"THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN CARIFORUM AND THE EUROPEAN UNION AND THE BUILDING OF A POST-COLONIAL ECONOMY IN THE CARIBBEAN"

PUBLIC LECTURE

GIVEN BY

THE RT. HON. OWEN ARTHUR, MP

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ERROL BARROW CENTRE FOR CREATIVE IMAGINATION

CAVE HILL CAMPUS

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At the twelfth Special Meeting of the Conference of Heads of Government of the Caribbean Community in Guyana on December 7th, 2007, the leaders of the Caribbean formally gave a mandate to the region's negotiators to conclude a new and comprehensive Economic Partnership Agreement with the European Community.

A Draft Economic Partnership Agreement, in large measure reflecting in its structure and its essential terms and conditions, the mandate agreed to by Heads, was initialed on behalf of the Region on December 16, 2007.

The decision made by Heads of Government to give a mandate for the conclusion of a comprehensive Economic Partnership Agreement with the European Community culminated the most complex and far-reaching process of negotiations, consultations and dialogue undertaken in this region, save and except for that associated with the Federation of the British West Indies.

Everyone involved in the exercise understood that an EPA with the European Union would mark a fundamental break with the past, not just in

our relations with Europe but even moreso to the status of the Caribbean economy in the global economic arena.

Everyone also understood that it could come to herald the beginning of a new kind of future for the Caribbean, in which new power relationships and new rules of economic engagement that are strange and testing for the Caribbean, would come to play a defining role in both the Caribbean's international economic relations and the internal ordering of the Caribbean's economic affairs.

None of the issues that had to be engaged to reach the stage of concluding an EPA were easy, and they all involved economic trade offs of quite considerable, and often fearsome proportions.

Some of the decisions had to be made in the context of contemporary international trade rules that have severely limited the scope of manoeuvre of the Caribbean. And there were time frames to be met, and economic and financial consequences to be evaluated and faced for not meeting such schedules, that were all of such significance that they could not be ignored nor dealt with in a cavalier manner.

Decisions, however, had to be made.

Edward Baugh in a poem "View from the George Headley Stand" captures an aspect of the Caribbean personality which might help us appreciate the context within which the EPA is now being debated in Caribbean circles:

"You see, you see what I tell you,
he playing and missing, I tell you!
No, no, you don't read the stroke
He knows what he doing, he leaving the ball alone….
that is what I call a indigenous stroke".

We do have a great passion in the Caribbean for seeing the same thing in entirely different ways. We have an even greater passion for not being sure as to whether we should play and miss or leave the ball alone. In any event, the sum total of playing this indigenous stroke – the combination of playing and missing and leaving the ball alone all at the same time – is that no runs are scored.

And so, we have this exciting debate in the public domain concerning the EPA. Should we play and miss? Should we leave the ball alone? Or should we not look to score some runs?

This exposition of which I deliver myself this evening is intended to share a perspective on the very practical issues that have surfaced in our region concerning the EPA with the European Community. Is it a good deal for the Caribbean, or the best that could have been secured under the circumstances? Does it represent a capitulation to pressures to meet artificial deadlines, and rules not of our making? Will it compromise our ability to create, as we see fit, a CSME? Should we subject what has recently been initialed to a complete review with the intention of re-negotiating it? Could an alternative, preferable course of action have been pursued in effecting a new relationship with the European Union, and is the pursuit of such an alternative course still feasible and open to us? Has too much been made of devising a WTO compatible Economic Agreement with Europe, and have we been made guinea pigs on a matter where the rules are not clear and settled? Above all, has the development dimension which was intended to distinguish the EPA from the previous LOME Agreements been clearly articulated and so embodied in the EPA that it can fulfill the stated

objective of making it a major contributor to the sustainable development of Caricom?

These are not at all frivolous matters. The concerns were very fully and properly aired in a memorandum submitted to COTED'S Reflection Group by Havelock Brewster, Norman Girvan and Vaughan Lewis, all Caribbean patriots of high eminence and integrity in the following terms:

> "The central point of the statement is that the EPA is a Treaty that is legally binding, of indefinite duration, will be very difficult to amend once it is in force, covers a wide range of subject areas that have hitherto been within the jurisdiction of domestic or regional policy, and which few people in the region know about or understand, notwithstanding the effort made at stakeholder dialogue and consultation. It is therefore desirable that adequate time and effort be put into public explanation and discussion, and a review of the provisions of the agreement before it is cast into stone from the legal point of view"

This lecture has been inspired by the acknowledgement of the fact that the Caribbean leaders, who were unanimously party to the decision of December 7, 2007 to commit the region to a comprehensive EPA with Europe, have a duty answer the legitimate concerns that have been raised. They have an even higher duty to consistently treat to the matter with the same strength and clarity of purpose they exhibited, when the decision had to be made on December 7, 2007.

