trade Association, which includes Iceland, Norway, Switzerland, and Liechtenstein. Again mirroring the DR-CAFTA arrangement, the EPA also provided for a relaxation of certain rules of origin for key CARIFORUM exports, including biscuits and other bakery products, jams and jellies, fruit juices and other beverages, and garments.[48]

While the primary benefit of the EPA in goods was to lock in existing preferences, the grant of DFQF has created additional market access opportunities. The primary aim of the EPA was to avoid the expiration of the Cotonou preferences and a "fall-back" on the GSP regime, which would have led to EU importers of Caribbean goods facing an additional estimated cost of US$300 million per year. The grant of DFQF not only permanently locks in the Cotonou preferences but also expands access to the whole EU tariff, which covers a handful of current CARIFORUM export interests that were still restricted under Cotonou. These export interests (with the HS code in brackets) include:

- Root crops (07.14);
- Bananas/plantains and citrus fruit, fresh or dried (08.03 and 0805);
- Rice (10.06);
- Cane sugar and sugar confectionery (17.01 and 17.04);
- Chocolate and other food preparations containing cocoa (HS 18.06);
- Fruit/vegetable juices (20.09);
- Ice cream (HS 21.05); and
- Animal feed HS (23.09).[49]

The EPA also provides new market access mechanisms for CARIFORUM services suppliers. Under the EPA, the EU has committed to opening 90% of its services sectors, including unprecedented access for natural persons (i.e. Mode 4), particularly in the highly sensitive entertainment and audio-visual sectors. The new access includes 29 categories of so-called "contractual service suppliers" for up to 6 months in a given year (listed in Box 3 below),[50] and 11 categories of self-employed professionals. The EPA also contains mechanisms for greater mutual recognition of qualifications, and special

[47] In the case of rice, DFQF access into the EU market was delayed until 2010, and the liberalization of sugar will occur in 2015.
[48] "Overview of the CARIFORUM-EC Economic Partnership agreement (EPA)", *TradeWINS*, Caribbean Export, Barbados, Vol 1 No 1, 2009. Accessed online at www.carib-export.com.
[49] CRNM (2006). "Potential Approaches to the CARIFORUM Market Access Request in the EPA", Caribbean Regional Negotiating Machinery, Barbados, November 2006.

[50] The access for contractual service suppliers is subject to certain restrictions, including the possession of a university degree or professional qualifications (which does not apply in the case of fashion models, chef de cuisine and entertainment services).

provisions on tourism[51] and the cultural industries[52] which in themselves – if fully utilized – could provide greater market access benefits than mere lifting of restrictions in a given sector.

Box 3: EU Access Granted to CARIFORUM Contractual Service Suppliers

Legal advisory services
Accounting and bookkeeping services
Taxation advisory services
Architectural services
Urban planning and landscape architecture services
Engineering services
Integrated Engineering services
Medical and dental services
Veterinary services
Midwives services
Services provided by nurses, physiotherapists and paramedical personnel
Computer and related services
Research and development services
Advertising services
Market Research and Opinion Polling
Management consulting services
Services related to management consulting
Technical testing and analysis services
Related scientific and technical consulting services
Maintenance and repair of equipment
Chef de cuisine services
Fashion model services
Translation and interpretation services
Site investigation work
Higher education services (only privately-funded services)
Environmental services
Travel agencies and tour operators' services
Tourist guides services
Entertainment services other than audiovisual services

Source: "The services component of the EPA", Allyson Francis, CARICOM Secretariat EPA Implementation Unit, Georgetown.

The market access in services for CARIFORUM suppliers varies by EU Member State. As noted in the discussion on the regional preference clause, the EU services schedule is not a single harmonized offer; rather it consists of 27 separate access regimes, where individual EU Member States have listed their reservations (or lack of commitments, i.e. "unbound") in given sectors. In general terms, market access covers the right of establishment (i.e. where a qualifying Caribbean company can set up a practice within a given EU Member State), the ability to secure permission for Caribbean staff to work in their European office, the ability of Caribbean contractual service supplier or independent professional to travel to Europe to provide services on a short-term basis, and/or the ability to provide services from the Caribbean. As an illustrative list of the coverage of the EU schedule, subject to sector-specific and country-specific restrictions, market access includes *inter alia*:[53]

[51] The tourism provisions of the EPA provide for *inter alia* stronger rules to prevent anti-competitive behaviour by large operators, support for SMEs and CARIFORUM-EU mutual recognition. See Chaitoo (2008), "Economic Partnership Agreement (EPA) – An Overview – Services & Investment", presented at the CRNM EPA Overview Workshop for Regional Media, Barbados, 15th February 2008.
[52] The EPA contains a separate Cultural Protocol that provides for collaboration, support, movement of artists and cultural practitioners and special provisions for audiovisual collaboration. (Chaitoo 2008)
[53] This summary draws heavily from "EC-CARIFORUM Economic Partnership Agreement: Services and Investment Commitments", International Trade Centre, Geneva, 2009.

- Legal services;
- Accounting, auditing and tax advisory services;
- Medical and veterinary services, including general medical services, dentistry, psychology, midwifery, nursing, physiotherapy and retail sales of medical goods;
- Construction, engineering and architecture (including urban planning and landscape architecture);
- So-called “other business services”, including those related to IT, advertising, market research, management consultancy, maintenance and R&D;
- Communication services, including postal/courier and telecommunications;
- Distribution services, including wholesale and retail trade;
- Education services, covering the entire range from primary/secondary/tertiary to higher and adult education;
- Environmental services (e.g. wastewater treatment and noise abatement);
- Financial services, including insurance and banking;
- Health and social services, including those related to hospitals, ambulances and residential health facilities;
- Tourism services, including catering, tour operators, tourist guides and spas;
- Recreational, cultural and sporting services, including entertainment services,[54] with special provisions for market access for Caribbean artists, musicians and entertainers, as well as opportunities in audio-visual co-productions and public-private collaborations in seeking technical assistance;
- Transport services, including those related to maritime, rail and road[55];
- Energy services, including transportation, wholesale/retail trade and consultancy services; and
- Beauty services (e.g. hairdressing, cosmetics, manicure/pedicure).

3.5 Intra-CARICOM Opportunities

The Revised Treaty provides for duty-free treatment of originating goods within the CSME signatory Member States. The free movement in goods regime among the CSME signatories (i.e. excluding Montserrat and the Bahamas) has long-standing roots within the region, stretching back to the establishment of the Caribbean Free Trade Association (CARIFTA) in 1965, its replacement by the CARICOM Common Market and

[54] This category is further sub-divided into access for (a) theatrical producers, singers, groups, bands, and orchestra entertainment services; (b) services provided by authors, composers, sculptors, entertainers and other individual artists; (c) ancillary theatrical services; (d) circus, amusement park and similar attraction services; (e) ballroom, discotheque and dance instructor services; and (f) other entertainment services.

[55] This includes both the actual transport as well as auxiliary services, such as cargo handling, vessel rental and warehouse storage.

complemented by the establishment of the CET. To achieve the objective of free movement in goods, the CSME regime:

- Removes both import tariffs and quantitative restrictions for goods of CSME origin (i.e. either wholly produced or "substantially transformed");
- Allows for the removal of non-tariff barriers such as quantitative restrictions (i.e. quotas), import licensing and SPS/TBT barriers; and
- Creates an ongoing work programme of standards harmonization among the Member States, particularly the Caribbean Regional Organization on Standards and Quality (CROSQ) that establishes regional standards for the manufacture and trade of goods.

The free movement provisions of the Revised Treaty are conditioned by a range of special measures for the CARICOM LDCs, including Article 164 which suspends duty-free treatment for Community-origin goods, for a limited time period, to protect domestic industry within the LDCs.[56]

While the market opportunities within the traditional set of CSME Member States are well established, the accession of Haiti creates a significantly larger set of trading opportunities. The full participation of Haiti in the CSME – originally envisioned for 1st January 2010 – has been postponed on several occasions due to political instability and the catastrophic earthquake less than two weeks after the originally scheduled date of accession. At present, the other CSME Member States grant unilateral duty-free access for a list of 42 Haitian exports, in part to assist in the post-earthquake recovery process (listed in Box 4 below). With respect to Haiti's main exports – e.g. bauxite, rum, cocoa, coffee, essential oils, light industrial manufacturing, mangoes, sisal, and sugar – there is significant overlap with CARICOM's production structure and thus arguably limited opportunities for large trade-related gains (assuming that Haiti's export profile remains static).

Box 4: Haitian Exports Currently Granted Duty-Free Access Into CARICOM

Lobsters	Hair lacquers
Coral	Travel bags
Dried peas	Handicrafts/ornaments of wood,
Citrus peel	ceramic, glass and metal
Coffee	Basketwork & woven handicrafts
Maize, millet & rice flour	Moulded paper
Algae	Printed books
Mauby bark	Artificial flowers
Castor Oil	Ceramic flags/paving
Cocoa beans	Imitation jewellery

[56] ECLAC (2007), "Special and Differential Treatment in CARICOM", United Nations Economic Commission for Latin America and the Caribbean, Port-of-Spain, February 2007.

Peanut butter Essential oils of orange, lemon and vetiver	Aluminium doors, windows & frames Carnival articles Paintings, drawing and statues

There are some market opportunities for CARICOM exports into the Haitian market, although there will be stiff competition from competing exporters. While there has been no movement on reciprocity for CARICOM exporters into the Haitian market, market opportunities exist among Haiti's population of nearly 10 million – more than the rest of CARICOM combined – and where more than 70% of market requirements are imported, largely from the United States.[57] Market analysis in Haiti is significantly complicated by the lack of trade data collected by the Haitian government, forcing analysts to rely on mirror data that may be subject to large distortions. Officially published mirror data also ignores cross-border trade from the DR, one of the primary sources of imports into the Haitian market. These constraints notwithstanding, based on mirror databases maintained by the ITC, there are potential opportunities in the Haitian market for major import items, including rice, garments, wheat/maize flour, vegetable oil (esp. palm), cement and baked goods. These potential CARICOM exports however will likely face stiff competition from lower-cost suppliers in the United States, Dominican Republic and China.

