

# Discussion Paper

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## **Implementing the Economic Partnership Agreement**

### **Challenges and Bottlenecks in the CARIFORUM Region**

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with contributions from

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# Implementing the Economic Partnership Agreement

## Challenges and Bottlenecks in the CARIFORUM Region

(Case Studies of Barbados, Dominican Republic  
and St. Vincent and the Grenadines)

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## Acronyms

ACP	African, Caribbean and Pacific
AFT	Aid-for-Trade
BCSI	Barbados Coalition of Services Industries
BSO	Business Support Organizations
BPSA	Barbados Private Sector Association
BPSTT	Barbados Private Sector Trade Team
CARIBCAN	Caribbean-Canada Trade Agreement
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CARTFund	Caribbean Aid for Trade and Regional Integration Trust Fund
CONEP	Consejo Nacional de la Empresa Privada
CICMC	Caribbean Institute of Certified Management Consultants
CNC	Consejo Nacional de Competitividad
CNNC	Comision Nacional de Negociaciones Comerciales
CROSQ	CARICOM Regional Organisation for Standards and Quality
CSI	Coalition of Services Industries
DECBO	Developing Eastern Caribbean Business Organisations
DICOEX	Direccion de Comercio Exterior y Administracion de Tratados
DIGENOR	Direccion General de Normas & Sistemas de Calidad
DOM	Departement d'outre-mer (Overseas Departments and Territories)
DR-CAFTA	Dominican Republic-Central America Free Trade Agreement
ECDPM	European Centre for Development Policy Management
EU	European Union
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
ICAB	Institute of Chartered Accountants of Barbados
ICAC	Institute of Chartered Accountants of the Caribbean
ISPRI	Institutional Support Programme for Regional Integration
JAD	Junta Agroempresarial Dominicana
LDC	Less Developed Country
MRA	Mutual Recognition Agreement
NAO	National Authorizing Office
NGO	Non-Governmental Organization
NIP	National Indicative Programme
ODC	Other Duties and Charges
OECS	Organization of Eastern Caribbean States
OTN	Office of Trade Negotiations
U.S.	United States of America
U.K.	United Kingdom
SPS	Sanitary and Phyto-sanitary
SVG	St. Vincent & the Grenadines
WTO	World Trade Organization

## Synopsis of Terms of Reference

Two and a half years after the CARIFORUM-EU Economic Partnership Agreement (EPA) was signed in Barbados on 15<sup>th</sup> October 2008, the Caribbean region has made very little progress in its implementation of the EPA.

This is the context within which the following report seeks to assess the main challenges and bottlenecks, which have been hindering EPA implementation in CARIFORUM, at the national and regional levels. It is envisaged that the report will be accessible to stakeholders across the Caribbean as well as to policy-makers and private sector actors in other regions and countries that have signed interim or full EPAs. It is too early to assess the real impact of the EPA on Caribbean economies, consequently the paper is focused on the implementation of the Agreement and the main challenges and bottlenecks faced by CARIFORUM Member countries. The report will also seek to identify any positive initiatives introduced at a national or regional level to overcome the implementation challenges.

## Methodology

The report took a case study approach using three CARIFORUM countries as points of reference. Barbados, the Dominican Republic, and St. Vincent and the Grenadines were chosen in order to have a varied perspective. The three countries have different types of economies and are at different levels of economic development. Barbados, a services-oriented economy, is considered a high income developing country; while St. Vincent & the Grenadines and the Dominican Republic are designated as upper middle income developing countries<sup>1</sup>.

### Desk Research

The preparation of the report was divided into three phases. The first phase focused on desk research looking at the negotiating process, outcome of the negotiations, and institutional provisions previewed for EPA implementation. The desk research also identified issues for more in depth analysis and the types of stakeholders to be targeted. This resulted in the development of a suitable questionnaire and a list of experts to be interviewed.

### Field Research

The second phase of the project involved arranging meetings with potential interviewees, travel to the Dominican Republic, collaboration with a colleague in St. Vincent and the Grenadines, and conducting interviews with a number of public and private sector representatives in Barbados, Dominican Republic and St. Vincent and the Grenadines. This field research was aimed at determining the status of EPA implementation in the three target countries; the effectiveness of their EPA implementation arrangements; the effectiveness of various information outreach programmes; and the level of involvement in the process by private sector organisations.

### Preparation of Report

The third phase was concentrated on the preparation of the report, which is structured to begin with a *Background* section, in order to place the report in context. The next section is the *Summary of Principal Findings*, which provides an overview of information gathered during the field research. This is followed by three sections dedicated to three focus countries namely *Barbados*, *Dominican Republic*, and *St. Vincent and the Grenadines*. The sixth and final section, *Conclusions and Recommendations*, provides the opportunity for the authors of the report to draw some conclusions and make a few recommendations on the way forward.

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<sup>1</sup> The World Bank Data- Country Groups



## Executive Summary

On 15<sup>th</sup> October 2008, the CARIFORUM countries and the European Union signed the Economic Partnership Agreement (EPA), which enabled the Parties to satisfy their obligations to conclude a WTO-compatible trading arrangement. The comprehensive new reciprocal trading arrangement replaces the one-way preferential access, which the EU had extended to certain developing countries from Africa, the Caribbean and the Pacific since 1975.