I have, perhaps, a higher duty than most because I presided over the proceedings as Chairman of Conference.

I submit, first, that the range of issues surrounding the EPA is so complex and far-reaching that they cannot be adequately covered in one exposition. I trust that the Cave Hill Campus will provide some regional leadership by creating the forum within which the other expositions can be delivered.

This particular public lecture therefore attempts to do so more than to set the broad conceptual framework within which the EPA can be presented, and to deal with some of the issues concerning its structure and essential features property.

A fundamental premise of the presentation is that both the EPA and the LOME Agreements of 1975-2000 are cooperation agreements intended, in their differing and respective ways, at different points in the evolution of the Caribbean Society, to promote and foster the emergence and entrenchment of post-colonial economic relationships between our region and its principal economic partner.

The building of a post colonial economic relationship has as its principal focus the creation of an environment to spur the diversification of the typical Caribbean economy away from its traditional mono crop culture, to end its passive dependence on aid and colonial type protectionist trade arrangements, to end its passive incorporation as a sub-species into the metropolitan economy on which it depended, and to create a basis for its sustainable development by bringing to the fore new mechanisms for domestic development and new modalities for cooperation with its international partners, that can play positive transforming roles in strategic areas, such as human resource development and the creation of dynamic private sector economies.

The structure of both the LOME Agreements as well as the EPA, and the extent to which they could be modeled as, and succeed in being instruments for development, were and are constrained by the prevailing geopolitical and other power relations that shape the general relationship between Europe and the Caribbean, and between the Caribbean and its partners in the ACP. In addition, the structure and terms of economic engagement embodied in the EPA, as indeed the four LOME conventions, are and have been heavily conditioned by the prevailing international trade rules and laws. They have been influenced too by and changing perceptions as to what development constitutes and how it can be brought about.

I dwell upon these matters to try to bring into sharp focus what realistically are the boundaries of achievement that should be expected of, and set for a Partnership Agreement between the Caribbean and its Partners in Europe, as well as its Partners in the developing world.

I deal first with the practical issues concerning the articulation of "the development dimension" and its place in an Economic Partnership Agreement.

One of the most massive intellectual tragedy that has occurred since the signing of the LOME I Convention in 1975 and the initialing of the EPA in 2007 has been the virtual death of Development Economics as a serious scientific discipline.

It has been a long time in the Caribbean since we have seen the intellectual equivalence of William Demas' "The Economics of Development in Small Countries with Special Reference to the Caribbean".

That was published in 1965.

It was an imposing, indigenous Caribbean intellectual contribution to efforts to treat Development as a multi disciplinary field of scientific enquiry, and to seek to assist the nation-building efforts of newly Independent countries by prescribing Development Visions, Models and Strategies.

Throughout the 1960's and into the 1970's there was a serious, healthy engagement by Caribbean scholars, led by the New World Group, on issues relating to Development. The LOME Conventions were conceptualized and drew from this intellectual tradition.

Since then, and beginning in the 1980's approaches to Development has been dominated by the ideology and policy paradigm espoused by the Washington Consensus. The imperatives of Development, which should have more to do with economic and social transformation, have been miniaturized to focus on programmes of competitiveness, the application of policies to promote macro-economic stability, and the broadening of the scope for the workings of the market and the private sector.

We have had to face the consequences of the failure to evolve sound concepts of Development in our efforts to forge economic integration in the Caribbean. Indeed, the initiative to create the CSME did not start nor was it founded on a shared and common Development Vision for a Single Caribbean Economy. As such, it is only recently that the absence of an agreed concept of Development, and a shared development vision have been recognized as deficiencies, and these are now being addressed.

Much has been made of the fact that the EPA stands to be judged on the strength of its "Development Dimension". The very practical difficulty surrounding this is that the Caribbean and the European Union do not share a

Common Development Vision. Sadly, the same can be said of the Caribbean and the other developing countries which constitute the ACP.

Every effort has been made to incorporate mechanisms for development cooperation into every aspect of the EPA. This will help. But in the prevailing intellectual and ideological climate, it has been virtually impossible to call upon a Grand Design for Development, subscribed to by all, to provide the architecture around which the EPA has been constructed.