The EPA regional preference obligation creates, for the first time, market access opportunities between the Bahamas and the CSME Member States. As noted earlier in the CARICOM-DR context, the EPA regional preference clause commits the Bahamas, for the first time, to undertake preferential liberalization; the scope extends to all products not excluded under the EPA – some 5,000-plus products at the 8-digit Bahamian national tariff line level. This liberalization presents some market opportunities for other CARICOM exporters, shown in Table 5 below.

Table 5: EPA Regional Preference Market Openings in the Bahamas for CSME Exporters

HS Code	Product	Exporter*
0814.00	Citrus peel	Haiti
0904.20	Pepper	Jamaica
09.08 ex	Nutmeg and mace	Grenada
18.01	Cocoa beans	DR, Grenada, Jamaica, T&T
2005.20	Prepared/preserved potatoes	T&T
23.04	Oilcake	T&T
2505.90	Natural sands	Dominica
2517.10	Pebbles, Gravel, Broken Or Crushed Stone	Dominica, St Lucia
2520.10	Gypsum; Anhydrite	Jamaica
25.21/.22	Limestone & quicklime	Jamaica
25.23 ex	Cement clinkers & building cement	Barbados, T&T
2601.11	Iron ores and concentrates	T&T
26.06	Aluminium ores and concentrates	Guyana, Jamaica

[57] "Overview of Haiti", Export.gov website, accessed online at http://export.gov/caribbean.

HS Code	Product	Exporter*
27	Petroleum Oils And products from the energy industry	T&T, Belize
2818.20	Alumina	Jamaica
3102.10	Urea	T&T
33.01 ex	Oils Of Citrus fruits (inc. orange) and vetiver	Belize, Haiti
3605.00	Matches	T&T
39 ex	Plastics	T&T
44 ex	Tropical wood (inc. shingles, parquet and plywood)	Guyana
48.19	Paper boxes, bags and packing containers	T&T
48 ex	Cut paper and paper labels	Barbados, T&T
4910.10	Printed books	T&T
61-63	Clothing/garments	Haiti
68 ex	Building blocks and structures of stone and cement	T&T
7010.90	Glass bottles	T&T
71.02 ex	Diamonds	Guyana
73 ex	Iron/steel goods	Jamaica, T&T
84.15 ex	Air-conditioning units	T&T
8418.99	Parts of refrigerating or freezing equipment	T&T
85.02 ex	Generating sets, converters and transformers	St Kitts & Nevis
85.07 ex	Batteries	T&T
85.33/.36 ex	Switches and resistors	St Lucia, St Kitts and Nevis
8544.59	Electrical conductors	T&T
9406.00	Prefabricated buildings	Barbados

Source: Author's calculations based on national trade data.

In services, substantial intra-CSME market access has been deferred until the finalization of an internal services regime. At present, intra-CSME trade in services is limited to the right of CARICOM suppliers to enter other Member States (usually on a temporary basis and without need for a work permit) to supply a given service, and the right of regional firms to establish and operate businesses (as well as transfer staff) in any CSME member-state under the same terms and conditions as local companies. Free movement, subject to certain criteria and qualifications, has been granted to ten categories of service suppliers, usually at the higher end of the skill spectrum.[58] Despite these developments, there is as of yet no single, comprehensive regional strategy or liberalization regime for services amongst the CSME signatories. CARICOM governments have created a Regional Steering Committee, encouraged the formation of national services coalitions and assigned priority importance to seven sectors (financial, ICT, professional, tourism, education, health/wellness, and recreational/cultural/sporting services). Yet the lack of a single regime continues – in the words of Antigua and Barbuda's Prime Minister in 2012 – to be the "Achilles Heel" of the CSME,[59] particularly given that:

[58] These categories are: (1) University Graduates; (2) Media Workers; (3) Sportspersons; (4) Artistes; (5) Musicians; (6) Non-graduate Nurses; (7) Non-graduate Teachers; (8) Holders of Associate degrees; (9) Artisans with the CARICOM Vocational Qualification (CVQ); and (10) Household Domestics with the CARICOM Vocational Qualifications (CVQ).

[59] "The Services Regime Of The Caricom Single Market And Economy (CSME) – A Brief Assessment Of Its Achilles Heel", Global Services Forum, Doha, April 2012.

- A majority of CARICOM countries can be arguably considered services economies, particularly when considering the range of auxiliary export services related to tourism, such as offshore medical education, health, offshore financial services, and gaming; and
- The lack of progress on the CARICOM internal regime is preventing the region from GATS-plus negotiating services commitments with other FTA partners (with the EPA being an important exception – see following paragraph).

As with the CARICOM-DR relationship, the EPA regional preference obligation may pre-empt or at least shape efforts to craft an internal CSME services regime. Under the regional preference obligation, CSME Member States are obligated to extend to the Bahamas no less favourable treatment than that which they granted to European service exporters. While liberalization would involve extending a number of GATS-plus sectoral openings to other CSME Member States – beyond the seven priority sectors identified by CARICOM – there has not yet been any substantive discussion within CARICOM of the issue.

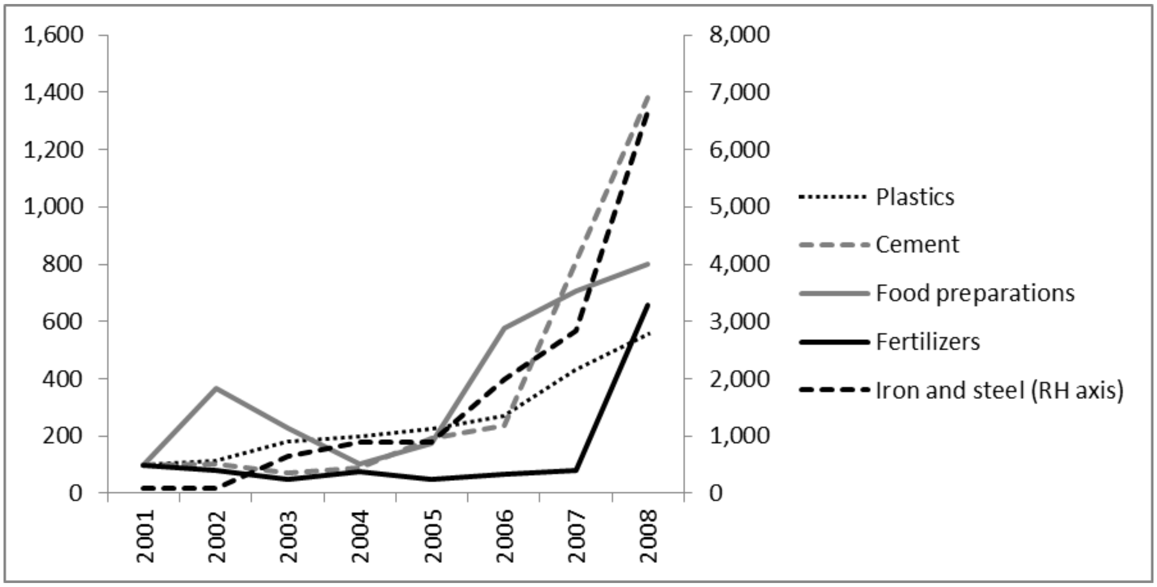
4 CARIFORUM FTA Trade Trends

The analysis in this section suggests that export trends in goods for CARICOM have not substantially changed since the publication of the Report, although services remain largely an unknown quantity. At the outset of their analysis on export-led growth, the Commissioners noted a marked deterioration of export performance from the early 1970s onwards, with the then-current basket of exports dominated by mining/extractive industries and preferential trade in basic agricultural commodities. With respect to trade in goods, the FTA-by-FTA analysis below suggests that the picture has only worsened since 1992, with the near-collapse of several preferential exports such as bananas and sugar, and the sharp decline of Jamaican mining exports. The picture from the DR is much more nuanced, with some significant successes (e.g. medical instruments) balanced against declines (e.g. garments after the phase-out of the Multi-Fibre Arrangement). With respect to services – as shown in the sections below, a largely neglected sector in the region's FTAs – the common received wisdom is that the Caribbean is now a grouping of largely service economies, yet there is still no comparable datasets that allow analysis of FTA commitments versus FTA performance; this sadly perpetuates the outsize analytical and political attention lavished on goods trade.

4.1 Trade Under CARICOM-DR

On the goods side, since the signature of the DR-CARICOM FTA in 2001, there has been a significant increase in bilateral trade, particularly for the DR. Under the tariff preferences granted by the DR-CARICOM FTA, the DR has seen significant growth in its exports to those CARICOM countries that are parties to the Agreement (i.e. excluding the Bahamas and Haiti). Based on the DR's national trade data, exports to CARICOM have increased from US$17.9 million in 2001 to $134 million in 2011 – a nearly eight-fold increase in the decade following the signature of the FTA. Increases of particular significance have been seen in DR exports of plastics, cement, prepared foods, fertilizer and iron/steel products (as shown in Figure 2 below). The growth has been notable to the point of being raised in a 2011 speech by the incoming CARICOM Secretary-General in Santo Domingo, who noted that exports to CARICOM countries accounted for close to 6% of the total of all exports of the DR in 2010 – more than the percentage of exports to individual Member States of the European Union – and that DR exports to CARICOM countries were almost 60% more than DR exports to Central America, despite the bilateral Agreement with Central America and despite the large difference in market size between CARICOM and Central America.[60]

Figure 2: Index of Main Drivers of DR Exports under DR-CARICOM FTA (2001 = 100)



Source: Author's calculations, based on national trade data as notified to TradeMap.