The far-reaching Agreement covers trade in goods, services, investment and trade related issues (competition, innovation and intellectual property, personal data protection and public procurement) between the 15 CARIFORUM Member States and 27 EU members. It also has a development component in order to assist CARIFORUM countries in advancing their development strategies and in mitigating any adverse effects of the Agreement. Nevertheless, more than two and a half years after signature of the Agreement, EPA implementation is still progressing very slowly in the Caribbean.

Although the importance of EPA Implementation Units had been endorsed by both the CARIFORUM and EU Parties to the Agreement, formal implementation structures are in place only in Antigua and Barbuda, Barbados, Dominican Republic, Grenada and Jamaica. Furthermore, with the exception of the Dominican Republic, the work of these EPA implementation and coordination units is constrained by insufficient financial and personnel resources. Meanwhile, St. Vincent and the Grenadines and Trinidad and Tobago are in the process of establishing EPA Implementation Units, but other CARIFORUM Member States must manage with having only contact points in order to handle basic requests for information.

CARICOM has sought to address the capacity constraints, particularly among the region's smaller economies, by establishing a regional EPA Implementation Unit to provide direct support and to coordinate technical assistance to Member States. The regional EPA Unit has been working with Member States in organizing seminars, workshops and other outreach activities. Some CARIFORUM Member States, despite their resource limitations, have not been utilizing the services of the Unit as much as one would have imagined.

### Principal Findings

One of the **principal findings** of this research is that there is an **EPA information deficit** at almost every level in the public and private sectors and this problem is having a negative impact on EPA implementation. Although Ministries of Trade and/or their EPA implementation units have been organizing sensitization sessions and workshops to inform public sector officials and private sector executives about the provisions of the Agreement, the latter complain that they do not know enough about the EPA, particularly how to access related benefits.

**CARIFORUM Governance** has also emerged as a major bottleneck impeding progress in implementing the Agreement. This issue, which has been having an adverse impact on CARIFORUM's ability to manage the EPA implementation process, has engaged the attention of Heads of Government and of CARIFORUM Ministers, but a definitive resolution has not yet been achieved.

The **tardy establishment of oversight institutions** continues to stymie the EPA implementation process. The Joint CARIFORUM - EU Council was only established in the margins of the CARIFORUM-EU Summit last May and the other key institutions have taken even longer to become operational. It is now expected that the CARIFORUM-EU Trade and Development Committee and the Joint Parliamentary Committee will

both convene their inaugural meetings later this month (June 2011). However, the Special Committee on Customs Cooperation and Trade Facilitation and the CARIFORUM-EU Consultative Committee, specifically intended to involve non-state actors in the oversight process, remain dormant. The delayed start-up and, in some cases, non-establishment of these Committees constitute a serious set back for timely EPA implementation in the Caribbean.

The **EU Aid-for-Trade (Aft) facility**, which was expected to be a significant source of funding for EPA implementation projects, has been a major disappointment. The limited amount of Aid-for-Trade (Aft) resources made available to CARIFORUM Member States since the signing of the EPA has fallen far short of what the region anticipated. The prevailing view across the Caribbean is that EU Member States, with the exception of the United Kingdom and Germany, have not fulfilled promises made during and after the EPA negotiations.

### Recommendations

The work of the consultants revealed that several of the EPA implementation concerns and challenges were common across the Caribbean even though the approach to resolving them might differ from country-to-country. The report concludes with a number of recommendations to address some of the major bottlenecks, which have plagued implementation in the region, including:

**Information Dissemination:** *The Effective dissemination of EPA-related information is a major problem for all CARIFORUM Member States. Therefore, sensitization initiatives and comprehensive information outreach programmes should be important components of any serious national or regional EPA implementation effort.*

**Competitiveness:** *Competitiveness should be pursued diligently by all CARIFORUM Member States because it represents one of the fundamental pillars on which development and growth in region can be built.*

**EPA Implementation Roadmap and matrix:** *A matrix, which summarizes schematically the main commitments in the EPA by the signatory parties, with emphasis on those commitments that require actions by the responsible government institutions, as well as on opportunities that can be exploited by regional institutions and economic operators, can be an important tool for monitoring progress in EPA implementation.*

**Monitoring mechanisms must be put in place:** *The region has made very little progress thus far in establishing effective monitoring systems - incorporating appropriate benchmarks and the like – at the national or regional levels. This is an area that demands urgent attention and should be among the EPA implementation priorities for all CARIFORUM Member States.*

**CARIFORUM Governance & non-establishment of oversight institutions:** *The region needs urgently to resolve its debilitating governance issues and all of the EPA oversight institutions should be made operational without further delay. The region's inability to get these institutions into operation is inhibiting the practical work associated with EPA implementation.*

**Access to resources is a major challenge:** *The public and private sectors in the region must be proactive in identifying and accessing technical assistance and development resources for EPA-related projects and programmes.*

***SPS regimes should be prioritized:*** *The need to put in place appropriate SPS regimes, both at the regional and national levels, is a major challenge for CARIFORUM States and represents an area where the EU should provide more tangible support.*

## Country Studies

At a national level, the report examines the EPA implementation experience in three CARIFORUM countries, (Barbados, the Dominican Republic, and St. Vincent and the Grenadines), which have different types of economies and are at different stages of their economic development. These countries also present varied perspectives with respect to their approach to the EPA implementation challenge.