It is to be hoped that during the period over which the Cotonou Agreement has effect, the UWI will revitalize itself by becoming one of the world's leading institutions on Development Economics. It would greatly assist the CSME project, the domestic efforts of respective Caribbean societies to transform, and the effort of the Caribbean Societies to fit themselves into the evolving Global Society.

There can also be absolutely no doubt that the geopolitical circumstances and the power relations which existed in 1975 with the founding of LOME were not only drastically different from those of 2000, but were more

propitious and more conducive to the forging of relationships that can address the real needs of the societies of the Caribbean.

In today's world, the war on terrorism, a Europe of twenty-five, a new development focus on Africa, and the changing global economic balance of power consequence upon the end of the Cold War have marginalized the Caribbean in European circles. Britain's perspectives have also changed. It has re-ordered its global political outlook and the priorities of its foreign policies in a manner that has diminished the significance of the ties of a shared history with the Caribbean.

That the Caribbean is very much on the margins of thinking in Whitehall is borne out in the UK's Foreign Policy Document of 2003 which placed emphasis on a number of cross cutting global themes, and the strengthening of a number of key relationships. The Caribbean scarcely generated serious mention.

The specific point in all this is that an Economic Partnership Agreement with Europe has been negotiated in a climate within which Europe, in its dealings with the Caribbean, would rather focus on security issues, including

the illicit drug trade, tax avoidance, migration and money laundering, rather than on development. The reverse was the case in 1975.

Baroness Young captured it well in an address to the UWI in 1996:

> ***"It follows that whatever happens after the year 2000 will have to be negotiated against a background of a changed world in which many EU member States question every aspect of EU development policy, let alone ask why there should be a special relationship with a limited group of nations. The message is clear: the scenario will be bleak for any ACP nation unable to adapt to this new reality. The issues are no longer about morality. This conclusion is now almost certainly the defining truth about future ACP/EU relationships".***

By a similar token, fundamental changes in the economic and geopolitical **relations** between the Caribbean and its ACP partners have in a very decisive way affected the nature of the post LOME IV regime that is now being created.

One reads, with a sense of great admiration, the works of Shridath Ramphal, chronicling the way in which an immediate post-Independence spirit of solidarity was drawn upon to put in place the Georgetown Accord, creating the ACP. That spirit of solidarity also led to a shared determination on the part of the ACP to make the first LOME Convention more than just a regime by which Britain perpetuated the pre-existing Commonwealth Economic Preferences as part of the arrangements pertaining to Britain's accession to the European Community.

And despite their failure to deliver in full, the four LOME Conventions between the EU and the ACP have been not only the sole effective and meaningful model of cooperation between the North and the South, but more especially so, between countries of the developing world.

As such, the position of the Caribbean, in contemplating a post-LOME relationship with Europe was to maintain the solidarity of the ACP through one Convention.

Speaking on behalf of the Caribbean at the 23rd ACP/EU Council of Ministers' Meeting in 1998, I spoke in these terms:

"There is a clear intention in the draft directives (of the EU) to split the ACP into three or even six parts for the trade negotiations which are to begin in 2000. This is not the regionalization of which the ACP speaks in the Libreville Declaration. Indeed it is precisely the opposite. The Commission has been repeatedly told of our determination to maintain ACP solidarity and the Integrity of the ACP as a negotiating partner. This should be the fundamental basis for the future negotiations. But it will be jeopardized from the outset were we to agree to the negotiating structures that the EU is now contemplating.

In the Caribbean we are now convinced that the present agreement which now exists between 15 European and 71 ACP countries is worthy of a more enlightened succession in the mutual interest of all our countries concerned".

The fragmentation of the ACP into 6 regions for the purpose of negotiating separate Economic Partnership Agreements was not a Caribbean initiative. It is however the reality with which we have to deal.

It is, however, beyond any doubt that its consequences, as they concern the Caribbean, have been profound.

The first is that the Caribbean now faces a fundamental disadvantage as compared to many African countries in negotiating a trade agreement with Europe. This is because soon after signing the Cotonou Agreement with the ACP, the European Union unveiled the Everything But Arms Initiatives, under which countries classed as the Least Developed Countries could export virtually everything to Europe duty and quota free on a non-reciprocal basis. This class of countries includes 39 ACP member States.

These countries therefore do not have to enter EPA's with Europe to lock in their duty free market access to that region. The Caribbean, however has to.

