

Organising trade negotiating capacity at regional level

A Caribbean case study

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Discussion Paper No. 54

September 2004



EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT
CENTRE EUROPÉEN DE GESTION DES POLITIQUES DE DÉVELOPPEMENT

Organising trade negotiating capacity at the regional level

A case study of Jamaica, Barbados and the Caribbean region*

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September 2004

* This paper is the result of a case study mission and interviews conducted by the authors with key stakeholders in the Caribbean (see annex 3). The authors are grateful to all the people interviewed who lent us their time, insights and expertise. We would also like to thank San Bilal and Geert Laporte for their assistance with this paper. An earlier version of this paper was presented at the ECDPM-iLEAP Workshop on *How to strengthen ACP capacities for EPA negotiations?* Brussels, 24 November 2003 (<http://www.ecdpm.org/cbo1>). We gratefully acknowledge the financial contributions of the Swedish Ministry of Foreign Affairs, the U.K. Department for International Development (DFID) and the Swiss Development Cooperation (SDC) to this programme. Contact address: kvh@ecdpm.org

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Acronyms

ACP	African, Caribbean and Pacific states	FES	Friedrich Ebert Stiftung
ACS	Association of Caribbean States	FTAA	Free Trade Area of the Americas
ADA	Association of Development Agencies	GATS	General Agreement on Trade in Services
BPSA	Barbados Private Sector Agency	GATT	General Agreement on Tariffs and Trade
BPSTT	Barbados Private Sector Trade Team	GDP	Gross domestic product
CAIC	Caribbean Association for Industry and Commerce	IDB	Inter-American Development Bank
CARICOM	Caribbean Community	ILO	International Labour Organization
CARIFORUM	Caribbean Forum	IMF	International Monetary Fund
CBERA	Caribbean Basin Economic Recovery Act	JAMPRO	Jamaica Promotions Corporation
CBI	Caribbean Basin Initiative	JCTU	Jamaica Confederation of Trade Unions
CBTPA	U.S.- Caribbean Basin Trade Partnership Act	JTAT	Jamaica Trade Adjustment Team
CDB	Caribbean Development Bank	NGOs	Non Governmental Organisations
CET	common external tariff	OECS	Organisation of Eastern Caribbean States
CHA	Caribbean Hotel Association	PIOJ	Planning Institute of Jamaica
CIDA	Canadian International Development Agency	PSOJ	Private Sector Organisation of Jamaica
COTED	Council of Ministers of Trade and Economic Development	SAP	Structural Adjustment Programme
CPDC	Caribbean Policy Development Centre	SIA	Sustainability Impact Assessment
CRNM	Caribbean Regional Negotiating Machinery	STATIN	Statistical Institute of Jamaica
CSME	Caribbean Single Market and Economy	TBT	technical barriers to trade
CTUC	Commonwealth Trade Union Council	TCB	Trade capacity building
CTUSAB	Congress of Trade Unions and Staff Associations of Barbados	TCPC	Trade Coordination and Policy Committee
DFID	Department for International Development	TPC	Private Sector Trade Policy Committee
EC	European Commission	TPRB	Trade Policy Review Body
EPA	Economic Partnership Agreements	TTMA	Trinidad and Tobago Manufacturing Association
EU	European Union	TWG	Technical Working Group
		USAID	United States Agency for International Development
		UWI	University of the West Indies
		WTO	World Trade Organization

Summary

The Caribbean, as many other developing country regions, is engaged in a series of external trade negotiations. The region is involved with the Doha Round of the World Trade Organization (WTO), with its regional partners - in particular with the negotiations on a Free Trade Area of the Americas (FTAA), and with its main historical partner the European Union (EU), on Economic Partnership Agreement (EPA) in the context of the Cotonou Agreement. At the same time, the Caribbean is aiming to complete its own regional integration process. Participating effectively in all these negotiating fora represents a major challenge for a small region with limited resources and capacity.

As the different ACP regions are in the process of negotiating EPAs, the purpose of this study is to focus on the regional experience of preparing trade negotiations, to identify measures that have worked and to seek some interesting lessons. The study notes where tensions exist in the process, such as in the division of roles and responsibilities between national and regional negotiating bodies. In order to understand this interaction between regional and national level, two Caribbean Community (CARICOM) member states – Jamaica and Barbados – were selected for more in-depth analysis. At the regional level, the origin and working of the Caribbean Regional Negotiating Machinery (CRNM) were examined.

The pooling of scarce resources and capacity at regional level appears a logical and appealing answer for developing countries that face a multitude of trade negotiations, but it is far from a straightforward exercise. Within most regions economic interests among its members diverge. Setting up a system of distributing the costs and benefits of the trade liberalisation is difficult, more so for developing country regions. Secondly, the region can only go as fast as its members, so trade capacity support is needed at both national and regional level. The institutional set up, role and mandate of the regional negotiating machinery remains a major challenge, and will evolve according to the deepening of the regional integration process. A fine balance needs to be struck between efficiency and negotiating strength on the one hand and concerns of participation and ownership by the members on the other. Well-established and good functioning communication channels are essential for trade preparations.

Among the lessons drawn from the Caribbean that could be applied to any region involved in trade negotiations are the following: involve all stakeholders in the preparation of trade negotiations, respect the proper sequencing regarding internal and external trade commitments, provide a clear mandate to the regional body and an effective coordination mechanism with the national actors, establish a mechanism to share the cost and benefits among all members, develop trade capacity both at national and regional level and be critical of the capacity support offered by donors.

1 Introduction

The Caribbean has been engaged in a series of external trade negotiations, in the context of the Doha Round of the World Trade Organization (WTO), with its regional partners - in particular on a Free Trade Area of the Americas (FTAA), and with its main historical partner, the European Union (EU), on Economic Partnership Agreement (EPA) in the context of the Cotonou Agreement. At the same time, the Caribbean is aiming to complete its own regional integration process. Participating effectively in all these negotiating fora represents a major challenge for a small region with limited resources and capacity.

Not surprisingly, the short-term focus of the Caribbean trade negotiators is determined by the schedules of meetings for each of these processes. In September 2003, for example, the negotiators simultaneously had to manage the preparations for the Fifth WTO Ministerial Conference in Cancún, for the FTAA Ministerial meeting in Trinidad and Tobago, and for the launch of regional phase of the ACP–EU EPA negotiations in Brussels. Similarly, the first meeting of CARIFORUM-EU principal negotiators was held mid July 2004, while the stakes were high in Geneva to get the WTO negotiations back on track. These situations highlight the intensity of the negotiating activities in which the Caribbean states are engaged, and the challenges these pose to their capacity.

This study focuses on the regional experience of preparing trade negotiations, which have received varying degrees of emphasis and priority over time, from FTAA and WTO negotiating processes to the start of the negotiations with the EU. This case study attempts to identify what measures have worked well to facilitate the preparations for trade negotiations at the regional and national levels. It also notes where tensions exist in the process, such as in the division of roles and responsibilities between national and regional negotiating bodies.

In order to understand these processes at the national level, two Caribbean Community (CARICOM) member states – Jamaica and Barbados – were selected for in-depth analysis. At the regional level, the origin and development of the Caribbean Regional Negotiating Machinery (CRNM) were examined. Various state and non-state actors at both levels were interviewed to obtain a broad range of views on the most important issues.

This case study aims to assess the Caribbean experience in organising for external trade negotiations and to identify potential lessons for the African, Caribbean and Pacific (ACP) regions on organising and structuring their capacity for negotiating EPAs with the EU.

The paper is organised as follows. First, section 2 provides an overview of the context of Caribbean external trade negotiations, which is characterised by the simultaneous negotiation of a multitude of international trade agreements. Section 3 describes the trade policy formulation processes at the national level in Jamaica and Barbados. Section 4 focuses on the regional level, in particular the workings of the CRNM. The specific constraints on regional trade policy making are discussed in section 5. Finally, section 6 seeks to identify lessons for ACP regions as they prepare to participate in the EPA negotiations with the EU.

2 The economic impact of EPAs

Although ‘the Caribbean’ is often regarded as the most coherent and homogeneous ACP region, it actually contains a very diverse group of states. Not only do Caribbean states differ widely in terms of their broader economic characteristics, they are also affiliated to a range of regional economic arrangements (see annex 1).

Among these arrangements, the Organisation of Eastern Caribbean States (OECS), established in 1981 and comprising the smallest islands in the region, represents the most profound form of integration by means of its monetary union and common judiciary.¹ The grouping best known on the global stage is CARICOM. Established in 1973, CARICOM now has 15 members (including all members of the OECS) following the recent entrance of Suriname (1995) and Haiti (2002).² The Caribbean Forum (CARIFORUM), which brings together CARICOM members and the Dominican Republic, aims to improve coordination of EU support and to further regional integration and cooperation.

Besides broadening its membership, CARICOM has concluded a host of bilateral trade, investment and economic agreements with Costa Rica, the Dominican Republic, Cuba, Colombia and Venezuela. It is currently in the process of negotiating a free trade agreement with Canada. A third layer of regional integration is the Association of Caribbean States (ACS, established in July 1994) that so far has pursued a more shallow trade agenda for the wider region, and is also committed to strengthening cultural, economic, political and scientific relations.³

For extra-regional trade arrangements, CARICOM currently offers the most suitable regional platform, as evidenced by its formal and informal involvement at the WTO level, in the FTAA negotiations, and in ACP–EU negotiations. The enhanced visibility of CARICOM on these negotiating stages could be perceived as a strong sign of economic and political convergence within the region.

Internally, however, progress in achieving convergence has been slow, in that moves towards deeper integration have been followed by problems in their implementation. Talks on the formation of a CARICOM Single Market and Economy (CSME), which date back to the Grand Anse Declaration of 1989, were confirmed in ministerial meetings throughout the 1990s. In June 1996, member states agreed that, besides for trade in goods, the CSME would eliminate all regional restrictions for nationals as regards the establishment of businesses, the provision of services and the movement of capital. Further, it would go beyond a common market by coordinating or harmonising the member states’ macroeconomic policies.