**Barbados**, a small services-oriented and open economy, which is highly dependant on external trade, has been hard hit by the global recession. The unemployment rate has increased from 7.4 percent in 2007 to 10.8 percent in 2010 and Government has been forced to cut back drastically on its expenditure. An original Member of the WTO, Barbados actively supports the multilateral trading system and played a lead role in the negotiation of the CARIFORUM-EC Economic Partnership Agreement.

The Ministry of Foreign Affairs and Foreign Trade in Barbados, which is charged with coordinating the implementation of international trade agreements, took an early decision to establish an EPA Implementation Unit to ensure that EPA implementation received the attention which it deserves. The Unit remains seriously understaffed but is striving to coordinate the efforts of Government Ministries to satisfy EPA-related obligations, while also cooperating with private sector organizations in sensitizing their members to EPA-related opportunities. The Unit, which has prepared an EPA implementation roadmap that reflects both EPA obligations and opportunities, has been intensifying its efforts to reach out to various stakeholders and share information about the Agreement.

There are a number of public and private sector entities in Barbados, which should have a role in EPA implementation and gradually these agencies, particularly the private sector organizations, have begun to take a greater interest. Consequently, the Barbados Private Sector Association has been more proactive in coordinating other organizations and its decision to establish a 'project proposal writing hub' should facilitate private sector organizations wishing to access EPA-related technical assistance. Meanwhile, the Coalition of Services Industries is endeavouring to bring together services suppliers and to coordinate trade missions in search of tangible opportunities in the EU market.

At the political level, Barbadian politicians from both the Government and the opposition have shown an interest in the EPA. It is noteworthy that in the Parliamentary debate on the Budget Estimates earlier this year, the Leader of the Opposition expressed concern about the slow progress of EPA implementation in Barbados and the Minister of Finance defended the Government's efforts. When the Estimates discussion moved to the Senate, EPA implementation was also one of the issues featuring in the debate. In addition, Ministers of Government, speaking to the business community, have encouraged the private sector to take advantage of EPA-related opportunities. Therefore, political engagement with the Agreement is beyond doubt.

Although Barbados has been seeking to accelerate its EPA implementation and has made some progress, a number of challenges have been militating against a more timely execution of programmes. Some of the major bottlenecks, include:

- The need to expand and intensify EPA information dissemination and outreach to public and private sector stakeholders. This requires a cooperative effort involving both public and private sector organizations, which have EPA Implementation responsibilities;

- A shortage of necessary financial and human resources. In the first place, the public sector is constrained by Government's cash flow problems arising out of the global financial crisis and secondly, both the public and private sectors speak about the difficulty in accessing donor funding and technical support;
- The difficulty of getting Government Ministries to prioritize relevant EPA-related legislation and the slow pace of enacting legislation is compounded by a chronic shortage of legal draftspersons;
- The apparent reluctance of the private sector to research and aggressively seek to exploit market access opportunities; and
- The capacity constraints facing business support organisations because of their limited financial, technical and human resources.

The EPA implementation situation in **St. Vincent and the Grenadines** is more challenging than in Barbados because, in general, both public and private sector institutions are less well-established. The global economic slowdown has had a significant negative impact on its economy over the last three years and the island has experienced negative growth annually during that period. This island nation, like Barbados, is a founder-member of the Caribbean Community and Common Market (CARICOM), and is also a Member of the WTO.

St. Vincent and the Grenadines, facing many of the same resource constraints as other small economies in the Caribbean, has not yet been able to establish an EPA Implementation Unit, but a decision has been taken to set up such a Unit under the umbrella of the Ministry of Foreign Affairs, Commerce and Trade.

In the private sector, the Chamber of Commerce seems to be the best established of the business support organizations and has been exploring links with counterpart organizations in the UK. The Coalition of Services Industries, which was officially launched in 2008, is not yet fully operational, but it is expected to play a key role in organizing services providers. Meanwhile, some private sector officials expressed the view that local Vincentian companies are too small to be able to compete internationally and others lamented the decline of the banana industry, for which they blame the EU. On the positive side, there is some discussion about prospects in the cultural sector and in the tourism industry, particularly when the new airport becomes operational. Nevertheless, the reality is that EPA implementation in St. Vincent and the Grenadines faces all of the same bottlenecks as in Barbados and the overall situation is even more challenging because of the institutional shortcomings.

The **Dominican Republic**, which is the second largest Caribbean nation, after [Cuba](#), by land area and population, has an estimated population of 9.2 million. The economy, which experienced a serious decline in 2009, made a rapid turnaround to grow by 7.8 per cent in 2010 and growth is projected at 5.5 per cent in 2011 and 2012.

The institutional framework for EPA implementation in the Dominican Republic is well established. The "central player" is the Direccion de Comercio Exterior y Administracion de Tratados (DICOEX), which was established in 2002 to manage implementation of all international trade agreements involving the Dominican Republic and has assumed direct responsibility for advancing the EPA implementation process. The private sector is also very involved in the EPA implementation process through powerful business support organizations, such as the Consejo Nacional de la Empresa Privada (CONEP) and the Junta Agroempresarial Dominicana (JAD).