Secondly, the question has been raised as to why, on the eve of the December 2007 deadline, and in the light of the quite palpable difficulties that were being experienced by countries and regions to conclude satisfactory Agreements with the European Union, a Summit of ACP States was not convened to press the case for a change in the deadline, and to urge

Europe to seek an extension of the WTO waiver for the trade preferences that were to end in December 2007.

The brutal truth is that there was no political will demonstrated nor expressed for any such Summit. And this was the case not just for the Least Developed States, which are beneficiaries of the EBA, but for some middle income developing ACP States which effectively broke ranks and signed an interim Trade Agreement as being in keeping with their best interests.

As we approach the ratification of the EPA, the Caribbean has therefore to adopt a new kind of Development Diplomacy that recognizes the need for us to constantly forge and redefine our Strategic Alliances, based upon the reality that the interests and the values that other countries call upon to develop their international priorities are now more dynamic and fickle than ever before.

Values such as kith and kin, and solidarity are sadly coming to mean less and less in an intensely competitive global arena.

I turn next to the impact of changing international trade rules.

One of the core components of the proposed EPA is the new trade regime which is intended to replace the preferential, one-way duty free access to the European market, as was available under the four LOME Conventions, with a WTO compatible reciprocal trade regime.

The issue is being raised as to why we should agree to be involved in any such exercise, which, on the face of it, appears to expose the Caribbean to a situation of disadvantage which is both acute, and new in its international economic relations.

A correct and sensible perspective on this matter would be gleaned from an appraisal of the evolution and the transformation of international trade law and rules, as they pertain to the status of developing countries.

Indeed, one of the most disgraceful transformations in the global society between the original GATT of 1947 and the coming into existence of the WTO and the Uruguay Round of 1994 has been the transformation of the concept of special and differential treatment for developing countries in international trade law, to their disadvantage.

In the early stages, international trade rules reflected respect for the principle that as between equals equality; as between unequals proportionality.

Hence, while from the outset, the precepts of reciprocity and non-discrimination were embedded in international trade law, significant exceptions were carved out for developing countries. For it was understood that the real benefits of free trade accrue to only trading partners that have similar levels of development. A distinction was therefore drawn between free trade and economic development; and the latter was thought to require the use of protectionist measures to enable some countries to reap any benefits from free trade agreements.

Hence, the first GATT review of 1954-1955 embedded in Article XV11 the right of developing countries to impose protectionist measures to facilitate the promotion of infant industries.

This concept of Special and Differential Treatment for developing countries was subsequently expanded and strengthened by the adoption of Part IV to the legal text of the 1964 GATT.

This addressed several important issues for developing countries. Among them, it recognized an exception to one of the main principles of international trade rules – that of reciprocity. Hence, at Article XXVI(8) it stated that developed countries were not to expect reciprocity from developing countries in their commitment to reduce trade barriers.

This waiver of reciprocity was given an even more expanded legal status with the adoption of the Enabling Clause in the Tokyo Round (1973-1979).

The Enabling Clause covered major areas of special and differential treatment. It recognized the granting of trade preferences by developed countries under preferential trade Agreements (such as the LOME Convention), the granting of exemptions on the use of non-tariff measures by developing countries, and the recognition of the Least Developed Countries as a group deserving specially favourable treatment.

The Uruguay Round (1986-1994) however, not only marked a fundamental turning point in the conception of special and differential treatment for developing countries but introduced a change to international trade law

which simply has to be judged as the most unjust arrangement in the entire history of mankind.

During the Uruguay Round, countries accepted that, independent of their level of development, they should all adhere to the same principles, rules and obligations required by multilateral free trade agreements.

The most fundamental change brought about by the Uruguay round was the replacement of the exception to reciprocity previously granted to developing countries with the provision that there are adjustment costs involved in participating in free trade arrangements, but that these should be addressed by the application of "flexibility within reciprocity".

The age of non-reciprocal trade Agreements between countries was brought to an end with the conclusion of the Uruguay Round of 1994.

As the age comes to an end, it has to be said that all previous agreements between the Caribbean and Europe, extending one-way duty free access to Caribbean exports to the European market were not favours conferred by

Europe on the Caribbean because of past colonial relationships. They were the legal entitlement of the Caribbean countries under existing Trade Law.

The arrangements embodied in the trade aspects of the proposed New EPA must therefore be seen as our having to devise entirely new trade arrangements to meet the contemporary requirements of international trade law. It is to that and other related matters that we now turn.