¹ The OECS consists of Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, and Montserrat (a British Dependent Territory). Anguilla and the British Virgin Islands (both British Overseas Territories) are associate members.

² The 15 CARICOM members are the seven OECS members plus the Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname and Trinidad and Tobago. The Bahamas is a member of CARICOM, but is not part of the Caribbean Single Market Economy (CSME).

³ The ACS consists of all CARICOM members plus Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Venezuela.

At present, close to 100% of goods are traded duty free within the region, although non-tariff barriers still form an obstacle to trade.⁴ Beyond free trade in goods, however, progress has been slow in areas such as services, and in the liberalisation of capital and labour markets. The establishment of a functioning dispute settlement procedure is still in its initial stages. In February 2002, member states agreed that the CSME should be concluded on 31 December 2005, which is also the date scheduled for the completion of the FTAA. One of the greatest challenges remains the harmonisation of legislation and policies. Since 1999, CARICOM has maintained a common external tariff (CET), although there are numerous national exemptions that permit member states to impose tariffs higher than the maximum CET rate of 20% on 'sensitive goods'.

The slow progress in the CSME process has hindered progress in trade negotiations with other trade partners. In an ideal world, the region would be able to finalise this process first, before committing itself to other partners. In the schedule for EU-ACP EPA negotiations, both parties have now agreed that the initial negotiating phases (till September 2005) will focus on priority issues of the Caribbean regional integration process, including the common external tariff and CSME implementation schedules. The FTAA negotiations on the other hand may go beyond the commitments foreseen in the CSME in the area of services, for example.

Defining a sound regional trade strategy, identifying what to negotiate in which forum, determining the right sequence and ensuring coherence among the negotiations represents an enormous challenge and requires considerable capacity and leadership. The fact that the region's member countries have different interests to defend and different attitudes to trade liberalisation further compounds this situation.

3 Trade policy making at the national level

This study focuses on the regional dimension of the trade negotiations, in order to provide insights that may be useful for other ACP regions that intend to negotiate EPAs with the EU in the coming years. However, in order to understand the regional policy formulation process, it is important to be aware of the national processes that underlie it. The usual constraints of time and resources did not allow a thorough examination of trade policy processes in all 15 CARICOM member states. Therefore, two countries that have been among the main driving forces of CARICOM's integration – Jamaica and Barbados – were selected to provide an in-depth examination of trade policy making at the national level.

3.1 Jamaica

Jamaica gained independence in 1962. As a small island economy with a relatively narrow resource base, it is highly dependent on trade. External transactions in goods and services represent over 100% of GDP, with tourism the main exchange earner. Jamaica was a founding member of CARICOM when it was established in 1973. Since the mid-1980s the economy has been relatively open and liberal, with few trade restrictions.⁵ A member of the General Agreement on Tariffs and Trade (GATT) since December 1963, the country naturally became member of the WTO in March 1995. In 1996 the government adopted a national industrial policy that emphasised 'an aggressive export-oriented, private sector-led development strategy coupled with a programme of efficient import substitution'.⁶

The trade liberalisation agenda

Jamaica has been proactive and progressive in terms of trade policy. Unlike many other developing countries it has a clear and well-defined trade policy⁷ that was extensively discussed with a wide variety of stakeholders, and was agreed by the Cabinet in September 2001.

⁴ Davenport et al., 2002, Caribbean Perspectives on Trade, Regional Integration and Strategic Global Repositioning, Report prepared for the European Commission by ECORYS/NEI

⁵ Trade Policy Review Body (TPRB), 1998a, - *Trade Policy Review – Jamaica*, Report by the World Trade Organisation (WTO) Secretariat, WT/TPR/S/42, 29 September 1998.

⁶ Trade Policy Review Body (TPRB), 1998b, *Trade Policy Review – Jamaica*, Report by the Government of Jamaica, WT/TPR/G/42.

⁷ Ministry of Foreign Affairs and Foreign Trade, Ministry paper no. 69, tabled in Parliament on 29 October 2001.

Under the leadership of Anthony Hylton, former Minister of Foreign Trade, the trade policy was designed to move away from purely market access issues and the preservation of preferential trading arrangements, towards the creation of a more progressive and proactive policy platform. Its main objectives were to create new and diversified exports, to displace imports, and to increase the flow of net positive returns from overseas assets. Recognising the importance of deepening regional integration and of promoting intra-regional trade, the policy called for speeding up the implementation of the CSME, in particular accelerating the pace of creating free movement of people within and outside of CARICOM. Other priority issues included strengthening bilateral trade relations with the Caribbean Basin Countries (Colombia, Cuba, the Dominican Republic and Venezuela), increasing the involvement of the private sector in regional trade policy formulation and negotiation processes, and fostering the development of new regional centres of excellence.

While recognising and respecting Jamaica's WTO obligations, the policy also called for a proactive approach in the negotiations to help shape the international trade rules so that they would stimulate development and take full consideration of the vulnerabilities of small states.

A Jamaica Trade and Adjustment Team (JTAT) was set up to ensure a wide and deep consultation process with non-state actors. The team was also expected to provide advice on the implementation of EU support to Jamaica,⁸ focusing on improving the competitiveness of the private sector and on capacity building for trade.

Although the Jamaican government has taken several progressive steps towards more trade liberalisation, private sector actors are less than enthusiastic about the speed and multitude of trade negotiations in which the country is involved.

Government institutions

As in most countries, Jamaican foreign trade policy and the coordination of its implementation fall under the responsibility of the Ministry of Foreign Affairs and Foreign Trade. Various other ministries are also involved, such as the Ministries of Industry, Commerce and Technology, Agriculture, Finance and Planning, and Development. The first two ministries have responsibility for selecting products that should be included on the 'sensitive' list, and which should be excluded from trade liberalisation. The Ministry of Finance is involved as it collects the revenues from tariffs. The contributions of other relevant institutions vary according to their areas of expertise, such as the Jamaica Promotions Corporation (JAMPRO), the Statistical Institute of Jamaica (STATIN), the Bureau of Standards, etc.⁹

The lead ministry has a team of about ten competent people working on trade policy, but given the enormous agenda and the technical nature of the negotiations there are never enough heads to do the work. In the line ministries the situation is rather bleak. The Ministry of Agriculture, at the time of the interview, had only one trade specialist responsible for following all the trade negotiations, providing analyses and inputs, as well as ensuring a dialogue with the farmers to receive their input. In addition, there was a real chance of losing the accrued capacity, as retirement was imminent and no successor foreseen.

Jamaican officials maintain that inclusiveness and consultation are essential features of its trade policy formulation process. This approach dates from 1992, when the Trade Coordination and Policy Committee (TCPC) provided a platform for public and private consultations on trade. The need to widen the scope of consultation and coordination on trade issues led to the creation of the Jamaica Trade Adjustment Team (JTAT)¹⁰ in November 2000. Under the leadership of the then Minister of Foreign Trade Hylton, JTAT included representatives of several ministries, and later other public sector agencies, such as JAMPRO, the Planning Institute of Jamaica (PIOJ), STATIN, etc.

JTAT was intended to assess the national and sectoral plans, to determine their adequacy for achieving competitiveness by 2008, and to analyse what type of institutional changes and foreign trade policy would be required. A team of professionals was hired to undertake the substantive work of JTAT, but this was to be influenced and shaped through dialogue with the widest possible cross section of society. JTAT's advisory groups include representatives of the public sector, the business community, academia, civil society and local government. Beyond

⁸ The EU provides support to two or three focal areas, as identified in the Country Strategy Paper and National Indicative Programme. http://europa.eu.int/comm/development/body/csp_rsp/print/jm_csp_en.pdf#zoom=100

⁹ For more information on the institutions involved and the trade policy process, see the website of the Jamaican Ministry of Foreign Affairs: www.skillsreturn.gov.jm/Ministry/Departments/trade_foreign_trade.htm

¹⁰ For the organisational structure of JTAT see www.skillsreturn.gov.jm/Ministry/Departments/Foreign%20Trade/pic.htm

information sharing, the consultative process of JTAT was meant to ensure substantive dialogue, leading to the formulation of strategic trade policy perspectives.

Non-state actors

The JTAT initiative is in line with the spirit of the Cotonou Partnership Agreement, which emphasises the role of non-state actors in the policy process. In that context, following the consultation of the advisory group on civil society and other non-state actors, a list of criteria was agreed upon for non-state actors to determine their eligibility for support. In general, non-state actors should 'contribute to the creation, refinement and application of domestic capital in production ... and to have a discernible impact in improving the lives of the disadvantaged and vulnerable in the society'.¹¹ Who are these non-state actors? How are they organised? Is trade really on their agenda? The experiences of the private sector, trade unions and civil society are worth noting.

Private sector

Jamaica has a multitude of actors at the level of the intermediary organisations. At the time of the case study, Jamaican private sector associations were going through a process of rationalisation, aimed at increasing their efficiency and reducing costs – companies were no longer able or willing to pay the membership fees of so many associations. The Private Sector Organisation of Jamaica (PSOJ), acting as the umbrella organisation, will introduce major changes, including hosting the secretariats of other associations. The PSOJ hopes that this consolidation will lead to improved services for its members and enable the private sector to have a more united voice on national issues.

In view of the importance of the ongoing trade negotiations, the PSOJ is making a concerted effort to become more closely involved in the policy discussions that affect the interests of the local private sector. They have formed a Private Sector Trade Policy Committee (TPC), which includes the major private sector associations, ministries and trade unions. Unfortunately, the TPC does not currently work closely with JTAT, although attempts are being made to improve this. The PSOJ is organising a series of sectoral workshops and is seeking to identify a spokesperson for each one (the first one being the insurance sector). The PSOJ¹² also is part of a regional structure on trade negotiations, and has taken responsibility for addressing thematic issues such as small economies, dispute settlement, competition policy, agriculture and investment.