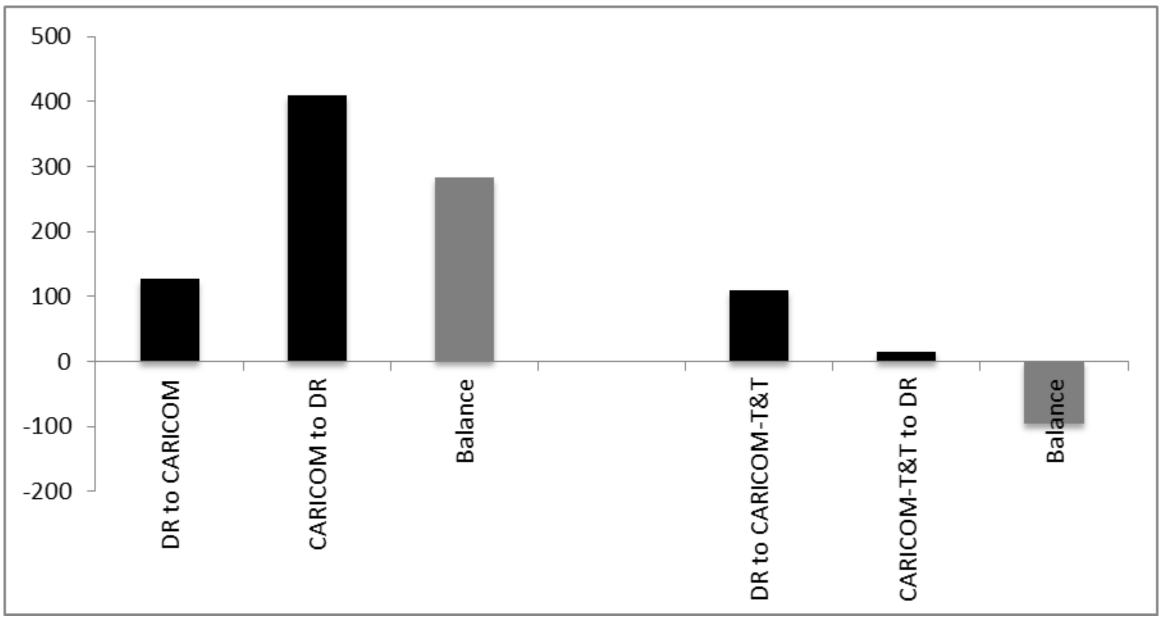
On the CARICOM side, the picture is mixed, although merely focusing on the trade balance hides important trends. Among the CARICOM signatories to the DR-CARICOM FTA, the DR's export dynamism has only been matched by Trinidad and Tobago, whose booming exports of petroleum products to the DR – particularly during the oil price boom pre-2008 – as well as chemical and iron/steel products has allowed CARICOM to enjoy a healthy trade surplus since the signature of the CARICOM-DR FTA. Once T&T's is removed from the list of exporters however, the CARICOM surplus turns into a deficit, as shown in Figure 3 below. This is not entirely unexpected given the differences in size between the DR economy and the non-T&T signatories on the CARICOM size, and most importantly it masks increases in non-petroleum exports[61] from CARICOM into the DR, including:

- Electrical machinery and components from *Antigua and Barbuda*;[62]

[60] "Address Of H.E. Ambassador Irwin Larocque Secretary General Of CARICOM And Secretary General Of CARIFORUM, On The Occasion Of The 25th Annual Dinner Of The Dominican Association Of Exporters (ADOEXPO) Santo Domingo, Dominican Republic December 5th, 2011", CARICOM Secretariat Press Release 465/2011, 6 December 2011.
[61] Defined as those products outside of HS Chapter 27.
[62] Trade trends over time for Antigua and Barbuda are not clear, given that trade data is only publicly available from 2010 onwards. Similarly, export trend analysis for Suriname is hampered by lack of data availability pre-2010.

- Paper labels from *Barbados*, which increased from $50,000 to $1.2 million between the signature of the DR-CARICOM FTA and 2012, as well as exports of Barbadian liqueurs and cordials, which averaged $500,000 per year;
- Orange juice from *Belize*, whose exports increased from zero levels to a $5.5 million annual average since 2010;
- Spices from *Grenada*, although data problems following the passage of Hurricane Ivan complicate export trend analysis;
- Coconuts from *Guyana*, increasing from zero levels before 2008 to $4.5 million in 2011;
- Beer from *St Lucia*, whose exports averaged $602,000 from 2008 to 2010; and
- A range of *T&T* non-petroleum exports that saw increases in the DR market from 2002 to 2010, including iron & steel ($6.6 million to $23.7 million), fertilizers ($5.4 million to $18.5 million), car batteries ($349,000 to $6.1 million), rum ($623,000 to $2.3 million) and breakfast cereals 19 ($8,000 to $1.6 million).

Figure 3: CARICOM's Trade Balance with the DR With and Without T&T (US$'000, 2007-11 avg)



Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the DR-CARICOM FTA.

With respect to services, analysis is hampered by lack of available statistics. The CARICOM-DR FTA does not include market access commitments in services, and thus there is no preferential trading effect as such to measure under the Agreement, analogous to the tariff commitments. Moreover, even if a services regime were established under the Agreement, analysis would face the obstacle of the absence of services trade statistics between CARICOM and the DR. General statistics (particularly on the value and composition of services trade) is maintained and published by the CARICOM Secretariat, but neither the Secretariat Statistics Unit nor the relevant international databases (e.g. TradeMap) list bilateral trade in services flows.

4.2 Trade Under CARICOM's FTAs with Cuba, Costa Rica, Colombia and Venezuela

CARICOM has generally maintained a negative trade balance with <u>Cuba</u>, although this is heavily influenced by a narrow set of products. The CARICOM-Cuba trade balance has been dominated by Cuban shipments of petroleum to Belize (pre-2010), iron/steel/copper to Guyana and Jamaica, tobacco to Barbados, fertilizers to Suriname, and cane sugar to T&T. On average negative, CARICOM has a negative trade balance since the signature of the CARICOM-Cuba FTA (shown in Figure 4), although Cuba's exports are erratic in both price and volume terms. With respect to CARICOM's exports to Cuba:

- Once again *T&T* dominates the region's trade through its exports of ammonia to Cuba, which have increased from \$4.6 million to \$21 million from 2002 to 2011;
- *Jamaica's* exports of insecticides to Cuba have increased from \$586,000 to \$2.3 million from 2002-2011; and
- *Guyana* shows erratic exports of sawn wood to Cuba, averaging \$381,000 over the same time period.

Other CARICOM States (where data is available) show a marginal to non-existent trading relationship with Cuba.

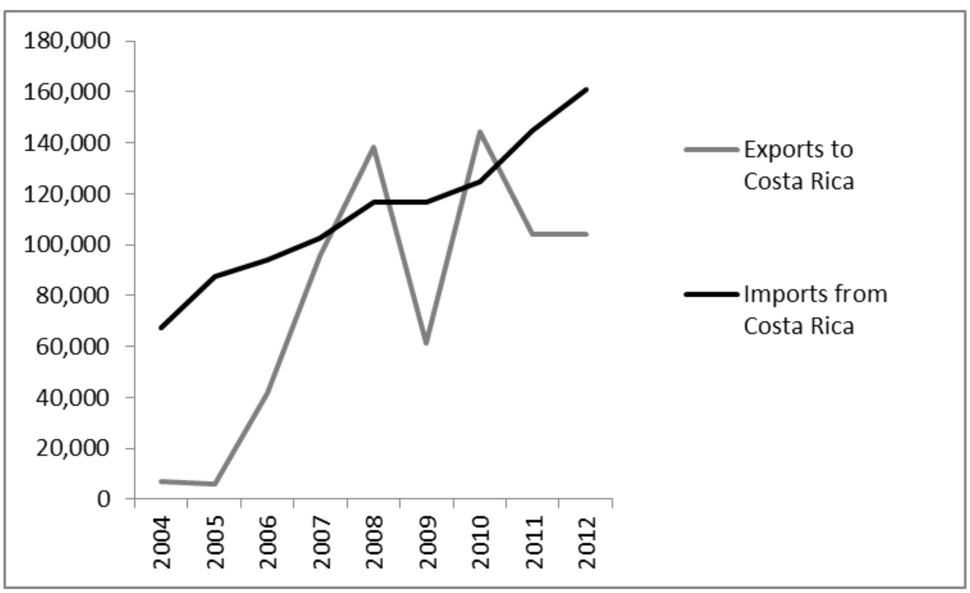
Figure 4: CARICOM Trade With Cuba (US\$'000)

Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the CARICOM-Cuba FTA.

Since the signature of its FTA with Costa Rica, CARICOM has managed to narrow its trade deficit over time. As shown in Figure 5 below, CARICOM signatories to the FTA with Costa Rica began, in the years prior to the final Agreement, with a large trade deficit. CARICOM as a bloc has been able to narrow the deficit over time. The caveats to that finding are that the only a few CARICOM exports have some degree of market presence in Costa Rica, including petroleum from Belize (which averaged $21 million between 2006 and 2010) and T&T (which increased from $11 million in 2001 to $37 million in 2010); T&T has also seen successes in Costa Rica for iron/steel (increasing from zero prior to 2004 to over $83 million in 2010) and fertilizers (zero pre-2006 to $9 million in 2010. These few exporters and products likely account for the significant fluctuations in CARICOM's export performance from 2008-2010. Other CARICOM Member States have failed to make a significant dent in the Costa Rican market, apart from relatively modest levels of Barbadian exports of paper label ($50,000 annually from 2002-2010), as well Jamaican exports of rum ($26,000 annual average) and glass bottles (reaching $400,000 in 2010).

Costa Rica's exports to the region however have risen steadily over time. While CARICOM exports under its FTA with Costa Rica have remained focused in a narrow set of products, Costa Rica's trade has flourished from 2003 onwards. Table 6 shows large increases particularly in prepared foods,[63] frozen beef, household detergents, medicines, glass bottles, plastic bottle caps and fresh carrots.