The Cotonou Agreement and the EPA

In June 2000, the countries of the ACP and the European Union signed the Cotonou Agreement to cover all aspects of their relationship over the next 20 years.

It is more than an Economic Agreement. However, in respect of its economic dimension, the Cotonou Agreement provides for the negotiation of separate Economic Partnerships Agreements between the EU and the six regions that make up the ACP. These new EPA are not to be limited to cover largely the trade in goods, as was the primary focus of previous LOME Conventions, but they will include agreements on the trade in services and to establish terms of engagement between the two parties in

relation to subjects such as Government procurement, investment, e-commerce and the other disciplines that now attract attention in bilateral and multilateral trade and economic agreements.

It has, however, been the trade in goods component of the proposed EPA that has been the focus of much of the attention of the negotiations and much of the attendant controversy.

To be specific, the pre-existing LOME Conventions which set out the terms under which goods traded between the two sets of countries prior to 1989 are held to be inconsistent with the MFN clause in Article I, paragraph 1 of GATT.

According to this provision, member countries cannot selectively discriminate against any other member country of the GATT in relation to its trade laws. Each contracting party must give all parties to GATT equal access to its market. Under the previous LOME conventions, ACP countries were provided with access to the European market that Europe did not provide to many other developing countries. This became subject to successful challenge in the WTO.

The pre-existing LOME arrangements are also held to be at variance with the provision of GATT, in so far as they provided for non reciprocal relations under which ACP countries were not obliged to confer on EU goods the same access their goods enjoyed in Europe.

Subsequent to the last LOME Convention in 1989, the ACP States and Europe, as States that participated in the global trade agreements establishing the WTO in 1994, agreed to the principle that countries should not discriminate against each other, except in a few exceptional instances.

It was this obligation to uphold and apply the principle of non-discrimination that required the ACP States and the EU to make provision to replace the LOME preferential trade arrangements with new WTO compatible trade rules.

Until the pre-existing preferences could be terminated by negotiation, the trade relationship inherited from the LOME Convention had to secure a special exemption by way of a WTO waiver. The waiver was secured, and it was set to expire on December 31st, 2007.

It was, however, clear from the outset that the possibility of having that waiver extended beyond that date would be virtually impossible, in the light of the numerous successful challenges mounted by non-ACP countries to the European Union's banana and sugar protocols.

The negotiations of an EPA between the Caribbean and the EU therefore started and were pervaded by a built in schedule for the discontinuation of the LOME preferences, and their replacement by new WTO trade arrangements beginning in 2008. The benefit for the Caribbean is that by replacing their non-reciprocal preferential trade arrangements with others that are consistent with WTO rules, the Caribbean countries would prevent other countries from successfully challenging any privileged access they come to enjoy to the European market under the new EPA.

The date of December 21st, 2007 for the conclusion of that part of the New EPA pertaining to the trade in goods between Europe and the Caribbean was not an inconsequential deadline.

The full extent of the consequences that could have ensued for failure to meet it will be addressed later.

A WTO Compatible EPA

It is important to point out that the concept on making the EPA WTO consistent, and the associated deadline, pertain only to the arrangements governing the trade in goods. Other disciplines and subjects included as part of the EPA were not the object of any similar time scheduling, raising the issues as to why the Caribbean chose not to follow the lead of some ACP countries and conclude an Interim Agreement on the trade in goods first, to be followed by the conclusion of negotiations on other subjects at a later date. I will address this later.

The essential question is: What does WTO compatibility in respect of the EPA mean and entail?

WTO compatibility, as it pertains to the EPA, essentially requires that a programme and process of trade liberalization (the removal of duties and other trade barriers) be devised and made to accord with WTO rules on non-discrimination.

However, while non-discrimination is one of the pillars on which the WTO is built, exceptions are allowed under Article XXIV of GATT to accommodate Regional Free Trade Agreements, such as constitute the intended trade relation between Europe and its various EPA partners.

Under these rules, the two parties must exchange schedules for the liberalization of their goods and markets. In addition, the Free Trade Area thus created must not raise the level of protection, nor make access to the markets of other countries not participating in the Regional Free Trade Area more difficult.

The parties to the Regional Free Trade Area have also to accept the obligation to liberalize "substantially all trade" among themselves, and within a reasonable time.

Although there is no specific definition as to what these concepts entail, the practice in the negotiation of Regional Free Trade Agreements has been to aim at liberalizing at least 90% of the total trade of the Parties concerned.