In contrast to the situation in Barbados, St. Vincent and the Grenadines and other CARICOM countries, the Dominican Republic is in the final year of a four-year project, which was designed to enhance its capacity

to implement the EPA. Other initiatives are also being pursued to strengthen key institutions, upgrade quality control regimes and improve competitiveness. Another feature of the EPA implementation process in the Dominican Republic is the coordination between the government and the private sector. Therefore, public and private sector spokespersons are able to elaborate consistent Dominican positions on important developments relating to EPA implementation.

However, despite the progress, there is still some concern in the Dominican Republic that the private sector is not as proactive in exploiting market access opportunities as was expected. The information deficit, experienced by other CARIFORUM countries, is also a factor in the Dominican Republic, with the agriculture sector identifying the lack of adequate information as one of the biggest challenges associated with EPA implementation.

The Dominican Republic's Law 173, which speaks to "the Protection of Importer Agents of Merchandise and Products", is also seen as an EPA-related challenge because foreign companies often find it difficult to understand its controversial clauses, which regulate the termination of local representatives by foreign companies. Members of the Dominican business community do not see this law as problematic but they are aware that it is of concern to potential exporters, particularly from other CARIFORUM Member States.

Despite the progress, which it is making with its EPA implementation programme, the Dominican Republic faces some challenges, which have been impeding its efforts, including:

- The delay in establishing regional EPA oversight institutions, which means that there is usually no properly constituted institution to which a Member State may refer EPA implementation concerns;
- The need to ensure that economic operators in all sectors are sufficiently well informed about EPA-related opportunities;
- The need to resolve uncertainties surrounding Law 173 and address the apparent reluctance of certain CARICOM Member States to follow through on their trade obligations;
- Difficulty in accessing resources for EPA implementation because of inadequately staffed CARICOM-CARIFORUM institutions. There is a shortage of technical staff to process and expedite requests for funding or other support; and
- Addressing CARIFORUM governance issues, particularly the relationship between CARIFORUM and CARICOM.



# 1. BACKGROUND

## 1.1. Evolution of Economic Partnership Agreements (EPAs)

### **Lomé Conventions**

The Caribbean's "special relationship" with the European Union began in 1975 with the signing of the first Lomé Convention. Successive Lomé Conventions led to twenty-five (25) years of non-reciprocal preferential access to EU markets for products from the Caribbean. However, with the expiry of *Lomé IV bis* in 2000 and the increasingly strident objections, by certain WTO members to the one-way preferential market access being extended to ACP countries by the EU, the ACP and their European partners agreed that the time had come to review their trade arrangements.

The Principal objectives of the Lomé Conventions were to promote trade between the ACP States and the European Economic Community as well as the economic and social development of the Caribbean and other ACP States.

### **The Cotonou Agreement**

The ACP-EU Partnership Agreement (the Cotonou Agreement), which followed the Lomé Conventions, was signed on 23<sup>rd</sup> June 2000 and extended the boundaries that they had previously established. Cotonou was signed by all fifteen (15) independent CARIFORUM countries and the then fifteen (15) member states of the European Union (twelve new member states joined the EU between 2004 and 2007, increasing the membership to 27). The Cotonou Agreement expanded ACP-EC cooperation by strengthening political dialogue between the ACP and EC, reaching out to civil society, providing for a new trading arrangement, and endeavouring to streamline financial cooperation.

### **Need for WTO compatibility**

In response to the WTO pressure and charges that the EU's preferential trade arrangements with CARIFORUM and other ACP countries was in violation of Article 1.1 of the GATT, the ACP and the EU agreed in the Cotonou Agreement to conclude "...new World Trade Organisation (WTO) compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade".<sup>2</sup>

It was also agreed that the new WTO-compatible trading arrangements would take the form of Economic Partnership Agreements (EPAs), to be negotiated during the period up to 31 December 2007. In reality, the CARIFORUM-EC negotiation of an EPA represents an elaboration of the trade component of the Cotonou Agreement, "Negotiations of the Economic Partnership Agreements shall aim notably at establishing the timetable for the progressive removal of barriers to trade between the Parties, in accordance with the relevant WTO rules"<sup>3</sup>.

### **EPA Negotiating Process**

The CARIFORUM-EC EPA regional negotiations began on April 16, 2004 in Jamaica, following an 18-month period of discussion at the All ACP-EC level. Negotiations were concluded in December 2007 and, on 15 October 2008 in Barbados, 13 of the 15 CARIFORUM member countries signed an EPA with the European Union. Guyana signed the Agreement in Brussels on 20th October and Haiti, the only

<sup>2</sup> Article 36.1 of the ACP-EU Partnership Agreement.

<sup>3</sup> Article 37.7 of the ACP-EU Partnership Agreement.

internationally-recognised LDC in CARIFORUM, signed on 11th December 2009. Having completed their domestic arrangements, the fourteen (14) CARIFORUM countries, which had signed the EPA, and the EU Member States determined that provisional application of the Agreement would start from 29 December 2008.