Several other private sector initiatives are worth mentioning in the context of the trade negotiations. These include:

- Grace Kennedy, a major Jamaican company, has made a senior executive¹³ available to government for the trade negotiations. This person enjoys the trust and confidence of both public and private actors, plays a pivotal role in the dialogue and has access to top trade officials. He also teaches trade courses at the University of the West Indies to ensure that future trade officials are well prepared and can improve the linkages between research and policy.
- Jamaica's Shipping Association is financing a chair at the University of the West Indies to ensure closer links between the academic research undertaken by the University and the information and analysis needs of the shipping sector.
- Some private sector representatives are studying the EU–South Africa agreement to learn what South Africa obtained in terms of asymmetric liberalisation and what the Caribbean private sector might expect or should push for.
- 'The Briefing Room' is an interesting private sector initiative that provides updates on the various trade agreements via a website,¹⁴ trade briefs and a one-hour trade talk on TV. It attempts to raise awareness and broaden capacity within the private sector to contribute to and influence the trade policy process. It is funded by four private sector organisations, with co-funding from USAID. Due to lack of resources (financial and human), however, it has not been very active in the past year.

¹¹ Vanus, J., 2001, Final Report, The Trade Data Upgrading and Policy Development Component of the JTAT Project, 31 October 2001. For a detailed list of eligibility criteria see annex 2.

¹² For more information on how private sector is organising itself at the regional level see section 4.2.

¹³ James Moss-Solomon, Corporate Affairs Director of Grace Kennedy, plays a key role at national and regional level as private sector adviser to the CRNM, and is a lecturer at the University of the West Indies Mona School of Business. In Trinidad, Trinidad Cement took a similar initiative.

¹⁴ See www.thebriefingroom.net

Trade unions

The trade unions are active participants in the JTAT process, and welcome the opportunity to contribute to such a consultation process. They, in turn, have attempted to go beyond the leadership of the trade union to bring the trade liberalisation debate down to the second level of leadership and even to the shop steward level, as they know the trade agenda will have major implications for all their members. Trevor Monroe, a trade union leader and professor at the University of the West Indies, offered an interesting perspective on the impact of external trade negotiations on Jamaican society:

'2005–2008 will be as significant a time as 1962, the time of independence, for the region, but the general public does not understand the importance of the ongoing trade negotiations. These dates signal a change from an era of national independence to global interdependence on an uneven global playing field. However, unlike during independence, trade negotiations mean nothing for the man on the street. This lack of understanding implies that the adjustment is forced on the population and the workers and secondly, that there is not enough pressure from below to resist changes when needed'.¹⁵

Unlike in Barbados, the government's efforts in the mid-1990s to create a social partnership agreement with the trade unions were unsuccessful. Today, however, the Jamaica Confederation of Trade Unions (JCTU) has been meeting informally with government officials hoping to create the outlines of such a social partnership agreement, and to foster a tripartite dialogue.

Civil society actors

The Association of Development Agencies (ADA) is a platform of development NGOs involved in the JTAT process. It is also active at the regional level, as a member of the Caribbean Reference Group on Trade. The Association sees its main role as one of translating big words into understandable language and to bring the trade 'story' home to the people. Despite its very limited human and financial resources, ADA is actively providing inputs to government policy (beyond trade) by working together with the academic world, in particular by forging links with masters students via internships and research projects.

The links with Northern NGOs are seen to be crucial, not only for financial reasons. All relevant information offered by the Northern partners is used and appreciated – the lack of access to information remains a major constraint on the participation of civil society in external trade negotiations. For instance, the Friedrich Ebert Stiftung (FES), a German NGO, is working to strengthen the capacity of civil society actors to play a role in the trade policy process. The FES has provided flexible funding for the JTAT process, and also works closely with the media to raise public awareness of the importance of trade issues. To make sure the issue features in the local press, FES provides the media with ready-made stories that explain what the trade dossier means for citizens, and local businesses. Involving non-state actors in the trade policy process and negotiations appears to have been fruitful for Jamaica and will continue to be part of government policy. Their contribution was recognised by the Minister of Foreign Affairs and Trade, K.D. King, following the collapse of the WTO Ministerial Conference in Cancun:

'As Minister of Foreign Affairs and Foreign Trade, I wish to pay particular tribute to the tremendous support given to us in Cancun, by our private sector and civil society. Our delegation included representatives of the Private Sector Organization of Jamaica, the Jamaica Manufacturers' Association and the Association of Development Agencies, an umbrella NGO body. We regret that the trade unions which were invited to be part of the delegation were not able to send representatives. Nevertheless, their views were taken into account as these have been communicated to the Ministry from time to time in our ongoing consultations. The support from civil society was of particular value as the representatives on our delegation and others in the Caribbean were able to carry the region's concerns to NGOs from other parts of the world, especially the developed countries. This is an increasingly important channel in influencing opinion in many industrialized countries. We will all continue working together to maintain the momentum'.¹⁶

Constraints on trade policy making

Most of the individuals interviewed for this case study welcomed the wide consultation on trade, as part of government policy, but given the lack of resources, many were afraid that the process would become merely a talking shop. For the trade policy dialogue to be effective, sufficient financial means and analytical capacity are

¹⁵ Monroe, T. (2003), Personnel interview for this case study, ECDPM.

¹⁶ Statement by the Minister of Foreign Affairs and Foreign Trade to the Jamaican House of Representatives on 16 September 2003.

required. The partners need to be able to bring to the table their own analyses to contribute effectively to the debate and to policy formulation. Such a consultation can only be as strong as the contributions of the participants, and many of them lack the human resources to provide relevant inputs. The lack of resources also restricts the consultation to actors in the capital, thus excluding key stakeholders in the provinces who will be most affected by the trade policy.

Some expressed the fear that the voice of smaller firms, which are not members of the private sector associations, may not be heard in trade policy formulation process. As the informal sector makes up 43% of Jamaica's private sector, a sizeable group of actors is de facto not included in consultation process.

Some key private sector actors were seen to be too little engaged in the trade policy process, as they give higher priority to more immediate issues, such as the economic crisis or the high level of crime, which affect the payroll directly. It was felt that private sector actors think very short term, rather than engaging in the design of strategic plans on how to address the potential impacts of issues such as globalisation and increased competition in external trade negotiations.

A potential constraint on national trade policy making could arise if the biggest private sector actors were to disengage from the JTAT process, using only their direct lines to regional negotiators, relevant ministries and overseas bodies to influence trade policy. Their withdrawal would mean that even fewer resources and less analytical capability would be available for the national process.

Most interviewees found the lack of public awareness a major obstacle to progress in the trade process. They believe that the media should play a more central and educational role, but so far have shown little interest. For example, cable TV could bring the trade issues to the inner cities, if it were properly translated into what trade means for their daily lives. Yet there have been some positive signs; the Sunday Observer newspaper, for example, now devotes several pages exclusively to trade.¹⁷

The limited involvement of academics in providing relevant research and analysis was often cited as a cause for concern. Although there is some collaboration between academics and policy makers, it is ad hoc rather than structured. Many felt that academic research and analysis is not practical enough, or does not meet the needs of the policy makers.

3.2 Barbados

Attitudes to trade liberalisation

A year after gaining independence in 1966, Barbados became a contracting party to the GATT, and was an original member of the WTO in January 1995.¹⁸ The island's attitude toward trade liberalisation is typified by its proactive role within CARICOM. Barbados was one of the first signatories to the CARICOM Treaty in 1973. Prime Minister Owen Arthur has recently called for the rapid implementation of the Common Single Market and Economy (CSME), stressing that it must be in place before the establishment of the FTAA if it is to be relevant and effective. Prime Minister Arthur has lead responsibility within CARICOM for the implementation of the CSME, and in October 2002 a new CARICOM 'CSME Unit' was established in Barbados to oversee and direct the final stages of the implementation.

The stated aim of the Barbados Prime Minister is for the country to become a developed nation by 2012. Tourism and financial and other services play a major role in the economy, and dwarf the manufacturing and goods sectors. A WTO Trade Policy Review of Barbados in June 2002 concluded that 'Barbados has used foreign trade and investment opportunities deftly to maintain living standards well above those of most developing countries'.¹⁹

The WTO summarised the government's attitude to trade liberalisation as follows: 'While Barbados recognises the potential benefits of trade liberalisation and globalisation, it is however, fully cognisant of the limitations of a small

¹⁷ The trade section of the *Sunday Observer* carries a weekly commentary on trade matters written by experts David Jessop and Rosalea Hamilton.

¹⁸ Barbados, the Dominican Republic, Jamaica and Trinidad and Tobago are the only Caribbean WTO members with permanent missions in Geneva.

¹⁹ *Trade Policy Review Body (TPRB) - Trade Policy Review – Barbados*, Report by the WTO Secretariat, WT/TPR/S/101 of 10 June, Geneva, 2002, page vii.

economy and the challenges which these pose as it seeks to capitalise on the opportunities presented by globalisation. Barbados therefore strongly believes that the new emerging global trade and economic architecture must recognise the vulnerability of small states and make adequate provision to avoid their marginalisation'.²⁰ Key concerns at the WTO relate to strengthening special and differential treatment for developing countries, and support for measures to mitigate the impacts of preference erosion.

Like other CARICOM states, Barbados has benefited from preferential access to the EU, the US and Canadian markets through the Lomé Conventions / Cotonou Agreement, the Caribbean Basin Initiative (CBI),²¹ and the CARIBCAN Agreement, respectively. Not surprisingly, Barbados is seeking to negotiate the best possible transition out of preferences in the current ACP–EU trade negotiations, the FTAA negotiations and the CARICOM–Canada negotiations. Through its membership of CARICOM, Barbados has also signed preferential bilateral trade agreements with Venezuela (1992), Colombia (1994, 1998), the Dominican Republic (1998), Cuba (2000) and Costa Rica (2003).