In respect of the liberalization of trade in services, the GATT provides, at Article V for the liberalization of "substantially all sectors".

The negotiation of such trade liberalization programmes for goods and services, that at one and the same time met WTO requirements while also promoting the developmental and macro requirements of Caribbean States, was the central matter faced by Caribbean Societies throughout the extended period of negotiations. This made the negotiations especially strenuous, because there is no necessary nor natural coincidence between a programme's capacity to meet WTO rules and development needs at one and the same time.

Hence, a number of core principles were used to guide the region in arriving at decisions on this matter.

First, "liberalizing" substantially all trade was taken to mean that there would be some goods and services which could be shielded from having to face competition from European suppliers by having them designated as sensitive goods and excluded entirely from the liberalization programme.

Secondly, it was determined that any programme of trade liberalization had to take account of the fact that import duties and other similar duties and taxes are an important source of revenue for most Caribbean countries, and hence could only be phased out over an extended period of time, and with an eye to the impact on the Treasury.

Thirdly, the member States of Cariforum and Europe are at different levels of development. Hence while we had to respect the obligation to agree on a programme of liberalization to make our trade arrangements both non-discriminatory and reciprocal, as a practical matter Caribbean States would undertake to carry out less liberalization on every subject and to phase in such liberalization over a longer period than their European counterparts.

Fourthly, it was accepted as a principle that as far as practicable any programme of liberalization should build upon and enhance the Caribbean's own programme of economic and trade liberalization, as embodied in the arrangements for the CSME. In this respect, on every relevant subject, the Caribbean would commit to carry out less liberalization under its EPA with Europe than is ;provided for in the Revised Treaty of Chaguaramas.

Fifthly, it was decided that the special provisions in that Revised Treaty relating to our own LDC's, especially as set out at Article 164, would have explicitly to be respected in the structure of an EPA with Europe.

Sixthly, we determined that in every instance where Caricom has not yet devised nor started to implement regional regimes of its own, such as Government procurement and the other matters referenced in Article 239 of the Revised Treaty of Chaguaramas, the Region would be highly guarded in the extent of the liberalization it would agree to undertake.

Seventhly, it was recognized that any bilateral free trade arrangement to which the Caribbean is a party can only add value to the development effort of the region if it provides us with market access benefits that go beyond our trading partners' comparable commitments in a similar field under WTO multilateral agreements. This was a consideration that assumed great significance in guiding our negotiations in areas such as services and agriculture, which have only recently been brought under their auspices of WTO multilateral negotiations, and for which Europe's multilateral commitments have been relatively limited.

Eighthly, in support of the principle followed in our effort to have special and differential treatment for Small States under the proposed FTAA explicitly built into the text of the 9 various subjects that Agreement was intended to cover, it was decided that the development dimensions of the EPA would be built into the provisions pertaining to each subject covered (eg. Agriculture) and would not be an adjunct nor afterthought to the Agreement itself.

Ninthly, it was determined the EPA should be so designed as to facilitate the securing of future benefits by our region in our multilateral trade negotiations under the WTO, and hence truly serve as an instrument by which the respective economies of the Caribbean could better insert themselves into the global economy.

It goes without saying that the negotiation of an Economic Partnership Agreement in accordance with the core principles just referenced would be an extraordinary difficult and at times contentious and controversial exercise.

It is however fair to say that the structure and provisions of the draft EPA largely respect these core principles, and it is a comprehensive agreement that, in large measure, protects and enhances the vital economic interests of the Caribbean.

Obviously, it cannot properly be said that the Caribbean secured each and everything that it would have wished to achieve. But the improvements in the proposed terms of engagement with the European Union, that the EPA can set in train on balance should provide a significant stimulus for the development and post-colonial transformation of the Caribbean Society.

Information on the specific features of the EPA and the benefits the Caribbean stands to gain are set on information profiles published by the Caribbean Regional Negotiating Machinery, and should be required reading.

I touch here on the most significant elements, evaluating them in the context of the core principles we set to guide the negotiations.

First, the scope and the phasing of the programme of trade liberalization in respect of both goods and services have been designed to confer special and

advantageous terms on the Cariforum as compared to those now to be enjoyed by Europe.

The Caribbean has locked in with immediate effect duty free and quota free access for all of its goods in the European market, save for 2, where two year transition arrangements have been made.