<b>CARIFORUM-EU EPA Fact Sheet</b>
<ul style="list-style-type: none"> <li>• 23rd June 2000, ACP-EU Partnership Agreement signed in Cotonou, Benin.</li> <li>• 14th November 2001, ACP &amp; EU secured a WTO waiver for the Cotonou Agreement's non-reciprocal market access arrangements.</li> <li>• 27th September 2002, EPA negotiations began at all-ACP level in Brussels, Belgium.</li> <li>• 16th April 2004, CARIFORUM-EC regional EPA negotiations launched in Kingston, Jamaica.</li> <li>• 16th December 2007, EPA negotiations completed and text initialed in Bridgetown, Barbados.</li> <li>• 1st January 2008, Guaranteed duty free access into EU market for CARIFORUM goods instituted.</li> <li>• 15th October 2008, EPA signed in Barbados.</li> <li>• 29th December 2008, provisional application of EPA commenced</li> </ul>

## 1.2. CARIFORUM's rationale for negotiating the EPA

### **Desire to address supply-side constraints**

CARIFORUM perceived that the EPA could be used as an effective mechanism through which to advance the region's development by addressing a number of the supply-side constraints which have been negatively affecting the competitiveness of its Member States and preventing them from taking advantage of available preferential market access. It was felt that the era of trade liberalization required a different approach, a paradigm shift was necessary, because market access is of limited value if the region is not in a position to produce competitive products and services which can satisfy market requirements. In addition, with the commodity exports - sugar, bananas, rice - for which the CARIFORUM enjoyed preferential access to the EU market, under threat, the region recognized the need to restructure, diversify and move to more value-added activity.

CARIFORUM states, as small economies increasingly dependent on the services sector, saw the EPA as offering an opportunity to improve and guarantee access to the EU market for the region's services suppliers. In the area of development cooperation, CARIFORUM concluded that an EPA could both stimulate additional EU development support and also provide critical impetus in the region's ongoing exchanges with the EC to find a more efficient vehicle through which to expedite the delivery of EC development assistance to the region.



### Key principles

Having decided to negotiate an EPA with the EU, CARIFORUM wanted to ensure that the Agreement was structured to reflect a number of the key principles, which feature in the region's strategic approach to its international trade policy. These principles include: (i) emphasis on sustainable economic development and poverty alleviation in CARIFORUM member states; (ii) an asymmetric approach with respect to market access for goods and services; (iii) respect for CARIFORUM's regional integration process and its "variable geometry"; (iv) a phased CARIFORUM tariff liberalisation schedule; (v) the importance of services to the region, particularly tourism and cultural services.

## 1.3. Scope of Coverage

The CARIFORUM-EU EPA is the most comprehensive and far-reaching international trade agreement signed by CARIFORUM Member States. The Agreement, not only covers trade in goods, agriculture and fisheries, but it also addresses trade in services, investment, and trade related issues (competition, innovation and intellectual property, personal data protection and public procurement) between the 15 CARIFORUM Member States and the 27 members of the EU. The inclusion of these areas takes the Agreement beyond what is required for WTO compatibility under Article XXIV of GATT<sup>4</sup>. However, CARIFORUM's negotiating mandate always included Services and Investment and trade related issues were seen as areas where the region's economies could benefit from EU support in order to embrace international best practice.

The EPA, which was negotiated to ensure that the Parties had WTO-compatible arrangements for trade between them, liberalises trade and investment between CARIFORUM and the EU on a reciprocal basis. In addition, the EC agreed to provide special development support aimed at strengthening CARIFORUM institutions, improving competitiveness and building the capacity of regional economic operators to take advantage of market access opportunities provided under the EPA.

## 1.4. Summary of EPA provisions

The Agreement contains six Parts, three Protocols, six Joint Declarations, and extensive liberalization schedules for trade in goods, trade in services, and commercial presence.

- Part I. Trade Partnership for Sustainable Development
- Part II. Trade and Trade-related Matters
  - Title 1 – Trade in Goods
  - Title 2 – Investment, Trade in Services and E-commerce
  - Title 3 – Current Payments and Capital Movement
  - Title 4 – Trade Related Issues
- Part III. Dispute Avoidance and Settlement
- Part IV. General Exceptions
- Part V. Institutional Provisions
- Part VI. General and Final Provisions

<sup>4</sup> Article XXIV of the General Agreement on Trade and Tariffs details the requirements for WTO compatibility of Regional Trade Agreements.

Protocol I on Definition of “Originating Products” (Rules of Origin) and Methods of Administrative Cooperation

Protocol II on Mutual Administrative Assistance in Customs Matters

Protocol III on Cultural Cooperation

## 1.5. Two sides of EPA Implementation

There are two complementary aspects to EPA implementation in the Caribbean. On the one hand, there are the obligations, which CARIFORUM Governments have assumed as Parties to the Agreement and, on the other hand, there are the EPA-related opportunities in terms of improving the competitiveness of economic operators and taking advantage of new or enhanced market access for regional exports. Later sections of this report look at what is being done and what programmes have been or are being developed in our focus countries.

At the regional level, CARICOM Heads of Government had agreed since the first half of 2008 that EPA Implementation should be a priority for the region and the Hon. Bruce Golding, Prime Minister of Jamaica and Lead Head of Government for External Trade Negotiations, had requested the CARICOM Secretariat “to prepare an EPA Implementation Road Map stipulating a Schedule and Plan of Action to Guide Member States” on issues such as: *(1) required legislative and policy actions at both the regional and national levels; (2) a timetable for completing the identified actions; (3) an estimate of the volume of resources required for EPA Implementation; and (4) an indication of the quantum of resources already committed by the EU as well as identification of possible sources of additional funding.*

It was also anticipated that the regional Plan of Action, approved by Heads of Government, would help to stimulate initiatives by the private sector at the regional level and, even more, at the level of individual Member States to motivate them to become proactive in identifying and seeking to exploit tangible new market access or other business opportunities in the EU.