Government institutions

The Ministry of Foreign Affairs and Foreign Trade has overall responsibility for advising the government on trade matters, including the formulation of trade policy and participation in international trade negotiations. But it should be noted that all major decisions on negotiating positions in trade negotiations have to be approved by a Cabinet Committee chaired by the Prime Minister. The Prime Minister's Office is also responsible for implementing the CSME, emphasising the importance that the political leadership attaches to the regional integration process.

The Prime Minister's strong leadership on economic and trade policy issues is also reflected in his chairmanship of the 'Social Partnership', a long-standing mechanism for dialogue and consultation between the government and non-state actors. Barbados has a unique and well-established tradition of collective bargaining and tripartite dialogue and consultation, which has been formalised and institutionalised through negotiated protocols under the Social Partnership. The Social Partnership was established in September 1991 in response to a major economic crisis that forced Barbados to seek assistance from the International Monetary Fund (IMF) under a structural adjustment programme (SAP). In a recent report,²² the International Labour Organisation (ILO) praised the Social Partnership as a model of best practice. As the key elements in its success, the report identified the degree of acceptability at the top political and administrative levels; a united and disciplined trade union movement; a well-organised and all-embracing private sector organisation; and a common vision shared by all stakeholders. The churches played a central role in the birth of the Social Partnership acting as a mediator between the government, on one side of the debate, and the private sector and unions on the other.

As Fashoyin (2001) notes, the implementation of the SAP in 1991 drew considerable protests from the unions and from a cross-section of the public and private sectors. The proposed adjustment measures under the SAP threatened to disrupt the social peace and stability of the country. It was only by engaging in extensive consultations with stakeholders that consensus was achieved – public sector workers agreed to an 8% salary reduction and private sector workers agreed to a pay freeze. Soon afterwards, the first protocol of the Social Partnership, on 'Economic stabilisation and collective bargaining', was adopted in 1993. The fourth protocol of the Social Partnership is currently in force.

Although the Social Partnership was established primarily to achieve consensus on national economic policy issues, it can also be seen as a collective response to globalisation and trade liberalisation. The culture of tripartite dialogue that it created also extends to the formulation of trade policy. The Social partnership meets on an annual basis - sometimes more if necessary, to discuss important economic issues facing the country, including external trade negotiations and trade policy issues. Overseas ambassadors are often invited to attend the consultations, which are chaired by the Prime Minister.

The social partners are also invited to make submissions to government on a number of other national consultations on issues such as competitiveness. For example, a sub-committee of the Social Partnership meets on a monthly basis under the chairmanship of the Minister for Economic Development. There is also a Committee on the

²⁰ *Trade Policy Review Body (TPRB) - Trade Policy Review – Barbados*, Report by the Government of Barbados, WTO, WT/TPR/G/101 of 10 June, Geneva, 2002, page 6.

²¹ The Caribbean Basin Initiative (CBI) is a general term used to refer to the Caribbean Basin Economic Recovery Act of 1983 (CBERA), the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBERA Expansion Act), and the U.S.- Caribbean Basin Trade Partnership Act of 2000 (CBTPA), collectively.

²² Fashoyin, T., 2001, *Fostering Economic Development through Social Partnership in Barbados*, ILO, Geneva.

Implementation of WTO agreements, as well as a parliamentary select committee set up to consider trade policy issues – although it has only met twice it has been described as ‘part of the legitimising process’.

Non-state actors

The Barbados Private Sector Agency (BPSA) is the private sector interlocutor in the Social Partnership, while the Congress of Trade Unions and Staff Associations of Barbados (CTUSAB) represents the trade unions. Representatives of both organisations are invited by the government to participate in national trade negotiating delegations (e.g. in the FTAA and WTO negotiations).

The private sector has recently taken steps to enhance its participation in external trade negotiations. In early 2003, private sector associations decided to establish the Barbados Private Sector Trade Team (BPSTT) to undertake research, collect data and suggest policy options in the trade negotiations. The work of the BPSTT focuses on three ‘clusters’: tourism and entertainment, manufacturing and agriculture, and services and investment. The BPSTT is funded by the private sector itself, and its staff is seconded from private sector associations. Since many of these associations (e.g. the Barbados Chamber of Commerce) are headed by former permanent secretaries who are familiar with government channels and are able to feed private sector views into the policy-making process. Although the BPSTT initiative has been widely welcomed, some observers have suggested that it was launched three to five years too late. The BPSTT has been established until 2008, reflecting the intense trade negotiating activities in which Barbados is currently engaged.

Constraints on trade policy making

Although Barbados appears to have a mature institutional setup for consultations with non-state actors, there are indications that the dialogue within the Social Partnership on trade policy questions has not been as profound or successful as on national economic issues such as wage restraint, exchange rate policy, or inflation. According to one former government official, the national negotiating committee set up to provide inputs to the formation of negotiating positions was ‘not particularly active’.

Several of those interviewed for this case study emphasised that it has been easier for Barbados to achieve consensus on national economic policy issues than on trade policy questions. They suggested that this is partly because national policy issues are more immediate and better understood by the public, and because they are constantly debated in the national media.

It was also suggested by a former trade negotiator that Barbados’ participation in trade negotiations is not guided by a predetermined national development strategy. Barbados, it was noted, is currently engaged in too many international trade negotiations simultaneously, with the result that there is too little time to dedicate capacity and resources to defining the national interest. While this view may not be widely held, it suggests some unease within Barbados about the rapid pace of trade liberalisation, and the limited capacity of the country to negotiate successfully so many trade agreements in parallel. It also shows that the trade negotiating agenda is being driven by third countries, with Barbados only acting as demandeur within the regional integration process.

From a public sector perspective, the lack of resources for training officials was identified as the major constraint on government participation in trade negotiations. Each trade negotiation requires different capacities and technical skills in a wide range of areas such as intellectual property, services, and trade in industrial and agricultural goods. For a small economy, additional resources are essential to train officials in these highly technical disciplines. Of particular concern is the complexity of the services negotiations, where Barbados has strong interests.

The private sector interviewees also identified the lack of resources as a constraint on trade policy making, particularly on building the capacity to undertake research and to participate in trade negotiations abroad. Several interviewees highlighted the need to leverage academic resources – the Cave Hill campus of the University of the West Indies (UWI) is based in Barbados – to fill this capacity gap. They also commented that the resources of the private sector are being underutilised. It was suggested that those with experience of ‘the guts of trade liberalisation negotiations’ in the telecommunications and agro-industrial sectors should be invited to contribute their expertise to the Barbados negotiating teams. Although private sector and union representatives are invited to participate in national trade delegations, they rarely attend negotiation meetings unless their participation is funded by the government or international donors. However, the emergence of the BPSTT shows that efforts are

being made to resolve the issue of the lack of resources by seeking private sector sponsorships to recruit staff and expand its work programme.

Another private sector interviewee commented on the need to rationalise the private sector under one umbrella organisation. Although the Barbados Private Sector Agency performs this role at present, it is an informal body with no constitution and no permanent staff. A proposal was recently presented to government to fund the institutional strengthening of the BPSA through taxation. One interviewee remarked that, in respect of private sector rationalisation and organisation, Barbados may be one step behind Jamaica.

4 Trade policy making and negotiating at the regional level

CARICOM was established in 1973 as a regional integration project among the Caribbean Commonwealth countries. The CARICOM Secretariat, which is based in Guyana, with Edwin Carrington as Secretary General, is seen by some as the 'flagship' of the Caribbean integration movement.²³ The community has concentrated on promoting functional cooperation, especially in relation to human and social development and in integrating the economies of member states. The institution is responsible for strengthening coordination and cooperation among member states on a wide range of priorities – the single market, health, youth and sports, court of justice, anti-crime strategy, the free movement of people, and more.

A common external tariff was established in 1991, but in practice so many exceptions are allowed that trade policy continues to differ substantially among states. Regional economic integration is hindered by regulatory obstacles to trade in services, as well as in labour and capital mobility. Although the integration process has been a 'work in progress' for the last 20 years, it has recently regained momentum, in part due to the pressure from other trade negotiating fora (FTAA and EPA). At a meeting in October 2003, Ambassador Gail Mathurin, Jamaican Under-Secretary for Trade, called for CARICOM 'to go further in its institutional arrangements and governance structure ... devolving formal negotiating authority, via treaty obligation'.²⁴

This section provides a snapshot of the current regional trade negotiating structure. It should be noted that the regional institutional governance structures are re-examined and adapted on a regular basis in response to the changing negotiating context.

4.1 The Caribbean regional negotiating machinery

In the context of an increasingly complex global economic environment where trade liberalisation is the norm, and non-reciprocal preferential market access becomes a feature of the past, the Caribbean heads of state decided in 1997 to create a specialised regional negotiating machinery (CRNM).²⁵ This body was to develop and execute a negotiating strategy for the various ongoing trade-related negotiations (FTAA, WTO and ACP-EU), and to coordinate the region's positions in these fora. Beyond CARICOM, Cuba and the Dominican Republic are also members of CRNM as they form part of the Caribbean membership of the ACP group.

The reasoning behind the creation of the CRNM was that pooling the limited resources, talent and capacity of the small islands of the Caribbean into one structure would be the most effective way to tackle the complex challenges of the rapidly changing trade context. The specificity and the multitude of the trade negotiations required a flexible and targeted mechanism that could respond quickly, which it was felt the CARICOM Secretariat was not set up for. Joining forces and bringing together the best qualified trade experts and political figures would ensure the most efficient use of the available resources and would allow for better coordination and effective representation of the region's interests.

²³ Grant, C., 2000, 'An experiment in supra-national governance: The Caribbean Regional Negotiating Machinery', in K. Hall and D. Benn (eds.), *Contending With Destiny: The Caribbean in the 21st Century*, Ian Randle Publishers, Kingston, pp.447-499. See also www.caricom.org

²⁴ CRNM Update, 6 November 2003.