Figure 5: CARICOM Trade With Costa Rica (US$'000)



Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the CARICOM-Costa Rica FTA.

[63] This includes items of HS 2106.90, food preparations that are not elsewhere specified.

Table 6: Major Drivers of Costa Rica's Export Growth to CARICOM (US$'000)

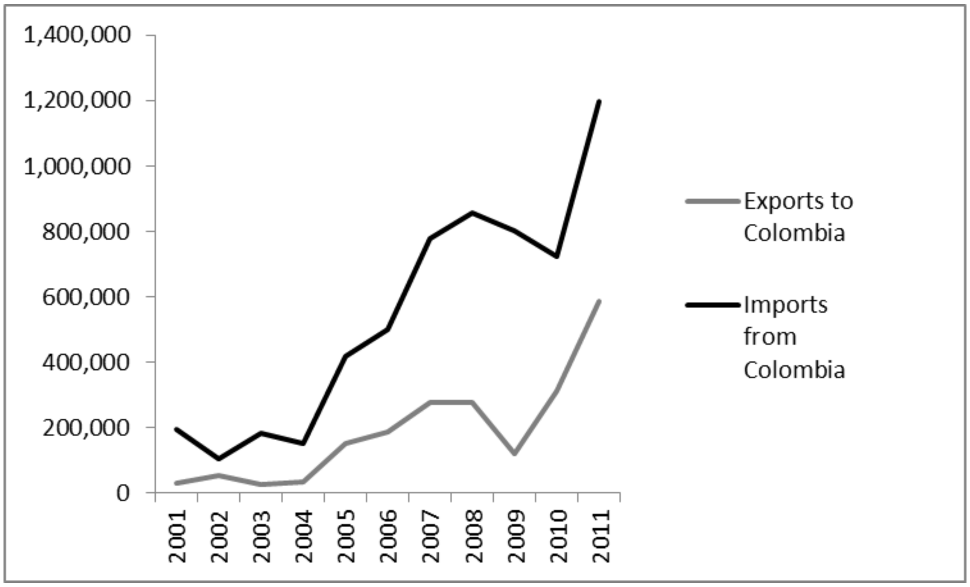
	Value of Costa Rican Exports to CARICOM	
	2003	**2012**
All products	*75,390*	*160,704*
Food preparations	9,665	34,895
Medicines	2,933	22,217
Plastic bottle caps	5,572	13,095
Preserves	986	11,000
Cardboard boxes	2,732	6,760
Cooking Appliances	3,930	6,598
Carrots	313	6,530
Frozen beef	89	5,886
Detergents	817	5,781

Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the CARICOM-Costa Rica FTA.

CARICOM's trading relationship with Colombia has seen a large and widening trade deficit over time. As shown in Figure 6 below, CARICOM signatories to the CARICOM-Colombia FTA (both the 1994 and 1998 texts) run a persistent trade deficit, although trade volumes are several times higher than those with Cuba and Costa Rica. The deficit has widened significantly over time, particularly from 2004 onwards, due to higher overall petroleum exploration and export in Colombia as security concerns began to ease in major oil-producing regions. Major imports from Colombia, apart from petroleum, include several heavy/chemical industries (e.g. cement, plastics and herbicides, construction materials and car batteries) and consumer items such as vegetable oils, cane sugar, paper products. On the CARICOM export side, the standout export trends include:

- A range of products from *T&T*, including petroleum (averaging $157 million per year since 2005), fertilizers (increasing from $3.4 million in 2003 to $21.5 million in 2010), ammonia (increasing from $3 million in 2003 to $17 million in 2010), iron and steel (averaging $10.5 million since 2003) and rum (averaging $4.3 million since 2003);
- Bauxite from *Guyana*, averaging $1.25 million since 2005; and
- Gypsum and anhydrite from *Jamaica*, averaging $668,000 since 2003.

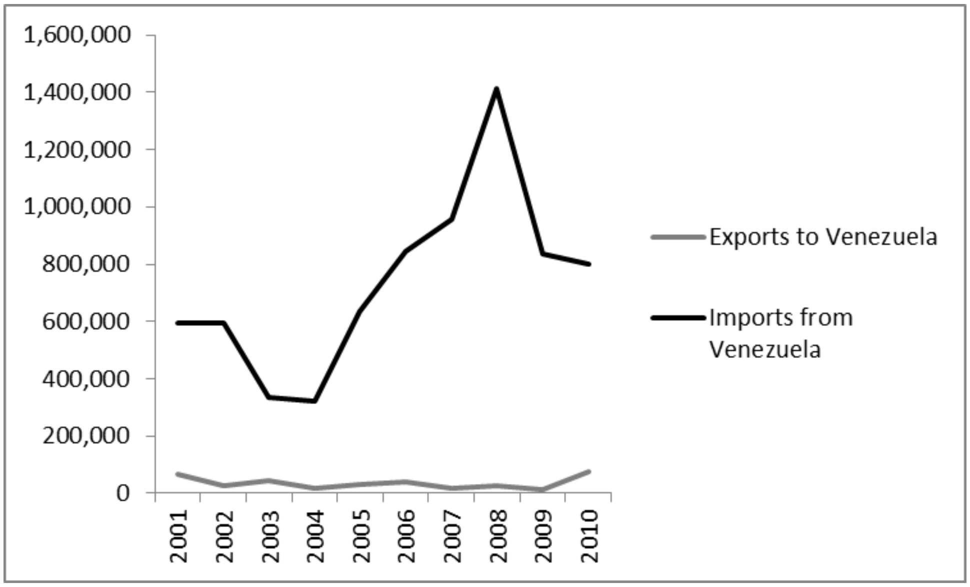
Figure 6: CARICOM Trade With Colombia (US$'000)



Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the CARICOM-Colombia FTA (1994 and 1998).

CARICOM's trading relationship with Venezuela exhibits the widest trade deficit of all its FTAs with Latin America. As shown in Figure 7 below, CARICOM shows a large and persistent trade deficit with Venezuela, nearly all accounted for by petroleum exports and to a lesser degree by heavy and chemical industries (e.g. articles of iron/steel/lead, cement glass bottles and fertilizers). Due to geographical proximity, T&T trades a wider range of goods from Venezuela – including petroleum products, iron/steel and A/C units (although the latter exports have collapsed from a peak of $4.2 million in 2005 to less than $200,000 in 2010). Guyana, after several years of registering modest exports of fish and aluminium to the Venezuelan market, saw large and recent increases in rice exports ($30 million in 2010, and more than doubled at $78 million in 2011). No other CARICOM States currently have significant export interests in the Venezuelan market.

Figure 7: CARICOM Trade with Venezuela (US$'000)



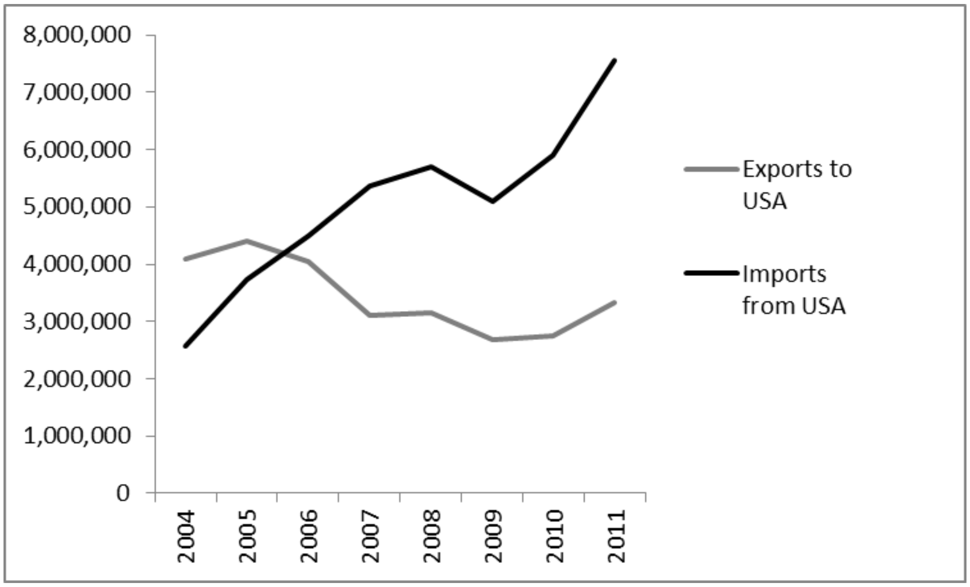
Source: Author's calculations, based on national trade data as notified to TradeMap. "CARICOM" refers only to signatories of the CARICOM-Venezuela FTA.