At the national level, public sector officials in some countries have been expressing concern about the potential loss in revenue resulting from the reduction of tariffs and they observe that no provision has yet been made to compensate for the anticipated decline in government revenue. Although there are phased liberalisation schedules to cushion possible revenue losses, the perception remains that regional governments cannot afford to reduce import duties during this period of financial crisis. There is also concern in the smaller economies that products from Europe and the Dominican Republic are likely to flood the local market to the detriment of domestic producers.

## 2. PRINCIPAL FINDINGS

The Caribbean region has truly struggled to move forward with any urgency or real coordination with respect to EPA implementation. The challenges are political, communication-related, philosophical, cultural, institutional, financial, technical, capacity-related and more. In the next few pages we will examine some of these issues, based on information gleaned from our discussions with regional and national stakeholders.

### 2.1. EPA implementation challenged by information deficit

The biggest problem affecting EPA implementation in CARIFORUM seems to be an information deficit. Public sector institutions, which are not as familiar with the EPA provisions as one would have imagined, are nevertheless better informed than the private sector organizations. Although a video had been made by the CRNM to explain the provisions of the Agreement, very limited and not very effective use has been made of the video by either regional or national authorities.

However, the real challenge seems to be how to bridge the gap between, on the one hand, the Ministries of Trade and/or their EPA implementation units and, on the other hand, the business community. Although the former report that they have been organizing sensitization sessions, workshops etc. to inform private sector executives about the Agreement, the latter generally complain that they don't know enough about the EPA, particularly how to access the benefits.

In the area of services, even in tourism and culture, two sectors in which most CARIFORUM Member States claim to have offensive interests, both Business Support Organisations (BSOs) and individual business persons complain that they have not been able to take advantage of the promised market access and that they are having difficulty understanding how their members can benefit from the EPA.

Clearly, there is a need for more effective dissemination of information in an easily understood format, particularly for the creative industries which tend to comprise micro operations and exhibit a tendency to avoid structures. Implementing institutions, both public and private sector, need to pay more attention to the expressed demands of cultural services suppliers and to work closely with them to ensure that they are well placed to take advantage of both the market access for "Entertainment Services" as well as the benefits available under the Protocol on Cultural Cooperation.

*There is a saying that "the greatest fear is fear of the unknown". This statement might accurately describe the relationship between most of the region's private sector and the EPA. They don't know much about it and they are unwilling to seek even readily available information. The private sector seems almost afraid of the Agreement, as though it represented some unknown and potentially destructive force, which they are reluctant to awaken.*

Whereas some segments of the NGO community and certain regional academics have been vocal in their criticisms of the EPA, regional governments have been reluctant to enter the debate and explain the potential benefits to be derived from the Agreement. This has given the EPA the face of an unwanted trade agreement. The strident voices of the "naysayers" have tended to overwhelm the reasoned rebuttals of those who see the EPA as offering opportunities that the region is not exploiting.

## 2.2. CARIFORUM<sup>5</sup> governance issues

### **The Dominican Republic and others have concerns**

The CARIFORUM governance issues, which have confronted the region for a number of years, have been having an adverse impact on its ability to manage the EPA process. The signing of the Agreement in October 2008 and its provisional application from 29 December 2008 have heightened concerns over the existing CARIFORUM governance structure.

The scope of activities of the original CARIFORUM Secretariat was limited to the programming of resources provided by the EU within the context of the Caribbean Regional Indicative Programme (CRIP). However, some CARIFORUM Member States are arguing that the CARIFORUM-EU relationship is no longer limited to development cooperation assistance from Europe, but now includes coordination of and assisting with the implementation of the region's collective trade obligations arising from the EPA. The Dominican Republic, in particular, has made repeated representation for a re-examination of CARIFORUM governance arrangements, taking into consideration the signing of the EPA and other developments. This sentiment was also recently underlined by two CARICOM Member States, Antigua & Barbuda and Barbados.

### **Council strengthens CARIFORUM Directorate**

The 18<sup>th</sup> meeting of the CARIFORUM Council of Ministers was convened in Belize on 1<sup>st</sup> April 2011 with the primary objective of resolving the CARIFORUM Governance issues. Although the Council was not able to reach a consensus on the difficult question of having a separate CARIFORUM Secretary General, progress was made on a number of other matters.

The Council agreed on the need to reorganize the CARIFORUM Secretariat arrangements so that a strengthened CARIFORUM Directorate would be headed by a Director General, who would also assume the role of EPA Regional Coordinator. In addition, it was agreed that the new CARIFORUM Directorate structure would provide for both a CARIFORUM EPA Implementation Unit as well as the traditional programming and development cooperation functions.

The Council further agreed on the need for an urgent independent institutional assessment of the work of the CARIFORUM Directorate with a view towards determining an appropriate operating mandate, organizational structure, and staffing.