²⁵ www.crnrm.org

In principle, the CARICOM Secretariat now deals with the bilateral negotiations as well as the implementation of the CSME, while the CRNM is responsible for multilateral trade negotiations. Recently, the CRNM has also taken the lead in some bilateral negotiations such as those with Canada.

The CRNM's mission

The structure, mission and mandate of the CRNM are dynamic as the context of world trade is evolving. A special session of Heads of Government meeting in the fall of 2001 expanded the role played by the CRNM, focusing on its facilitating, advisory, coordinating and representational role. The new mission statement is formulated as follows:

'To assist member states in maximising the benefits of participation in the global trade negotiations by providing sound, high-quality advice, facilitating the generation of national positions and coordinating efforts towards the formulation of a unified negotiating strategy for the region, and undertaking/ leading negotiations where appropriate.'²⁶

The CRNM's specific responsibilities include the following:²⁷

- to develop and execute an overall negotiating strategy for the various negotiations in which the region is involved;
- to lead the region's negotiating team and provide technical support to ministerial spokespersons;
- to develop and fine-tune the strategy for the various negotiations within the timetable set for the particular area; and
- to maintain regular contacts with sectoral negotiators and to work with them in identifying issues and developing appropriate responses.

Other important decisions taken by the Heads of Government on the functioning and role of the CRNM included the following:

- The advice of the Council of Ministers of Trade and Economic Development (COTED) will be sought before the CRNM makes final recommendations to the Prime Ministerial Sub-Committee on External Economic Negotiations, which has ultimate responsibility for general policy direction and oversight.
- At the COTED level, one ministerial spokesperson was appointed for each of the three main trade negotiating fora: the Barbados Minister of Trade for the EPA negotiations, Jamaica's Minister of Foreign Affairs for the FTAA negotiations, and Guyana's Minister of Foreign Trade for CARICOM at the level of the WTO.
- One of the major long-term goals of CRNM was to train a sufficient number of future experts in the region.

The CRNM plays different roles according to the negotiating arena. In the FTAA, the CRNM's mandate is to 'coordinate positions, and where appropriate, to negotiate'. In the context of the ACP-EU trade negotiations, the CRNM's Director General has been appointed principal negotiator while the CRNM performs its dual role of providing technical advice and inputs and coordinating the negotiating positions of CRNM member states. At the level of WTO, the CRNM plays an advisory, co-ordinating, facilitating and representational role including through the establishment of technical working groups and the presence of a technical advisor on WTO matters.

Organisational and funding structure

The CRNM was originally established as a programme, not as an institution. As such it does not have permanent status, which has created difficulties for example in terms of accreditation in the ACP-EU context. It has now developed into a substantial organisation with around 20 professional staff members, and a team of three senior associates to assist the director general. The strategy for 2004-2008 foresees the creation of a host of extra posts, but no funding has yet been secured.

The CRNM's director general, Richard Bernal, provides technical leadership of all the negotiating fora, speaks on behalf of the Caribbean in the FTAA and provides advice to the region's prime ministers. His position de facto combines the responsibilities of chief negotiator and chief technical adviser. The senior director, Henry Gill, coordinates all the analytical and technical work, and follows the ACP-EU negotiations in particular. The director of technical cooperation and partnerships, Deryck Brown, is responsible for capacity building for trade-related activities

²⁶ CRNM, 2003, Caribbean Regional Negotiating Machinery: Phase II, Five year strategic plan, (www.crnmm.org).

²⁷ Lodge, J., 2003, *The CRNM*, presentation at a meeting of COMESA and SADC senior officials on the EPA and WTO negotiations, 22-23 May 2003, Kenya.

and for resource mobilisation. He also serves as the lead negotiator of the FTAA Consultative Group on Smaller Economies. The CRNM has representatives in Geneva and in Brussels, who are responsible for monitoring activities, preparing reports and coordinating diplomatic representatives. In Guyana, the CRNM research officer provides technical support to the Minister of Foreign Trade, who is the regional spokesperson on WTO matters. Similarly, there is a CRNM adviser in the OECS secretariat, and recently a Dominican Republic interlocutor was also added to the team. A coordinator of the FTAA and bilateral negotiations is based in the Jamaica office. A group of technical advisers provides specialised expertise and analysis, and helps in the preparation of positions, in particular on intellectual property, services, agriculture, government procurement and competition policy. In mid-2003 a communications officer was hired and a private sector liaison officer to improve and facilitate the links with the Caribbean private sector. Finally there is a director of finance and administration, as well as several administrative support staff.

The CRNM has its head office in Jamaica, its main office in Barbados (which has the fiduciary responsibility) and a presence in Geneva and Brussels. As the FTAA process moves forward, it may be necessary to create another post in Mexico.

In terms of the funding structure, member states' contributions currently make up 50% of the total; the rest is provided by institutional donors such as the Caribbean Development Bank (CDB), the Canadian International Development Agency (CIDA), the UK's Department for International Development (DFID), the European Commission, the Inter-American Development Bank (IDB), and the United States Agency for International Development (USAID).

The trade policy formulation process

The mechanisms at work to formulate the regional trade positions differ slightly according to the negotiating fora. In terms of the FTAA negotiations the following:

The College of Negotiators

In 1998, the Heads of Government identified CARICOM lead and alternate negotiators for each negotiating area. Together they constitute the College of Negotiators, which is coordinated by the CRNM. They serve as the lead spokespersons, supported by the representatives from member states. The lead responsibilities were allocated in accordance with the institutional capacities and interests of member states. For example, Jamaica had lead responsibility for competition policy, as it was the only CARICOM country that had instituted legislation on competition, and an implementation agency. The lead negotiator was the executive director of the Jamaica Fair Trade Commission.

Lead negotiators are normally drawn from the public sector or regional institutions, and the cost of their participation is the responsibility of individual governments. Where expertise does not exist within governments, for example, on rules of origin and technical barriers to trade (TBT), regional experts are contracted as consultants to serve as lead negotiators, paid for by the CRNM.

The College of Negotiators plays a representational and coordinating role in the negotiations and makes recommendations to trade officials and COTED ministers through the CRNM. Lead/alternate negotiators are required to organise CARICOM caucuses in order to receive guidance from member states on specific issues, and to articulate those interests at the negotiating table. They also submit a report of each negotiating meeting to the CRNM, identifying the areas for immediate action/follow-up by member states, and where policy guidance is needed. Lead negotiators identify areas in which technical work is needed in order to guide the development of regional policy and negotiating strategies.

The College of Negotiators has proven a successful and valuable mechanism for coordinating and pooling scarce resources at the regional level. However, lead negotiators do complain about the lack of participation in the negotiating meetings or timely feedback on issues requiring policy guidance. Greater coordination among lead negotiators is also required, particularly in areas dealing with cross-cutting issues such as services and investment. More frequent meetings of the College would help facilitate the dialogue and exchanges among negotiators.

Technical working groups (TWGs)

The Heads of Government agreed in 2001 to establish technical working groups, to be coordinated by the CRNM and CARICOM Secretariat. These are to provide a broad platform for regional technical consultation among all stakeholders on external trade policy. Members of the TWGs include regional trade officials, private sector organisations and institutions, as well as trade unions and civil society actors.

The work of the TWGs is meant to facilitate bottom-up decision making, which informs CRNM recommendations to COTED. Subsequently, the respective lead/alternate negotiators conduct the actual negotiations, or make recommendations to the Prime Ministerial Sub-Committee on External Negotiations, for the approval of Heads of Government.

Subject-specific TWGs have been convened in the area of services, market access and agriculture, investment and government procurement. CARICOM lead/alternate negotiators in each subject area play a lead role in the technical discussions. The TWGs have provided an invaluable forum for policy dialogue between CARICOM negotiators and trade officials, as well as for the development of CARICOM market access offers in the FTAA.

The CRNM's major tasks include ensuring that the recommended trade strategy is consistent across the different negotiating fora, maintaining effective lines of communication with member country governments, civil society, the private sector, academics and the public, and articulating a unified regional position that reflects the different national positions.

The CARIFORUM-EC negotiations will take place at three tiers, namely Ministerial, Principal Negotiators and the EPA college of Negotiators.²⁸ The Senior Minister Dame Miller of Barbados has been appointed Lead Ministerial Spokes person, while the Ministerial Troika comprises Ministers from Dominican Republic and St Lucia. The CARIFORUM Principal Negotiator is the Director General of the CRNM.

A unique feature of the EPA negotiations is the regional preparatory task force (RPTF). This body does not form part of the negotiation structure, but its main role is to facilitate the inter-linkage between the EPA negotiations on the one hand and the design of development strategies and definition of subsequent development finance cooperation on the other. The RPTF will translate needs for support identified in the course of the negotiations into operational ideas for trade related and other development assistance. The RPTF will be a technical committee that reports to the Principal Negotiators. The body is made up of the Regional Authorising Officer (RAO), 3 National Authorising Officers (NAO), representatives of the regional integration bodies, regional universities, the Caribbean Development Bank, on member of the ACP Development Finance Committee, a representative of CPDC (the regional civil society body) and one representative of the private sector. The EU will have 5 members on the RPTF from different departments in the Commission and one EU delegation coordinator.

4.2 Non-state actors

The participation of non-state actors in the trade policy process at the regional level is less mature than at national level. However, several initiatives have been undertaken and a dialogue has been established, although it is not yet fully structured. Non-state actors themselves are furthering their own structuring process at the regional level, in order to be able to play a more proactive role in the trade policy process.

Private sector

According to most private sector interviewees, the FTAA Business Forum held in Quito in 2002 was a turning point for the regional private sector's involvement in external trade negotiations. USAID paid for 90 regional executives to participate in this meeting, which everyone agreed had a major catalytic effect and seemed to have awoken the private sector to what is at stake in trade negotiations. A follow-up meeting was held in Trinidad in February 2003.