4.3 Trade Under DR-CAFTA

Since the signature of DR-CAFTA, the DR has seen a widening trade deficit in goods with the United States. Following the conclusion of the DR-CAFTA negotiations in 2004, the DR has seen increases in key export sectors, including medical instruments, tobacco, footwear and electrical components. A number of agriculture and fisheries sectors have seen rising exports to the United States from 2008 onwards, including coffee (75% increase), cocoa (64%), tea and spices (60%), dairy/eggs (52%) and sugar (31%).[64] These individual increases however are part of a larger downward trend in DR exports – particularly from a collapse in garment exports following the phase-out of the Multi-Fibre Arrangement in 2005, followed by the impact of the 2008-9 global recession – and a steep increase in US imports into the DR (shown in Figure 8). The largest increases in DR imports have been in agricultural staples and basic foodstuffs, many of which were subject to pre-DR-CAFTA quotas and prohibitive tariffs. Figure 9 shows that DR imports of key staples such as beef, pork, poultry, maize and wheat from the US saw significant increases following DR-CAFTA. A similar analysis unfortunately is not possible for services, as the necessary data is not available.[65]

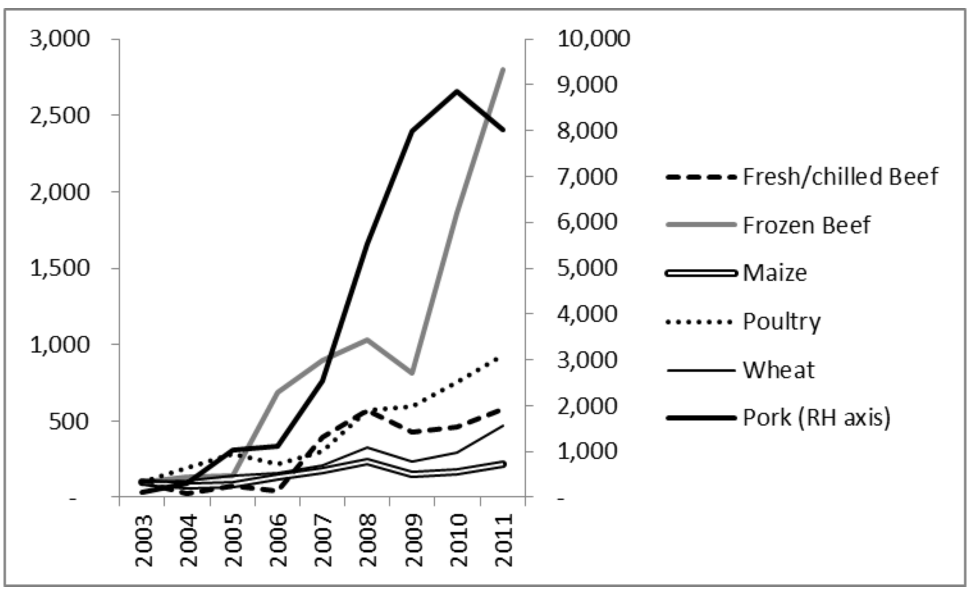
[64] "Evaluación Del Impacto Del DR-CAFTA En Los Sectores Productivos De La República Dominicana", Ministerio de Industria y Comercio, Dominican Republic, Santo Domingo, September 2011.
[65] "CAFTA-DR (Dominican Republic-Central America FTA)", Office of the United States Trade Representative website (http://www.ustr.gov).

Figure 8: DR Trade with the USA (US$'000)



Source: Author's calculations, based on national trade data as notified to TradeMap.

Figure 9: Selected US Agricultural Exports to the DR (US'000)



Source: Author's calculations, based on national trade data as notified to TradeMap.

While the DR has seen some product-specific successes in the Central American Common Market, imports have increased significantly. Since the ratification of DR-CAFTA, exports from DR to the Central American countries increased from $33 million to $70 million. As shown in Table 7 below, several products have seen large export increases– plastics across all markets, cotton to the Honduras, iron and steel to Costa Rica, and very recently, petroleum to Guatemala and Honduras.

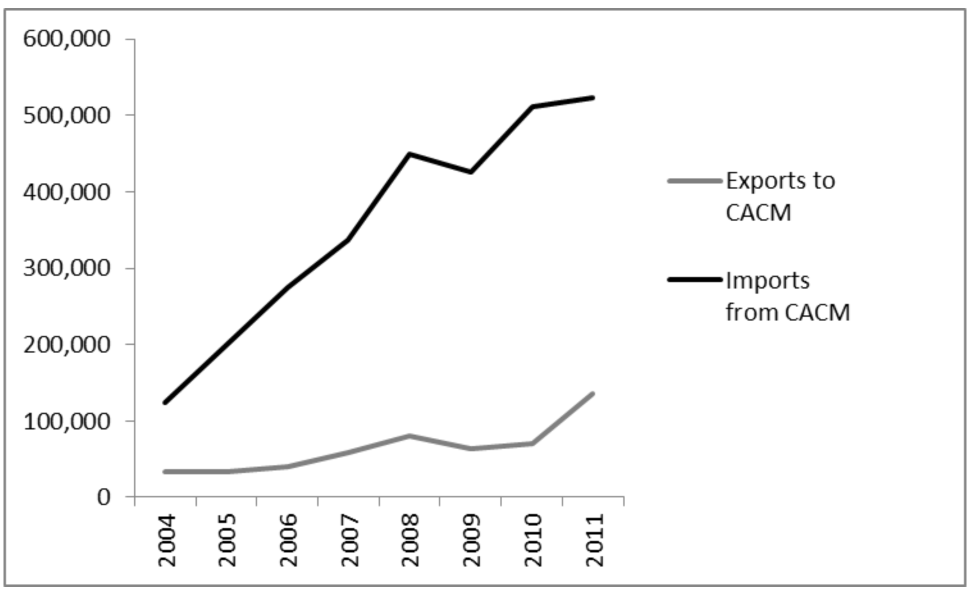
Table 7: Major Drivers of Growth for the DR Countries in the CACM Market (US$'000)

	Guatemala		Honduras		El Salvador		Nicaragua		Costa Rica	
	2005	2011	2005	2011	2005	2011	2005	2011	2005	2011
Petroleum	20	29,764	0	7,442						
Medicines	171	7,370							41	707
Plastics	3,074	4,745	980	1,327	830	2,842	440	1,972	1,678	5,259
Textiles	0	643	0	4,016			0	350		
Machinery	61	1,007								
Cotton			444	27,494			0	873		
Tobacco							349	4,011		
Iron & steel									1,824	9,074

Source: Author's calculations, based on national trade data as notified to TradeMap.

As shown however in Figure 10, even the doubling of export values failed to make a significant dent in the DR's large trade imbalance with the members of the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) that were signatories to the DR-CAFTA. The DR has faced large increases in imports from Central America, with over-100% increases in glass bottles, diapers, medicines, foodstuffs and plastics.

Figure 10: DR Trade With the Central American Common Market



Source: Author's calculations, based on national trade data as notified to TradeMap.

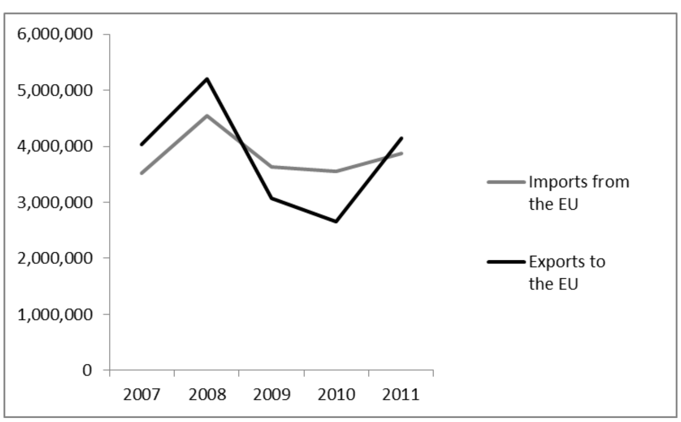
4.4 Trade Under the CARIFORUM-EU EPA

It is difficult, at this stage, to speculate on the impact (or lack thereof) of the EPA for CARIFORUM exporters. The EPA negotiations were concluded immediately prior to the January 2008 deadline, and the European Parliament formally approved the Agreement in March 2009. Since that time, the global recession has had a significant negative impact on the exports of all developing countries into OECD countries, with the drop in demand leading to *inter alia* a fall in petroleum and food prices following the price spikes of 2007-8. It is thus difficult to untangle the specific impact of the European grant of DFQF, particularly since many of the Caribbean exports that have enjoyed increases in the post-EPA era were granted duty-free access under the pre-EPA Cotonou preferential regime.

As with other Caribbean FTAs, an aggregate picture in goods masks wide divergences at the sub-regional and Member State level. At the macro level (i.e. aggregating all CARIFORUM exporters, shown in Figure 11), the region has maintained a trade surplus since the signature of the EPA – with the exception of the 2009-2010 period immediately following the onset of the global recession – due in large part to favourable export conditions for T&T's energy and chemical exports, as well as booming exports from the DR to Europe of bananas, cocoa beans, and medical instruments.[66] Disaggregating the CARICOM Member States yield a more nuanced picture (as listed in Table 8), showing *inter alia*:

- Across-the-board declines in export values for *sugar* from Barbados, Belize, Guyana and Jamaica)[67] and *bananas* (Belize, Dominica, St Vincent);
- Improvements in export performance for *rum* from Barbados, Guyana and Jamaica;
- Increases in *crustacean* exports outside of Belize;
- *Foodstuffs* from Jamaica and T&T generally maintaining their export levels;
- Increases in *aluminium* industry exports in Guyana, but declines in Jamaica; and
- Declines in *rice* exports from Guyana and Suriname.

Figure 11: CARIFORUM Post-EPA Trade With the EU (US'000)



Source: Author's calculations, based on national trade data as notified to TradeMap.

[66] DR exports to the EU however have fallen almost in half from their pre-EPA levels, due to ferro-nickel operations being suspended in August 2008. Production was restarted in 2010.
[67] Although molasses exports have increased from both Belize and Guyana.