The conclusions from the 18<sup>th</sup> meeting of the CARIFORUM Council of Ministers should result not only in a restructured and strengthened CARIFORUM Directorate, but also should satisfy some of the expressed concerns of certain Member States with respect to the governance of CARIFORUM. In addition, the Council took some decisions with respect to CARIFORUM Chairmanship of and representation on EPA oversight institutions. These CARIFORUM Council decisions should help to remove some of the road blocks and resolve some of the political and institutional problems, which have been having a negative impact on EPA implementation in the region.

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<sup>5</sup> CARIFORUM, which comprises the CARICOM States plus the Dominican Republic, was established in 1992 to accommodate the accession of the Dominican Republic and Haiti to existing ACP-EU agreements. Haiti subsequently became a member of CARICOM, but membership for the Dominican Republic is still being considered by both sides. The Secretary General of CARICOM also serves as the Secretary General of CARIFORUM and this has led to major differences between CARICOM and the Dominican Republic because the latter argues that they are disadvantaged because they have no role in the appointment of the Secretary General.

## 2.3. Tardy establishment of oversight institutions

The EPA provides for the establishment of a number of institutions to ensure the proper oversight and implementation of the Agreement. While the Joint CARIFORUM – EU Council was established rather quietly in the margins of an EU-Latin America and Caribbean Summit in Madrid in May 2010, the other institutions have not yet been made operational. The entire process seems to have been sidetracked because of the region's inability to agree on a Regional Coordinator, someone to facilitate exchange of information between the Parties.

The CARIFORUM-EC Trade and Development Committee, which is seen by many as critical because it is the body responsible for supervising the “day-to-day” implementation of the Agreement, has not yet been constituted despite several attempts to agree on a mutually convenient date. The same is true for the Special Committee on Customs Cooperation and Trade Facilitation. Similarly, the CARIFORUM-EC Parliamentary Committee has remains ‘a promise unfulfilled’, although there are plans for a meeting in June, and CARIFORUM seems unable to agree on the composition of its representation on the Joint Consultative Committee, which is to promote dialogue and cooperation between civil society of the Parties (including academics, social and economic partners).

It is instructive that whereas a number of public sector officials, particularly those representing Ministries responsible for International Trade, consider the non-establishment of these Committees as a major set back in terms of EPA implementation; most private sector executives did not even seem to be aware that there were such provisions in the Agreement. This is symptomatic of the “information deficit” discussed earlier. These various committees, which have been provided for in Part V of the Agreement, are listed in the table below.

**Table I – EPA Oversight Institutions**

<b>Institution</b>	<b>Areas of responsibility</b>	<b>Status</b>
Joint CARIFORUM-EU Council	Ministerial level body responsible for implementation of the EPA	Established 17 <sup>th</sup> May 2010
CARIFORUM-EU Trade & Development Committee	To assist the Joint Council, supervise implementation of the Agreement, set up and oversee special committees	Its inaugural meeting on 9 <sup>th</sup> & 10 <sup>th</sup> of June 2011
CARIFORUM-EU Parliamentary Committee	To facilitate parliamentary scrutiny by providing a forum for CARIFORUM & EU Parliamentarians to meet and exchange views	First meeting on 15 <sup>th</sup> & 16 <sup>th</sup> June 2011
Special Committee on Customs Cooperation and Trade Facilitation	This is a joint CARIFORUM-EU committee to monitor the administration of the EPA chapter on Customs and trade facilitation	Not yet operational
CARIFORUM-EU Consultative Committee	To assist the Joint Council in promoting dialogue and cooperation between civil society organizations	Not yet operational

## 2.4. Aid-for-Trade promises remain unfulfilled

The EU Aid-for-Trade (AFT) facility, in theory, represents a potentially significant source of funding for EPA implementation projects. The EU AFT commitment envisaged increasing trade-related development support to €2 billion per year from 2010 – with one billion coming from the European Commission and the other billion from EU Member States. The Council of the European Union had also decided that half of these AFT resources would be earmarked for EPA implementation in ACP regions<sup>6</sup>. In addition, the EPA text includes a declaration that CARIFORUM will benefit from an equitable share of EU Member States' AFT commitments for EPA implementation<sup>7</sup>.

There is universal disappointment across the Caribbean over the paucity and type of Aid-for-Trade resources made available to the region since the signing of the EPA. The ten million Pounds, provided by the UK (the CARTFund), has already been committed and almost all other EU Member States have failed to honour the promises, which they made during and immediately after the EPA negotiations. Germany, which has stationed in the region a few experts with small discretionary budgets to assist with capacity building, is the only other EU country providing AFT assistance in the Caribbean at this time.

This has been a major area of disappointment for the region because Aid-for-Trade funding was seen as an important contribution from EU Member States to reduce the demands on Regional and National Indicative Programmes. Most CARIFORUM countries preferred to retain their National Indicative Programmes (NIP), which are already relatively small, for previously identified social projects. Furthermore, AFT funding was seen as the type of support, which would be more readily accessible than traditional EDF resources, and would be particularly suitable for private sector support in areas such as improving competitiveness.

CARICOM's Assistant Secretary-General Irwin LaRocque, speaking at a WTO regional forum in Barbados earlier this year, stated that while the region was receiving significant Aft resources for *"trade policy and regulation"*, other categories, such as *"trade-related infrastructure"* and *"building of productive capacity"* were not receiving requisite assistance.