During this Quito meeting a new model for a regional private sector platform was proposed by the late Pauline Gray and Lawson Calderon. This foresaw that one unit within a private sector organisation in each CARICOM country would be responsible for trade policy. In Jamaica, this is the PSOJ, while in Trinidad and Tobago it is the Trinidad and Tobago Manufacturing Association (TTMA).

As the external trade negotiating strategy is determined at regional CARICOM level, it is essential that private sector can provide inputs, or voice its reservations. As one interviewee noted: 'You can't let governments negotiate in a vacuum, otherwise you get agreements that do not reflect private sector priorities'. The regional private sector body,

²⁸ For further information on the organisation of the EPA negotiations see Plan and Schedule for CARIFORUM-EC negotiations of an EPA, by CRNM, www.crn.org/documents/ACP_EU_EPA/CAR%20EPA%20Plan%20and%20Schedule.pdf

Caribbean Association for Industry and Commerce (CAIC) is now being re-energised to take up the challenge, after having played a low-key role for some time – its ambitious mission statement²⁹ reads as follows:

- to speak with one voice on behalf of Caribbean business interests;
- to act as an advocate for the Caribbean private sector through the promotion of the interests of CAIC members in the Caribbean and the world;
- to effectively lobby regional, international, and hemispheric governmental and multilateral lending institutions, especially where the GATT and FTAA call for the private sector to play a catalytic role; and
- to ensure that the CAIC is the only recognized regional body representing the Caribbean private sector.

It is too early to judge whether the CAIC can accomplish this bold mission, but the new leadership is confident, and interviewees seemed to want to give them the benefit of the doubt.

The sectoral regional private sector organisations, on the other hand, have always played an important and ever increasing role in the Caribbean public-private dialogue. It seems easier to rally a sector around a specific issue and to get them involved in the trade dossier to defend their interests, than to do so at an overall private sector level. The rum, tourism³⁰ and lately also the poultry associations have been very active on trade matters.

An initiative worth mentioning is TRADEWINS, an occasional series of reports published by the Caribbean Export Development Agency (Caribbean Export).³¹ TRADEWINS provides relevant information and analysis on trade issues, with the aim of encouraging the private sector to take a more proactive role in the trade debate.

Civil society

At regional level, the Caribbean Policy Development Centre (CPDC) is the platform of NGOs, which takes a lead role in the trade dossier. The CPDC publishes analyses of Caribbean policies (their own, and in collaboration with academics), and disseminates this information as widely as possible to lobby and influence the policy-making process. As a regional body, the CPDC is attempting to build the capacity of national civil society actors in the region to enable them to play their respective roles in the policy process. Among NGOs, the CPDC is widely recognised as the key coordinator in the trade dossier. It is the ‘driving force’ behind the Caribbean Reference Group on External Relations, which represents civil society actors who are trying to provide a coordinated response to the global trade agenda. The Group recently launched a joint campaign³² focusing on the development dimension of the trade agenda. That resulted in an initial advocacy paper ‘REPAS or Rip-off?’³³

In the context of the EC’s Sustainability Impact Assessment (SIA)³⁴ process – an initiative to consult civil society on the possible environmental, economic and social impacts of EPAs – the CPDC is also the focal point. In November 2003 the CPDC organised at a seminar in Trinidad and Tobago where a wide spectrum of civil society and private sector actors were able to discuss the possible impacts of EPAs, with the officials from the region and the EC.

At the level of the international institutions, the CDPC is trying to obtain observer status at COTED meetings, thus far unsuccessfully. The links with the CRNM are informal but regular, and are described by both parties as constructive and useful.

Trade unions

At the regional level trade unions do not yet appear to have organised themselves. There is a Commonwealth Trade Union Council (CTUC), but it is unclear to the authors whether this body is active in trade negotiations from a Caribbean perspective.

²⁹ See www.caic.wow.net

³⁰ However, the membership of the Caribbean Hotel Association (CHA) and the official tourism body, the Caribbean Tourism Organisation (CTO) go far beyond the CARICOM membership to include all countries that border the Caribbean Sea. This is another example of how the Caribbean’s unique geographical characteristics can complicate matters when it comes to involvement in external trade negotiations.

³¹ TRADEWINS; www.carib-export.com/tradepolicy/index.php?Stage=2&Type=4&Page=5

³² See www.cpdngo.org/trade_index.htm

³³ CPDC, ‘Repas or Rip-off?’, Caribbean Reference Group on EPA negotiations, April 2004

³⁴ For more information, see www.sia-acp.org

5 Constraints on regional trade policy making and negotiating

For an organisation whose largest members are still very small trading partners on a global scale, CARICOM has been remarkably successful in ensuring that some of its concerns – in particular, the issue of special and differential treatment – are included on the agendas of regional trade negotiations. Within the realm of the ongoing FTAA negotiations, a working group on small and vulnerable economies was set up at the explicit request of CARICOM member states. Also within the EPA negotiations, a clear emphasis was put on the importance of according special and differential treatment to the Caribbean countries, in recognition of the vulnerability and different stages of development.³⁵ Even though CARICOM has no formal status at the WTO, individual WTO members such as Barbados sometimes submit proposals ‘on behalf of CARICOM’ (e.g. in the WTO agriculture negotiations and in the GATS negotiations). Since only three of the 15 CARICOM states have physical presence in Geneva, and their offices are understaffed to cope with the immense workload of the WTO,³⁶ the presence of a CRNM representative is an important step forward.

This is not to say that the process of determining external negotiation positions for the region is an easy one. Member states often disagree where negotiations become issue-specific and frequently become less enthusiastic if proposals are technical in nature. Such disagreements arise not solely because of the divergent economic interests of the member states; but often also because the institutional structures have so far proven insufficient to carry the Caribbean integration process to the desired level.

5.1 Linking academics and policy makers

To formulate regional trade strategy and negotiating positions, practical and timely economic analysis is needed to inform the process. The CRNM has considerably expanded its staff with technical experts, and continues to outsource a lot of its research and analysis, preferably to Caribbean experts and consultants. However, the individuals interviewed for this study felt that the link between the academic world and the CRNM is rather *ad hoc*, despite the fact that most CRNM directors come from academia. Some interviewees criticised academics for remaining isolated in their own world and for not providing enough practical research that can feed into the trade policy process. The University of the West Indies is trying to do more; for example an Agricultural Trade Negotiations Unit was recently set up in collaboration with the CRNM. In collaboration with the WTO, training courses for trade officials and researchers have been held in the spring of 2004 at UWI and Master Course in trade policy is being developed to thoroughly prepare the new generation of trade officials and researchers. A recent study on trade research in the Commonwealth Caribbean³⁷ concluded that too few researchers are working in the area of international trade, but warned that too much short-term consulting work has detracted from the longer-term academic research.

Many interviewees remarked that the analysis and research done by or for the CRNM is kept too secret and rarely shared, which was considered a waste of scarce resources. The CRNM agreed this had been a shortcoming but is making a conscious effort to improve on communication. An expert has been hired to ensure that information is disseminated as widely as possible, and most analyses and studies are now published on the CRNM website. There are of course a number of strategic documents that remain confidential. The cautious attitude of the CRNM was triggered by a few negative incidents when the negotiators from the other side obtained strategic documents previously distributed to a group of private sector actors.

One frequently mentioned specific bottleneck in the development of effective trade policy is the lack of statistical data to facilitate in-depth research and to reinforce negotiating positions. There is an urgent need to set up a

³⁵ See joint CARIFORUM-EU report of the first meeting of CARIFORUM-EC principle negotiators, Brussels 15 July, 2004

³⁶ Michalopoulos, C., 1998, Developing Countries’ Participation in the World Trade Organisation, Policy Research Working Paper 1906, World Bank, p.11 The author argues that ‘based on informal estimates developed in consultation with a number of Missions, just to follow the topics of the various WTO bodies and attend their meetings requires a staff of at least 4-5 people, and the average is increasing’. However this study was undertaken when no negotiating rounds was ongoing. The current Doha Round has obviously considerably increased the workload of WTO members in Geneva.

³⁷ Weston, A. and Blouin, C., 2002, *Trade Policy Research in the Commonwealth Caribbean*, North South Institute.

'CARIBSTAT'³⁸ to ensure the availability of complete economic data sets to allow for thorough impact studies and other relevant research.

5.2 Diverging interests within the region

Structural adjustment and trade liberalisation will be most difficult for the small OECS members that have the least diversified economies, lack the resources to engage in economic and fiscal reforms, and would lose a substantial part of their revenue if customs duties were to be reduced.³⁹ For these and other reasons, OECS members have traditionally adopted a protectionist approach towards trade liberalisation. In the smallest islands of the Caribbean, a radical trade reform will entail a high political risk because a large part of the population is likely to be directly affected and structural adjustment measures will prove most difficult to implement successfully. Their approaches to both regional and extra-regional liberalisation are therefore much more cautious, if not entirely defensive. It is worth noting that with respect to the EPA negotiations, some OECS officials stress that EPAs should be non-reciprocal trade agreements.

At the other end of the spectrum, some of the larger member states (such as Trinidad and Tobago and, to a lesser extent, Jamaica) have consciously, albeit to different degrees, opted for unilateral or bilateral trade liberalisation throughout the past decade.⁴⁰ Clearly, these states have different levels of ambition in trade liberalisation: they are large enough to have genuine offensive interests, whereas small states often only define their defensive interests. In addition, larger states have better access to both analytical and financial resources, and so are better prepared to deal with internal and external trade agendas.

Another issue of a generic nature is the fact that in any region, the benefits and costs of integration are not equally distributed. With respect to the EPA negotiations, the CARICOM economies have very different interests. For countries such as Trinidad and Tobago, the commodity protocols will be of no relevance, while for the small Windward Islands, changes to the sugar and the banana protocols will be vital aspects of the negotiations. National actors are wary of the fact that, even if the region as a whole could gain from extra-regional trade negotiations, their specific interests could be seriously compromised. Hence, even if an EPA will benefit CARICOM overall, member states that fear they will lose out individually, might well try to interfere with or slow down the negotiation process.