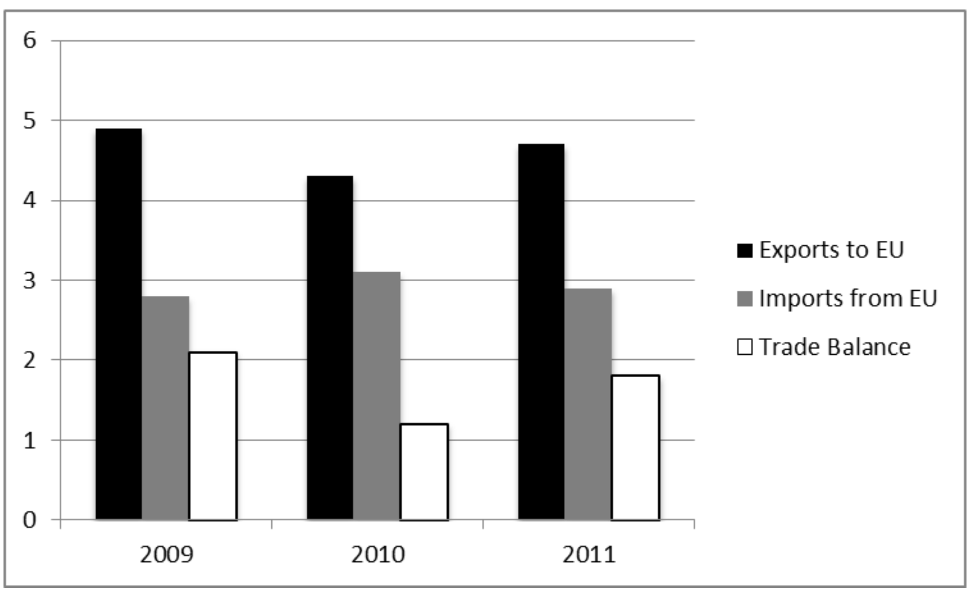
Table 8: Highlights of CARICOM Export Performance Under the EPA

	Barbados		Belize		Dominica		Guyana		Jamaica		SVG		SUR		T&T	
	2009	*2011*	*2009*	*2011*	*2009*	*2010*	*2009*	*2011*	*2009*	*2010*	*2009*	*2011*	*2009*	*2011*	*2009*	*2010*
Medicines	5,306	33,278														
Sugar	18,113	10,590	38,708	33,964			107,302	105,094	72,340	35,396						
Rum	5,239	10,154					13,941	15,685	20,931	26,579					6,099	4,703
Elec. components	1,398	2,739														
Bananas			33,338	29,841	3,695	1,267					2,837	328				
Fruit juice			6,310	6,098					992	1,849						
Crustaceans			4,341	400			3,780	6,412	3,572	5,068						
Essential oils			84	1,058												
Molasses			1,575	1,984			1,169	2,119								
Arrowroot/Cassava					1,252	1,061			3,941	5,430	390	321				
Sand					1,517	669										
Aluminum							22,715	59,591	106,911	72,095						
Rice							49,915	21,689					16,206	4,210		
Diamonds							8,721	7,843								
Wood							5,164	6,980								
Beer									3,565	3,865					3,704	1,571
Jams/jellies			0	639					3,602	3,489						
Baked goods									2,009	2,461						
Coffee									1,468	1,317						
Petroleum															1,051,227	635,139
Methanol															145,530	132,595
Iron/steel															28,734	113,504
Cocoa beans															1,573	1,274
Ammonia															21,614	0

Source: Author's calculations, based on national trade data as notified to TradeMap.

With respect to services, the picture is particularly difficult to measure, although the evidence suggests a continued positive trend for CARIFORUM. The nature and balance of services trade between CARIFORUM and the EU is not very well understood, given the complete absence of comparable data on the CARIFORUM side. The impact of the EPA is even less clear, given the number of legislative changes required on both sides to give full effect to the EPA's market access commitments, and the fact that there have been no evaluations of the degree of implementation of the EU's services commitments. EUROSTAT data, shown in Figure 12 below, suggests that CARIFORUM countries have run a consistent trade surplus with the EU-27 in the years immediately following the signature of the EPA. Industry trends in tourism – by far the greatest contributor to EU-CARIFORUM services trade – suggest that the trade balance may continue to increase in favour of the Caribbean ACP signatories to the EPA. Europe has been the fastest growing market since the mid-1990s and is now the most significant market for many Caribbean destinations, as EU tourists generally prefer markets with common historical and cultural links. The increases have been particularly marked for the DR, benefiting from the entry into the long-haul mass tourism market of major EU charter tour operators; the EU is now the largest market for the DR tourism industry. Significant potential still exists, even within traditional CARICOM tourism markets, for non-traditional market such as Italy and Germany.[68]

Figure 12: CARIFORUM Services Trade Balance With the EU-27 (€ Billions)



Source: EUROSTAT

4.5 Trade Under the CSME

[68] "Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements – Caribbean Region: Tourism", European Commission.

Within the CSME, there are divergent trends with respect to trade in goods. While trade orientations differ within the CSME, and while Member States continue to diverge in the degree to which they depend on the region as an export base, there are some favourable trends within the Single Market that provide a positive counterpoint to the more negative trends within CARICOM's external FTAs. Based on a data comparison of exports from individual Member States to the rest of the CSME from 2001 to 2010 (summarized in Table 9):

- Barbados has seen increasingly favourable exports to CARICOM, largely in petroleum products, medicines, oils/fats (e.g. margarine) and paper products;
- Belize has seen a near-tripling of its exports to the CSME, especially in citrus juices, crustaceans, peas and beans;
- Dominica has seen its exports of soap double, although its exports to the CSME have remained static;
- Guyana has seen a doubling of its rice exports, a quadrupling of its sugar exports and large increases (from virtually nil levels) of wood and certain types of fish;
- Jamaica has seen increases in exports to the CSME of cement, animal feed, medicines and fruit juices;
- St Lucia saw a doubling of beer exports to the CSME from 2001 to 2007, and a doubling of its exports of cardboard boxes;
- St Vincent and the Grenadines saw a doubling of its CSME exports of milled products; and
- Trinidad and Tobago has also seen a doubling of its exports to the CSME, across a wide range of categories.

Table 9: Export Trends Within the CSME (US$)

Member State	Exports to CSME			Exports to the World	
	Value 2001	Value 2010	Factor Increase	Value 2010	CSME Share
Barbados	107,102	127,223	1.2	508,446	25%
Belize	12,039	17,097	1.4	398,197	4%
Dominica	25,821	24,691	1.0	34,116	72%
Guyana	70,638	144,330	2.0	1,048,656	14%
Jamaica	50,305	64,851	1.3	1,517,247	4%
St Kitts & Nevis	775	5,083	6.6	44,886	11%
St Vincent & Gren.	24,383	32,435	1.3	38,432	84%
T&T	1,051,390	2,052,901	2.0	10,981,679	19%

Source: Author's calculations based on national trade data. Data for Antigua & Barbuda and Grenada did not provide a sufficient timescale for comparison purposes.

5 CARIFORUM Export Development: Identifying and Overcoming Challenges

5.1 Market Access: Always Necessary, But Still Not Sufficient

With respect to trade in <u>goods</u>, CARIFORUM exports have continually pointed to non-tariff barriers between home and overseas markets as a source of frustration. While CARIFORUM countries generally enjoy duty-free access for most major exporters, the continued frustrations of overcoming non-tariff barriers act as a prohibitive barrier to export-led growth. Lack of clarity on rules of origin can lead to exporters failing to secure preferential access, or being forced to source high-cost inputs if cheaper sources are not allowed under relevant cumulation provisions. For agricultural products, for example, the lack of harmonization (and thus recognition of equivalence) between domestic production standards and overseas import market standards implies that natural Caribbean strengths in tropical fruits suffer from a technology gap, with insufficient multilateral and bilateral funding to fill the gap.[69] Exports of even basic items are blocked by increasingly complex requirements for certification, labelling/packaging and traceability: in a single example (shown in Table 10) – pepper sauce from Barbados to the European Union – fifteen different non-tariff measures apply, including four different labelling requirements. Consultations on non-tariff measures undertaken by the ITC and an analysis of national export strategies found that, in the Caribbean, technical and sanitary regulations account for more than half of difficulties encountered by developing country exporters, with the bulk of the remaining complaints focused on border procedures (e.g. classification and valuation disputes) and the use of export subsidies by OECD partners.[70]

Table 10: Non-Tariff Measures Applied to Barbadian Pepper Sauce Exports to the EU

<u>SPS Measures</u>	<u>SPS Measures (cont'd)</u>
Systems Approach	Traceability information requirements
Registration requirements for importers	Origin of materials and parts
Tolerance limits for residues of or contamination by certain substances	Processing history
Restricted use of certain substances in foods and feeds	Distribution and location of products after delivery
Labelling requirements (two sets of requirements)	
Microbiological criteria on the final product	<u>TBT Measures</u>

[69] "Impact Of Technical Obstacles and Non-Tariff Barriers On Agricultural Trade In Latin America and the Caribbean", Twenty-Sixth FAO Regional Conference for Latin America and the Caribbean, Merida, Mexico, 10 - 14 April 2000.

[70] "Analysis of Non-Tariff Barriers of Concern to Developing Countries", OECD Trade Policy Papers No 16, Organization for Economic Cooperation and Development, Paris, June 2005.

Hygienic practices during production Food and feed processing Regulation of foods or feeds derived from, or produced using genetically modified organisms (GMO)	Authorization requirement for TBT reasons Labelling requirements (three different requirements)

Source: MacMap database (http://www.macmap.org), accessed March 2013.

On the <u>services side</u>, a similar range of internal market access barriers frustrates the market access granted under FTAs. In the few instances where CARIFORUM service suppliers have been able to secure market access overseas, the economic value of the access has been limited by restrictions maintained by FTA partners. In the EU's EPA services commitments, for example, access for service suppliers continues to be conditioned by nationality requirements, economic needs tests and the ability of EU Member States to impose restrictions that are not even listed in the EU schedule.[71] [72] Another major barrier to market access continues to be mutual recognition of qualifications, without which Caribbean service suppliers will be forced to re-take academic or technical qualifications. While the EPA encourages the relevant professional bodies to negotiate the terms of mutual recognition with their counterparts, there is no guarantee – given the often wide disparity in qualification standards, particularly for high-skilled professions – that such recognition will occur in practice, or whether large EU Member States will contemplate creating carve-outs to accommodate a relatively small number of Caribbean suppliers.[73]

In both goods and services, <u>domestic constraints</u> and <u>regional fragmentation</u> continue to block exporters' efforts to expand overseas. In virtually all export sectors, a common set of factors – a number of which were highlighted in the 1992 Report – act as prohibitive barriers to export for CARIFORUM. The common denominators of these barriers are, on one hand, the continued fragmentation of the region as different Member States pursue different regulatory and market practices, and on the other hand, the lack of willingness of governments within the Member States to implement decisions and make investments that could create the regional export platform envisioned by the Commissioners in 1992. The net result is the wide variation in business-friendliness within the region, as shown earlier for the CARICOM countries in

[71] "Analysis of Contents of the CARIFORUM and Pacific ACP Economic Partnership Agreements and Challenges for 2008", Overseas Development Institute and Commonwealth Secretariat, London, December 2008.