While all of Europe's imports from the Caribbean will be liberalized, Cariforum will liberalize 86.9% of the value of its imports, with 82.7% in the first 15 years. The programme provides for either exclusions and or long phase-in periods of up to 25 years for sensitive Caribbean products, most of which are in the agricultural sector.

While the Caribbean will be required to liberalize 82.7% of its EU imports in 15 years and 61.1% in the first 10 years, it has to be recognized that at least 51% of EU imports already enjoy duty free access to the Caribbean. Hence only an additional 8.3% of EU exports to the Caribbean will enjoy duty free access during the first 10 years.

Similarly, there is a three year moratorium on the general implementation of the Agreement, a ten year moratorium on the phasing out of revenue-sensitive items, and the region succeeded in securing a seven year grace period for the phasing out of other duties and charges.

As part of the transitional arrangement for the two goods not granted immediate free access to the EU market, the Caribbean has also gained 60,000 tonnes in additional sugar quota, with Caricom's quota increase amounting to 30,000 tonnes; and the rice quota which is now duty paid, will be duty free and will be increased from the present 145,000 tonnes to 250,000 tonnes in 2009, after which it will be phased out.

The European Union has also agreed to eliminate export subsidies on all agricultural products that Cariforum liberalizes. This is a matter of some significance given the contentious role of export subsidies in multilateral trade negotiations. It will also ensure that our farmers do not face unfair competition from subsidized European production.

The area in which, on the face of it, the greatest benefits stand to accrue to the Caribbean is the liberalization of services. As regards services, Europe

has agreed to liberalize 94% of a list of 120 sectors, while the respective figures for Cariforum's LDC's and MDC's are 65% and 75% respectively. In the case of the temporary movement of national persons, the Agreement has been drafted to grant market access for Caribbean Contractual Services suppliers to enter the EU market in 29 sectors, and has liberalized 11 sectors for entry by Caribbean Professionals. That said, there is much that must be done to create the conditions for these benefits on paper to become real benefits out in the field.

However, the developmental significance of the programme of liberalization proposed is that, in the economic sphere the Caribbean has chosen to be its chief area of emphasis as it seeks to transform (services), the European Union has committed itself to providing the Caribbean with more extensive market access than it has committed to under the WTO or any of its bilateral agreements.

The proposed EPA can be therefore used, in a manner that goes beyond that of any previous economic instrument to which the region has been party, to help the Caribbean fulfill its objective to rest more of its development efforts on the export of high quality services.

In respect of safeguarding the integrity of our own CSME, the EPA has exempted from tariff liberalization all of the items currently on the Revised Treaty of Chaguaramas' Article 164 list of products that have been put there for the benefit of our LDC's. The Agreement can be re-cast to allow any future Article 164 products to attract similar treatment.

In addition, in the areas in which Caricom does not yet have regional regimes, such as Government procurement, the mandate given was that the EPA should commit the Caribbean only to accepting rules of transparency, without any market access commitments.

Any legal review must ensure that our effective commitments do not go beyond transparency.

As regards the Development Dimension, the Agreement contain a Development Chapter which sets out the broad developmental objectives to be sought by EPA. Thereafter, the development priorities in respect of each sector are fully set out under the respective subject chapters. We must now

manage implementation to make these commitments fully come into operation.

This could be especially valuable in relation to the chapter on agriculture, where the development cooperation and assistance proposed for the regional agricultural sector, if fully implemented, would drastically improve the economic and financial circumstances of our region's agricultural sector.

The EPA also makes provision for improvements in the rules of origin for areas such as textiles, and sets out rules on investment that should confer greater transparency and predictability to investors on both sides. It has maintained special niches and reservations for small and medium enterprises in some sectors. It also contains obligations that should ensure that investors safeguard the environment, maintain high labour, occupational health and safety standards and it prescribes anti-corruption provisions that can only be of value.

The draft EPA is very much in the nature of a consensus that was negotiated with the need to strike compromises - with all of the strengths and weaknesses that entail.

Some of its provisions amount to works in progress which can only be given full effect by concerted additional effort. Pride of place in this regard is the significant follow –up work that has to be undertaken to put in place the meetings between professional bodies, and the negotiation of mutual recognition agreements, no later than three years after entry into force of the EPA, to allow the region to take advantage of the Agreement on Services which contains the greatest potential benefit that Caricom stands to derive from the Agreement.

Another area of concern relates to the provisions for development finance. Accessing pledged EU funds has been the chief defect in the implementation of the LOME Conventions. Indeed, there are large undisbursed balances pledged to the Caribbean going back to LOME I.