5.3 Shortcomings at national level

The difficulty in reaching agreement on either the internal or external trade agenda cannot be solely explained by the variety of economies in the region. In the smaller member states the fact that national officials find it difficult to keep track of and contribute to developments at the regional level is disturbing the CSME agenda as well as extra-regional negotiations.

As CARICOM's integration is pursued, regional institutions such as the CRNM and the CARICOM Secretariat are drawing more resources to administer and facilitate the process, and are diverting capacity from the national to the regional level. The negotiations at the WTO, or for the FTAA or EPAs, further contribute to this. In addition, some donors prefer to support trade institutions at the regional rather than the national level. Whereas the CRNM staff-members have issue-specific expertise, most trade officials in the member states are generalists, often unable to follow all the technical issues in detail. Paradoxically, the better officials often join the international agencies in the Caribbean, posing a serious risk of crowding out capacity at the national level, where it is most badly needed. This problem hampers in particular the smaller states' ability to develop national positions. In the FTAA negotiations, for instance, CARICOM was unable to submit offers in the area of services because its member states failed to meet the deadline for presenting their national positions.

³⁸ In the context of the ACP-EU trade negotiations, it was suggested that the EU be requested to provide resources and technical assistance for the establishment of a statistical unit, or CARIBSTAT, to collate and process national trade data, perhaps modelled on the EU's EUROSTAT.

³⁹ Among the OECS members, the shares of government revenue from customs duties range between 50 and 70% (Bilal et al., 2003).

⁴⁰ Trinidad and Tobago, for example, concluded a separate FTA with Costa Rica in early 2002 –proof, it seems, that larger CARICOM states can go it alone.

5.4 Institutional questions: CARICOM and the CRNM

That member states still differ in opinion on how the region should be institutionally integrated is exemplified by the ongoing regional debate concerning the role of the CRNM. Since its establishment, the CRNM has become increasingly important for CARICOM's external trade performance, even though its precise role in external trade negotiations differs according to the negotiation in question.

In part, the controversy around the CRNM seems to lie in its origin. The CARICOM Secretariat was traditionally responsible for facilitating both internal and external CARICOM affairs, but lost part of its competence when the CRNM was 'truncated' from its own organisation. One interviewee described the CRNM as a 'lost limb' of the CARICOM Secretariat – 'one still feels like it's there and wants it back'. Because the completion of the internal market is behind schedule, turf wars between the CRNM and the CARICOM Secretariat are inevitable as the pace of external negotiations outstrips that of the formation of the CSME.

The reporting lines between the CRNM and its national counterparts have also been a source of tension. Originally, the CRNM reported directly to heads of state, which made some ministers (and senior officials) of the region feel marginalized. The fact that decisions have to be taken quickly as negotiations unfold and the limited capacity of some trade ministries to follow the complex trade dossiers, were used as arguments for bypassing the ministers. Another reason is that the former chief negotiator, a former secretary general of CARICOM, was used to dealing directly with heads of state. This case exemplifies a typical dilemma facing the CARICOM region – the need to pursue short-term objectives (extra-regional trade negotiations) versus the imperative to involve national officials and build the much-needed capacity over time.

On the surface, the sometimes ambivalent national positions within the region towards the CRNM seem to stem from difficulties within CARICOM to agree on a proper delegation of authority, combined with an adequate coordination and consultation mechanism. Given the daunting complexity of the trade agenda, the question arises whether some more daring steps by the Caribbean leadership, in terms of a further devolution of authority to the regional level, are required to handle the agenda appropriately.

The ambivalence with regard to the role and mandate of the CRNM creates inevitable tensions at all levels. Its dual role – as technical adviser to the national negotiators (ministers and ambassadors), and at the same time as coordinator of the Caribbean regional position – is a difficult one. The CRNM might be seen as pushing a certain position (as adviser), which may go against some member states' positions. In that light, the CARICOM Secretariat is more experienced in consensus building and in finding common positions, but possibly has less technical expertise. Combining the strengths of both bodies seems crucial.

An inter-governmental negotiating structure, leaning predominantly on national ministers and their respective overseas ambassadors, with only technical support from regional organisations, might seem appealing to some. However, it is questionable whether such a structure would allow for trade negotiations to be conducted effectively. Clearly, there is a delicate balance that needs to be struck between negotiating strength and efficiency on the one hand, and concerns over equity issues within the region on the other.⁴¹

From an economic perspective, a stalemate between the main beneficiaries and the main losers of further integration could be resolved by means of a compensation mechanism that can redistribute some of the winners' gains to the losers. So far, the EU is the world's only region where such mechanisms are effectively in place (poorer states, for example, receive substantial support via the EU's structural funds). In the near future, however, it seems unlikely that CARICOM will be either able or willing to take such a large institutional leap. Hence, the hard reality remains that as long as no functional compensation mechanism exists that can redistribute economic gains between winners and losers within the region, external trade negotiations will remain a very difficult area for joint action. The CRNM is currently developing a proposal for the creation of a Regional Integration Fund that would address the challenge of financing the adjustment process inherent in trade liberalisation.

⁴¹ Grant (2000) provides a detailed account of the first years of the CRNM and many useful insights into the problems that have arisen between the CRNM and other Caribbean actors due to unresolved institutional questions.

6 The Caribbean experience: six lessons for other ACP regions

The Caribbean is often cited as a good example of a well-integrated region comprising developing countries. In terms of external representation CARICOM has developed into a well-organised and internationally recognised actor on the global stage for trade negotiations. Yet, its integration has proven to be anything but an easy process. For more than three decades ambitious plans have been tabled, only to be followed by serious problems in their implementation. The region now faces its most challenging task to date, in trade negotiations that cover all of its most important trading partners.

Obviously, the external environment has been an important factor in stimulating proactive trade policy processes in the region. Nevertheless, it should be recognised that without concerted efforts at the national and regional levels, the region could not have started to develop its capacity to deal with an immensely complicated and dense trade agenda. In this regard, the establishment of the CRNM should be viewed as the regional mechanism for coping with this agenda. It is in this respect that other ACP regions, as well as donors providing trade capacity building (TCB) support, can draw a number of lessons from recent developments in the Caribbean.

1. **An open process.** Experience shows that neither national governments nor their regional counterparts can prepare for trade negotiations on their own.

Although the process of involving stakeholders can be slow and cumbersome, it is indispensable for good trade policy-making. The experiences of Jamaica and Barbados show that present-day trade negotiations require that the inclusion of stakeholders in the preparatory process becomes a mandatory exercise. Cross-cutting links between government departments, academia, businesses, and representatives of civil society are needed to distribute information on the changing trade environment; to generate indispensable inputs for the negotiations themselves; and to achieve a necessary degree of legitimacy. At the regional level, such consultation and coordination mechanisms are at least as important because it is at this level that internal integration is facilitated and external negotiations are being conducted.

2. **Sequencing is crucial.** Even if all organisational requirements are in place, extra-regional negotiations will inevitably be frustrated without sufficient progress on the internal integration agenda.

CARICOM's inability to draft offers for market access in services in the FTAA negotiations is a good example of how seriously extra-regional negotiations are affected once the regional integration process stalls. If there is no clear agreement on the scope and extent of integration within the region, it seems impossible to conclude an extra-regional agreement that is in the interest of its members. Not only would it fracture the internal cohesion of the region – as concessions to third parties would go beyond internal concessions – it would also make the region appear an inconceivable negotiation partner. In that context, the priority given to regional integration in the first phase of the EPA negotiations is logical and commendable.

3. **Dare to delegate.** Only a regional body that has a clear mandate and an effective coordination mechanism with national actors can successfully negotiate on behalf of the region.

The birth and original functioning of the CRNM illustrate how difficult it can be to adequately delegate negotiating authority to a regional body. While trade negotiations, in particular in their final stages, demand both flexibility and rapid decision making, the degree to which national actors may want to retain their influence should not be underestimated. The CRNM's initial exclusion of national trade ministers from the process created a lot of animosity between the parties. In the end, a regional process can only be as strong and as fast as the national member countries want to go. Although regional institutions with strong technical capacities are crucial to the process, they cannot operate effectively in a political vacuum. Hence, political support and a clear mandate, in combination with an effective coordination mechanism between national and regional levels, need to be in place to prevent internal turf wars.

4. **Sharing the cost and benefits.** Without a strong political commitment to conclude a balanced agreement, diverging economic interests within a region can easily stall, protract and fracture the extra-regional negotiation process.

When concluding a trade agreement, winners and losers will inevitably emerge. Within a regional grouping, the benefits and costs are unlikely to be equally distributed among the member countries. Consequently, those members that perceive their interests to be threatened are most likely to frustrate or delay the negotiation process.

If no adequate compensation mechanism is in place within the region, it is all the more important that the regional negotiating body, as well as those who will potentially gain from an agreement, take into account the concerns of the most vulnerable parties throughout the negotiations. This again requires substantial information exchange between the various parties, a transparent coordination mechanism and, above all, mutual trust.

5. *Mind the capacity gap.* *Even where economic interests are aligned, good preparatory work at the regional level will ultimately be in vain if adequate capacity is not developed at the national levels.*

Today, the negotiation of trade agreements as well as their implementation are more complex than ever before. Pooling resources at the regional level can help to deal with capacity constraints. Nevertheless, in preparation for the negotiations, key information needs to be generated at the national level; the final provisions of a trade agreement need to be approved by national ministers; and their implementation needs to be executed by national ministries. Building the necessary capacity at the regional level is therefore a necessary but not sufficient condition for concluding a trade agreement in the interest of that region.