[72] An illustrative example can be found in Austria's listing of restrictions in legal services, which "require that foreign lawyers' (who must be fully qualified in their home country) equity participation and shares in the operating result of any law firm must not exceed 25%; in addition, they may not have decisive influence in decision-making."

[73] These carve-outs would be particularly sensitive as they could result in pressure from other FTA partners (e.g. India, Latin America) to create similar arrangements.

Figure 1. While these factors have been exhaustively analyzed in numerous sources,[74] a very broad listing includes:

- The high and rising cost of labour – stemming from weaknesses and mismatches in education and training and wage increases de-linked from productivity[75] – and the continued disconnect between the supply and demand for different categories of labour within the region;
- The lack of harmonization of key practices (e.g. standards, border formalities, licenses), and their often slow and arbitrary application, that leads to continued frustration for exporters seeking to expand their operations – particularly beyond their small domestic markets;
- A lack of public or private funding for innovation and support for new businesses, leading to a continued reliance on traditional products and traditional business practices;
- The continued reliance of CARICOM governments on taxing essential items (e.g. consumer staples or inputs to industry, particularly outside of traditional manufacturing) for revenue purposes;
- The continued reliance of key sectors (e.g. agro-processing) on imported inputs, leading to high costs for finished products and a high exposure to fluctuations in global markets;
- The costs and quality of basic services – particularly electricity and telecommunications – act as a prohibitive tax on exports and general economic activity; and
- Where public investment funds exist, they are often not adequately resourced or structured in a forward-thinking, rapid-response manner to allow companies to draw on funds and quickly re-tool as market conditions change.

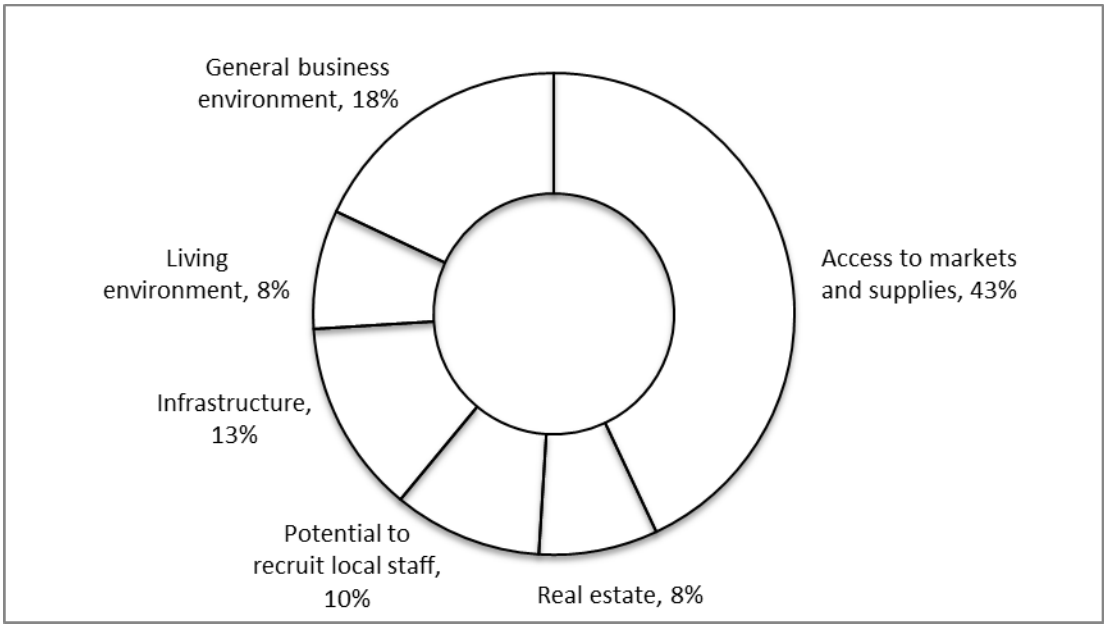
Uncertainties over access abroad, coupled with high costs and increasingly stiff competition at home, likely explain much of the lack of responsiveness of CARIFORUM exporters to the region's negotiated FTAs. Figure 13 below, drawn from a World Bank survey of CARIFORUM food processors, shows the breakdown of factors influencing investment decisions within the sector. It graphically demonstrates how concerns over labour, business costs, overseas market barriers and infrastructure continue to weigh on the West Indian Commission's vision of export-led growth. Moreover, the period since 1992 has seen the emergence of large developing country exporters in Asia and Latin America that over time have supplanted traditional OECD import sources in CARICOM markets. While this trend has likely been a boon for Caribbean families and import-

[74] This listing draws in part from "Competitiveness and Innovation Programme in CARIFORUM Countries", CARICOM/UNIDO/CARIFORUM Secretariats, Georgetown/Vienna, October 2008.

[75] A 2004 study found that real wages increased faster than labour productivity in Barbados, Jamaica and Trinidad and Tobago in the 1990s. In the case of the Dominican Republic real wages increased faster than productivity in the 1990s but the trend reversed after 2000, primarily because of sharp depreciations in 2003 and 2004. ("Competitiveness and Innovation Programme in CARIFORUM Countries", October 2008).

dependent firms facing increasingly tight budget constraints, it has created yet another challenge for Caribbean firms by shrinking their once-viable domestic and regional market shares, and encouraged their reluctance to wander from regional or domestic markets.[76]

Figure 13: Factors Influencing Investments in Food Processing



Source: World Bank data as quoted in "Competitiveness and Innovation Programme in CARIFORUM Countries", CARICOM/UNIDO/CARIFORUM Secretariats, Georgetown/Vienna, October 2008.

5.2 Appreciating the Limitations of CARIFORUM FTAs

Despite these multiple barriers facing CARIFORUM exporters, the reality is that most CARIFORUM FTAs are narrowly focused on tariff reductions, and tend to sideline other barriers and costs. The multilateral trading system was built on binding and reducing tariff barriers. Both a deeper understanding of barriers to trade in goods (e.g. trade facilitation, non-tariff barriers) and the inclusion of new areas of trade (e.g. services, IP) did not occur until nearly a half-century after the signature of the GATT. As a result, liberalization commitments in these newer areas, even at the WTO, continue to be weak, and even highly ambitious FTAs are largely restricted to re-affirming WTO commitments. The CARIFORUM FTAs, unfortunately, reflect this systemic flaw: most are restricted to trade in goods only; the few that venture into services fail to broaden market access beyond a handful of categories,[77] and the other barriers/practices that

[76] For an analysis of the China-Caribbean trade, see Bernal (2011), "The Growing Economic Presence of China in the Caribbean", Paper presented at the IMF/UWI Conference on "The Caribbean Challenges after the Global Crisis", Barbados, 27-28 January, 2011.

[77] Although, in the case of the EPA, the access granted in tourism and the cultural industries is arguably highly significant given the concentration of services trade between the Caribbean and the EU.

could have a significant impact (e.g. non-tariff barriers, restrictions on service suppliers) are often not addressed. The flaws are mirrored in the lack of ambition on the CARIFORUM side, particularly in commitments such as trade facilitation that could truly create “big bangs” under FTAs.

There is a larger need to conquer the “fear of the unknown” with respect to new areas of trade, starting with better data on non-goods trade. The experience of FTA negotiations suggests that even a fairly straightforward tariff liberalization schedule is a time-consuming and politically painful task – no less in this time of severe fiscal challenges within the region, where liberalization of a single item can have knock-on effects for government revenues. The significant resources (both financial from the donor side, and human resources from the CARIFORUM side) used in negotiating FTAs could be better justified if more efforts were focused on newer areas of trade which play to the strengths of Caribbean economies. The goods-only FTA bias and the “fear of the unknown” with respect to new areas of trade reflects a pre-WTO, pre-1995 world of large exporting countries with competitive goods exporters – a negotiating focus that is not appropriate to a collection of small, largely services-oriented economies. A major obstacle to overcoming this fear is the lack of services data: without a greater investment in services databases[78] that can rival their counterparts in goods, concessions and protection for commodities and manufacturers will always continue to be more politically saleable than those in more amorphous or poorly understood, albeit economically more important, sectors.[79]

There are certain obstacles however that even the most ambitious FTAs will fail to overcome, starting with the lack of an internal CSME regime. An appreciation of the limitations of FTA negotiations, particularly in the Caribbean context, should begin with the noticeable absence of substantive and commercially meaningful services commitments. Even those FTAs with no services commitments contain provisions to eventually negotiate market access for CARICOM services suppliers – although these negotiations are subject to the completion of the CSME’s internal regime, to ensure that (like the CET) there is a common regional position to act as a guidepost for concessions to external partners. The failure of CARICOM to complete this task (both at the national and regional level) constitutes a continued obstacle against moving away from traditional areas of weakness for most CARICOM economies – i.e. trade in primary or manufactured goods – and towards the emerging strengths in the services sector. Worse, the lack of progress has led to the pre-emption of internal services negotiations by the EPA regional preference obligation, and confusion over how, in practice, the two processes will be reconciled.

[78] And, in the future, databases showing the impact on Caribbean trade of intellectual property, non-tariff measures, and other intangible and behind-the-border measures.