There is nothing in the Agreement to suggest that the European Union will wean itself away from the practices that have prevented intended recipients from easily accessing its financial resources. In addition, in the presentation to Heads at Montego Bay, there was also nothing to stir confidence that the

region stands to benefit from the injection by Europe of substantial, net new financial resources to the region.

In addition, the commitments in relation to development cooperation would, as is the case of those in our own CSME to benefit our LDC's, require the creation of a new Regional Development Agency to oversee their implementation. The institutional arrangements for the implementation of the EPA do not go that far, but should be made to do so.

We should use the EPA to open a new chapter in the Caribbean's development diplomacy.

The chief benefit that Europe stands to gain from the EPA is the protection of its market share in the Caribbean. This is implied in the commitment that the Caribbean will confer on Europe any benefits beyond those agreed to in our EPA that, we in the future, grant to any developed country or any major trading and developing State whose proportion of world trade exceeds 1% .

Such a MFN requirement in respect of other developed countries is standard. However, the provision that we should grant the EU any benefits, beyond

those in our EPA, that we confer in subsequent agreements with major trading but developing countries such as China, Brazil or India, is a concession to Europe from which we ought to exact a commensurate undertaking from Europe to assist us in negotiations at the global level.

To be precise a country's proportion of world trade has not hitherto been accepted as a basis for granting special and differential treatment in multilateral trade agreements,. Yet it has been the basis and logic of the argument advanced by the Caribbean in its request for SDT.

Our EPA with Europe therefore breaks new ground by accepting that country's proportion of world trade is a valid consideration in devising trade agreements. Our proportion of world trade (less then 0.01%), rather than our small size per se, should be accentuated as the basis of our claim for SDT.

In return for granting the concession that will protect Europe's market share in the Caribbean, we therefore ought to ask Europe to support our claim for Special and Differential treatment in multilateral trade negotiations, taking into account our proportion of world trade.

I earlier said that I would address two specific issues about which they are concerns in the public domain.

The first is that as to whether we should have allowed the deadline of December 31st to pass without at least concluding a WTO compatible trade in goods Agreement.

The weight of evidence suggests that it would have exposed the Caribbean to the real prospects of having our exports enter Europe, in many instances, duty paid under the GSP with devastating consequences

In addition the fact that other countries such as Mauritius and Botswana, whose circumstances are similar to those of the Caribbean were prepared to, and did sign Interim Trade Agreements removed any prospect that Europe would agree to continue to extend to us preferential arrangements by way of a request for a WTO waiver for the LOME preferences.

The second issue is that as to whether we should have signed only an Interim Trade Agreement for goods, leaving the rest of the EPA to be negotiated after December 2007.

Again there was hardly any advantage to be gained by the Caribbean in following this route.

The programme of trade liberalization pertaining to goods that has been agreed in the EPA largely locks in pre-existing benefits that Cariforum enjoyed under LOME. However, it opens new market access conditions for Europe which it never enjoyed before. No significant net gains therefore could be envisioned for the Caribbean from such an Interim Agreement only.

More to the point, great benefits to the Caribbean from the EPA will come from the implementation of the agreement on services where Europe has committed itself to giving us greater market access than it has ever done in any bilateral or multilateral agreement. This major advantage, I do believe was conferred because Europe did in fact wish to have the example to show that regions of unequal circumstances could negotiate a comprehensive agreement of the character of our EPA, within a set time frame.

A comprehensive EPA rather than an EPA agreed to in parts and in phases best meets the needs of the Caribbean.

I have said enough to suggest that the EPA is not a perfect instrument, but it is good enough to assist our aims in building a post-colonial economy by greatly facilitating our repositioning away from primary commodity producers and the exporter of a limited range of rudimentary services.

It also provides the benchmarks that can now be used in negotiating modern, mature economic relationships first with Canada and also with the USA. In so doing, it can set the general stage for the Caribbean to secure new terms of economic engagement, going way beyond the terms set out in our traditional trade-in-goods regimes, to provide new market access arrangements and new mechanisms for cooperation to support the development of new sectors in a manner required to modernize and transform our economies.

The ratification of the EPA and its subsequent implementation are now matters very much at our discretion.

We can choose now, like the batsman in Edward Baugh's poem to play our indigenous stroke of playing and missing and leaving alone – all in one motion.

Or we can seek to stir the creative imagination for which the Caribbean is renowned, see the EPA as a new way of doing business for new times, and get on with the business of scoring some runs.

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