6. *Caution towards donors.* *With respect to TCB support, only a critical mindset can turn the recipients into real beneficiaries.*

It appears that for both donors and recipients, TCB support is a more difficult issue than 'regular' assistance. The impact of TCB programmes still needs to be established, funds can be subject to donor bias, and an undeniably difficult trade-off needs to be made between the pressing needs generated by current negotiations, and the imperative to build sustainable trade policy-making capacities for the future. In any case, recipient countries as well as regional bodies should critically assess their needs and the ways in which donors can be involved in meeting them. Donors, on the other hand, would misperceive the complexity of regional integration if they think that support to regional bodies will suffice to ensure that extra-regional negotiations can effectively take place. Support at the national level is indispensable both to stimulate regional dynamics and to build the necessary capacity to deal with trade policy in the future.

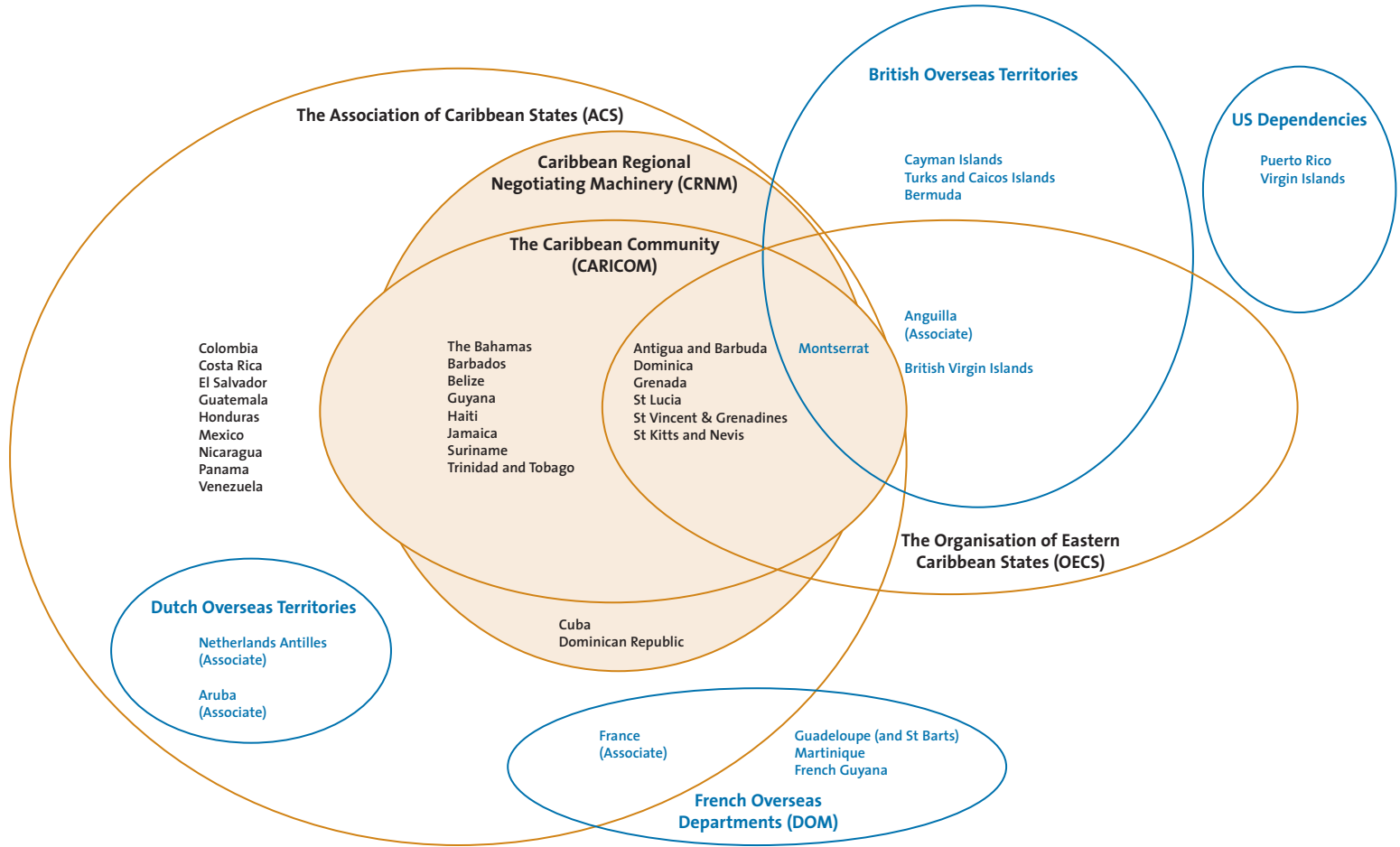
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Annex 1: Caribbean island groupings



N.B. The Forum of Caribbean States (CARIFORUM) comprises the member states of the Caribbean Community (CARICOM) plus the Dominican Republic. CARIFORUM consists of Caribbean members of the Africa, Caribbean and Pacific (ACP) group, and is the regional interlocutor with the EU under the ACP-EU Cotonou Agreement.

Annex 2: Eligibility criteria for non-state actors in JTAT

The Jamaica Trade Adjustment Team initiative emphasises the role of non-state actors in the policy process. The criteria used to determine whether non-state actors are eligible for support are as follows:

- Non-state actors are engaged in, and have a track record in, developing non-traditional economic activities;
- Non-state actors are engaged in domestic capital-intensive commercial service delivery to vulnerable but capital-intensive or capital-producing sectors of the economy. Such actors would be expected thereby to be expanding opportunities for poor and vulnerable households in Jamaica;
- Non-state actors work in or advocate strongly for the development and conservation/preservation of the environment through suitable application of domestic capital. The actors would thereby be distinguished for fostering a clear link between environmental and biodiversity issues and for urging policy formulation and implementation accordingly;
- Non-state actors are involved in activities that are advancing the role and significance of culture and heritage in sustainable improvement of competitiveness in particular and sustainable development in general;
- Non-state actors are engaged in education, research and training and in other activities that are clearly designed to support the creation of intellectual property that can be commercialised within the period of adjustment; and
- Non-state actors are involved in the development of clusters in support of capital-producing and capital-intensive activity. In this context, special attention will be given to those actors that develop collective management capacity in support of intellectual property, product branding, marketing and market penetration support in overseas markets.

Annex 3: List of individuals interviewed

Jamaica

Dr Rosalea Hamilton, Consultant, Ministry of Foreign Affairs

Evon Brown, Chair, National Rums of Jamaica Ltd

James Moss-Solomon, Corporate Affairs Director, Grace Kennedy; Private Sector Adviser to the CRNM, Executive in Residence at UWI Mona School of Business

Anthony Gomes, Trade Adviser, Jamaica Chamber of Commerce

Lincoln Price, Senior Consultant, Policy and Planning President's Office, JAMPRO

Mavis Campbell, International Trade Specialist, Ministry of Agriculture

Beverley Rose-Forbes, Ministry of Industry and Tourism

Amsale Maryam, Chairperson, Association of Development Agencies (ADA), Monique Harper

Judith Wedderburn, Director, Friedrich Ebert Stiftung (FES)

Pauline Gray and Lawson Calderon, General Manager and Consultant, Jamaica Shipping Association

Anthony Hylton, Special Envoy, Ambassador, Prime Minister's Office

Marlene Parker, Senior Director, Research and Financial Services, PSOJ

Nicola Gordon-Rowe, Trade and Environment Officer, PSOJ

Dr Trevor Munroe, Professor of Government and Politics, UWI Mona; Independent Senator, Parliament of Jamaica; President, University and Allied Workers' Union.

Wayne McCook, Director of Trade, Ministry of Foreign Affairs,

Gerd Jarchow, Ambassador/Head of Delegation, European Commission

James Stewart, Economist, Planning Institute of Jamaica (PIOJ)

Michele Lowe, Coordinator, FTAA and Bilateral Negotiations, CRNM

Barbados

Henry Gill, Senior Director, Caribbean Regional Negotiating Machinery (CRNM)

Raoull Harris, Barbados Chamber of Commerce

Vaughn Renwick and Neil Paul, Executive Director and Trade Policy Adviser, Caribbean Export

Lynette Eastmond, Attorney-at-law, Eastmond Chambers (former FTAA services negotiator)

Dr Lawson Nurse and **Olivia Chase**, Barbados Private Sector Trade Team (BPSTT)

Patrick Mayers, Chair of WIRSPA, Director of Goddard Enterprises, Chair of BIDC

V. Carlyle Carter, Corporate Business Negotiator, Barbados Shipping and Trading Company (BSTC) Ltd

Chris Sinckler, Caribbean Policy Development Centre

The European Centre for Development Policy Management (ECDPM) aims to improve international cooperation between Europe and countries in Africa, the Caribbean, and the Pacific.

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- to enhance the capacity of public and private actors in ACP and other low-income countries; and
- to improve cooperation between development partners in Europe and the ACP Region.

The Centre focuses on **four interconnected themes**:

- Actors of Partnerships
- ACP-EU Trade Relations
- Political Dimensions of Partnerships
- Internal Donor Reform

The Centre collaborates with other organisations and has a network of contributors in the European and the ACP countries. Knowledge, insight and experience gained from process facilitation, dialogue, networking, infield research and consultations are widely shared with targeted ACP and EU audiences through international conferences, focussed briefing sessions, electronic media and key publications.

ECDPM Discussion Papers

The ECDPM Discussion Papers report on work in progress at the European Centre for Development Policy Management. They are circulated among practitioners, researchers and policy-makers who are invited to contribute to and comment on the Discussion Papers. Comments, suggestions, and requests for further copies should be sent to the address below. Opinions expressed in this paper do not necessarily represent the views of ECDPM or its partners.

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ISSN 1571-7577

The ECDPM gratefully acknowledges the financial contributions of the Swedish Ministry of Foreign Affairs, the U.K. Department for International Development (DFID) and the Swiss Development Cooperation (SDC) to the programme on 'Sharing experiences on building capacity for trade negotiations'.

Within this context the ECDPM produced two other case studies on South Africa (ECDPM Discussion Paper No. 53) and on Mercosur (ECDPM Discussion Paper No. 50). These publications are available at: www.ecdpm.org/cbo1