[79] The CARICOM Secretariat publishes trade statistics (http://www.caricomstats.org/tradeinservices.htm and http://caricomstats.org/servicespub.html), drawing on data provided by the Central Banks and and Statistical Offices within the various Member States. The data however is limited to the receipt and payment of services, without indication of bilateral trade flows.

FTAs can play a limited role in creating all-important linkages between markets. Despite being geographically more proximate than many long-standing trading partners (i.e. the mainland EU-27), CARICOM countries are only weakly linked by sea and air to FTA partners within the same hemisphere. Limitations in transport infrastructure push up costs for even basic shipments, and increase the cost of imported inputs to often-prohibitive levels. In the 1992 Report, the Commission recommended the creation of joint shipping arrangements, in tandem with regional trading houses. In the current climate of recession and high national debt – and drawing from previous experiences of joint shipping in bananas, and the current difficulties facing regional airlines – new joint Government-to-Government transport arrangements are not likely to be feasible. Even ambitious services commitments may not overcome the barriers posed by small market size, competitive rates charged by overseas competitors, and the lack of interest of hemispheric airlines in accessing CARICOM markets outside of major manufacturing and tourism centres.[80] Market links however extend far beyond transport, and encompass *inter alia* a lack of knowledge of foreign markets, language barriers and cultural mistrust that can frustrate the ability of Caribbean exporters to explore and access new markets – even in the relatively closer markets of Central and South America. FTAs can indirectly help to overcome some of these barriers: Aid-for-Trade commitments, for example, can be channelled into market research papers (such as Caribbean Exports' "Doing Business With…" series) to demystify market barriers and customs overseas; regional bodies created by (or funded through) trade agreements can also help to bridge differences between FTA partners.[81]

5.3 A Continued Focus on the Caribbean Niche: A Linked and Targeted Approach

There is a need to ensure that FTA negotiations focus squarely on the remaining niches available to CARIFORUM exporters, particularly outside of the energy sector. As noted in Section 2.1, the Report correctly diagnoses changes in the global market that would render the traditional preferential standbys (e.g. sugar, bananas, garments) irrelevant, and strongly calls for export-led growth based on a more focused Caribbean comparative advantage. The recommendations of the Report for CARIFORUM exporters are even more relevant now, as CARIFORUM exporters of basic commodities face stiff competition – both in price and in quality – from other competitors, many of whom now benefit from matching DFQF arrangements in markets that once provided comfortable margins of preference. The immediate political gains for a niche export strategy will likely be perceived as falling short of the gains derived from traditional agricultural exports, whose low-skilled labour intensity ensured that exports created ripple effects

[80] For an analysis in the case of air transport, see "Intra-Caribbean Air Transport: the CSME Bridge", Jean Holder, date unknown.

[81] "Caribbean Export Initiative Helps To Address The Absence Of Trust Between CARICOM And DR Businesses", *The Voice – St Lucia*, 17 December 2011, http://www.thevoiceslu.com.

on rural employment and poverty reduction. But creating the right linkages between these emerging sectors – for example, through "farm to table" catering arrangements with hotels – can lead to both the development of a Caribbean service niche as well as the revival of the region's import-battered agriculture industry.[82]

The need for a targeted, niche export strategy provides an even stronger impetus to go beyond the reflexive exercise of tariff reduction. In many key markets, tariffs on the potential niche exports from CARIFORUM are either zero or at very low levels, but face prohibitive non-tariff barriers; for service providers, markets are nominally "open" but are subject to complex restrictions. This suggests that if CARIFORUM governments are eager to undertake trade negotiations (which in turn involves committing a significant portion of human resources at the national and regional level), and if donors are willing to underwrite the costs of negotiations and consultations, the focus on tariffs – as argued earlier, a reflex from the pre-WTO days – must be set aside to focus on areas where Caribbean exports can still enjoy a commercially viable niche. When negotiating with developed country partners, this focused approach may not be possible, as WTO rules on FTAs (i.e. GATT Article XXIV) requires that liberalization cover "substantially all" trade, in turn implying a relatively aggressive tariff reduction schedule. South-South agreements however are not notified under the GATT, but rather the WTO Enabling Clause that allows for partial-scope agreements, such as those negotiated by Brazil, St Kitts & Nevis, Trinidad & Tobago and Belize. Focusing on only a few sectors of commercial interests, rather than trying to address the entire range of economic possibilities, could help focus the minds of CARIFORUM negotiators on "deeper" trade barriers that have thus far frustrated the benefits of FTAs.

Perhaps most importantly, the biggest export-led "bangs" may not require any FTA. A number of the Caribbean's best-known export brands – e.g. tourism and culture – have flourished despite not being (until the EPA) included in any market access commitments.[83] The analysis of CARIFORUM trade trends in Chapter 4 demonstrate a number of export increases that occurred without the FTA in question resulting (from a tariff perspective) in any substantive change in market access conditions: *viz.* higher exports of plastics and free zone items from the DR; petroleum products and fertilizers from T&T; electrical components from the OECS; paper labels from Barbados; and food preparations from Jamaica and T&T. While the negotiation of the EPA Cultural Cooperation Protocol may arguably have been difficult outside of an all-encompassing FTA context, Caribbean countries can take unilateral steps to create vibrant cultural services exports: the CARICOM Regional Development Strategy and Action Plan for Cultural Industries, for example, calls upon Member States to create National Cultural Registries of *bona fide* artists and cultural workers, allowing governments to create

[82] For an overview of some promising initiatives, see "Caribbean Tourism and Agriculture: Linking to Enhance Development and Competitiveness", UN-ECLAC, Port-of-Spain, December 2005.
[83] As noted earlier in the paper, the CARICOM-Cuba FTA contains provisions on tourism, but they are not market access commitments *per se*.

sector-specific incentives (e.g. an exemptions regime for border taxes on inputs into cultural services).[84]

5.4 Who Speaks For the Private Sector?

There must be continued and stronger efforts to include the private sector in crafting mandates and positions for the region's trade negotiations. It is arguably true that the pursuit of FTAs within the region has largely been either (a) an exercise driven by the political interests of governments, rather than commercial interests of firms, and/or (b) a last-minute exercise imposed on the region to avoid the expiration of previously lucrative preferential arrangements. If this is the case, then it comes as little surprise that trade has not followed from the signature of the texts – if trade agreements are largely the initiative of public sector officials, then two outcomes are likely:

- First, the initiatives are not likely to reflect any pressing commercial market access interest, unless the government has a keen sense of which strategic sectors can benefit from trade opening overseas. As such, there will be no commercial constituency to push the government to ratify the text or implement complementary reforms once the agreement has been signed.
- Second, the agreements are likely to be highly defensive in nature, given that the overriding objective – particularly in recessionary times – for small islands will be the protection of revenue, and by extension the protection of the salaries of the same officials charged with negotiating the agreements.

The formation of private sector and services coalitions is key. One of the most promising developments within CARIFORUM is the rise of coalitions of private sector and services groupings who, despite diverse and often competitive interests, provide channels for new perspectives into trade negotiations, beyond the traditional group of Ministries (e.g. Finance, Agriculture, Customs, Commerce) that have traditionally dominated trade negotiations within the region. On the services front, six CARICOM Member States have fully operational National Services Coalitions (Barbados, T&T, St Lucia, Jamaica, Antigua & Barbuda and Dominica), with the remaining five already launched. The coalitions provide a range of services – from collecting positions and data from their stakeholders to hosting cross-country forums on trade issues – that in turn ensure that key policy documents (e.g. National Services Strategies or mutual recognition agreements) reflect economic reality, rather than mere political aspiration.[85]

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[84] "Strategic Policy Directions Proposed by the Regional Task Force on Cultural Industries", CARICOM Secretariat, September 2011.
[85] Michelle Hustler, "The Role Of A National Coalition In The Development Of The Services Sector", presentation to the ISPRI Workshop On Trade In Services, date unknown.

6 Conclusions

While FTAs are generally considered high-profile political events, in reality they are fairly limited and blunt instruments. The analysis undertaken in this study finds that, despite signing FTAs with key hemispheric allies and some major trading partners, CARIFORUM countries have yet to see concrete benefits in terms of export increases and diversification. On one hand, the study argues that this is due to factors outside of the FTAs themselves, whether external market changes, domestic constraints, or integration failures within the CARICOM core". On the other hand, the study argues that the FTAs themselves often reflect a limited ambition and lack of focus on the "behind-the-border" barriers facing the handful of long-term commercial opportunities offered to CARIFORUM exporters. Unless there is a more targeted approach to FTA negotiations – one where the private and services sectors are given a stronger voice – CARIFORUM exporters are likely to perceive a negative cost-benefit balance for FTAs negotiated on their behalf.

The vision of the West Indian Commission, while reflecting a certain time and place, still serves as a useful guide. As noted in several areas of this study, the trade-related challenges facing the Caribbean are not entirely dissimilar in character as those facing the Commission in 1992; in some way the situation has worsened (i.e. the loss of key traditional preferential markets) and in others it has improved (i.e. the pan-Caribbean tourism boom). The Commission's overall thrust towards export-led growth, and the need to find a uniquely Caribbean solution, remains highly relevant, if not more so. The missing ingredient is a willingness to explore creative solutions that go beyond the traditional approach to FTA negotiations. The importance of creative solutions was ingredient noted in the Report as the Commissioners contemplated a revision to the Community's founding Treaty, and – as this study – looked back over the past two decades:

> In many areas solutions are not ready at hand; their evolution lies in processes without which the solutions themselves could be forever elusive. Similarly, responses to many challenges lie in machinery for implementation without which we simply delude ourselves that decisions represent progress…
>
> The immense changes which have taken place externally, the entirely new challenges pressing upon the world outside our small domain, combined with the cumulative changes which have taken place in the Community for almost 20 years, deeply affecting West Indian life in ways it was not possible to foresee, make it natural to re-examine the validity of the terms of the [Treaty] whose goals our mandate requires us to advance in our proposals.[86]

[86] *A Time For Action*, p. 19.