## 2.5. Uneven pace of EPA implementation

Countries in CARIFORUM are at various stages in the implementation process. An important stage in this process is the setting-up of EPA implementation units or focal points. At present, Antigua and Barbuda, Barbados, Dominican Republic, and Jamaica have established, although not necessarily adequately staffed, units or mechanisms to advance the EPA Implementation process. Trinidad and Tobago recently announced that it would be setting up an implementation unit in July and most of the other Member States have some sort of EPA "Contact Point", which is more or less proactive depending on the commitment and enthusiasm of the assigned officer.

Among the countries, which make up the Organisation of Eastern Caribbean States (OECS), St. Lucia has made the least progress in terms of EPA implementation, having neither a focal point nor an implementation unit. The other OECS countries have at least begun to put some institutional capability in place, but progress varies from country to country. St. Vincent and the Grenadines, St. Kitts and Nevis,

<sup>6</sup> Conclusions on Aft of the Council of the European Union on 15 May 2007

<sup>7</sup> Joint declaration on Development Cooperation attached to the CARIFORUM-EC Economic Partnership Agreement

Dominica and Grenada have focal points and are seeking donor support, including from a replenished CARTFUND, to set up their EPA Implementation Units. St. Vincent is hoping to have its EPA Unit by June. The Dominican Republic is at a more advanced stage. This can be linked to a general policy that differs from the other countries in the region and demonstrates a proactive orientation towards seeking to obtain maximum benefits from international trade agreements and improving that country's ability to mitigate against any resulting fallout. Since 2002, the Dominican Republic has had a unit, which is responsible for implementing all international trade agreements. Consequently, there are ahead along the experience curve and building capacity with respect to implementation.

### **Slow & uneven progress characterized by intra-regional difficulties**

EPA implementation in the Caribbean is not only moving ahead extremely slowly, but the rate of progress is also very uneven across the region.

Whereas the Dominican Republic, with a long established and well-staffed unit for implementing international trade agreements as well as a proactive and engaged private sector, seems to be making good progress in a number of areas; the small OECS countries are struggling to make any meaningful progress. Some other CARIFORUM countries, such as Barbados and Jamaica, have special EPA implementation or Trade Agreements units and are making slow, but steady progress.

Inaction at the regional level, exacerbated by a continuing uncertain relationship between the Dominican Republic and the CARICOM Secretariat, has contributed significantly to the Caribbean's EPA implementation challenges. This has been particularly evident with respect to the regional EPA oversight institutions and the region's inability to put them into operation.

Concerns about the "Regional Preference" aspect of the EPA and the impact it might have on other CARIFORUM countries, particularly the smaller economies, is another issue contributing, not only to uncertainty among Member States, but also to a tendency towards inaction in some countries. This mistrust, which seems to dominate the relationship between the Dominican Republic, the CARICOM Secretariat, and a number of member states in the region, is a major factor in determining the pace and efficacy of EPA implementation from country-to-country.

## **2.6. Regional EPA Implementation Unit**

Given the current economic recession, CARICOM Member States have been preoccupied with maintaining employment and basic social services, therefore EPA implementation, generally, has not been able to attract the necessary political support nor the required resources, financial and personnel. In any case, the necessary legal, regulatory and administrative requirements were always likely to be particularly burdensome on the smaller regional economies. Therefore, one of the regional implementation challenges is to prevent the smaller economies from being so preoccupied with EPA-related obligations that they do not give enough attention to the exploitation of EPA-related opportunities.

Following the directive of CARICOM Heads of Government, the region has endeavoured to address this capacity constraint by establishing a regional EPA Implementation Unit to provide coordinated technical support, particularly to the region's smaller economies. The regional Unit, like those which have been set up in some Member States, is under-resourced. It became operational in February 2009 and is headed by Mr. Branford Isaacs, Adviser to the Secretary-General on EPA Implementation and Specialist on Trade in Goods. Other members of staff include Specialist in Services and Investment, a Legal Officer, an



Information Specialist, and minimal support staff. There is also a post of Private Sector Liaison, which is still vacant.

It is envisaged that when specialized expertise is required, short-term consultants will be recruited. In addition, the Unit will collaborate with regional public and private sector organizations in identifying needs and delivering requisite assistance.

### **Cooperation with Member States**

The regional EPA Implementation Unit, which is being partially financed until the end of 2012 out of the British-resourced CARTFund, has been working with Member States in organizing seminars, workshops and other outreach activities in order to inform both public and private sector stakeholders about the agreement. CARIFORUM Member States, despite their resource limitations, have not been utilizing the services of the Unit as much as one would have imagined.

The only explanation offered for this illogical behavior is that those Member States, requiring the most technical support, have been slow to identify their needs and request appropriate help from the Regional Unit. It is anticipated that as the region begins to focus more on its EPA implementation obligations, the Unit will become more proactive in reminding CARIFORUM Member States about their EPA obligations and reaching out to offer technical assistance in areas, such as: training (to strengthen Customs Departments and other institutions); the delivery of effective sensitization sessions; drafting of model legislation; and the establishment of monitoring mechanisms.

## **COUNTRY STUDIES**

As indicated in the Methodology earlier, this report examines the EPA implementation experience in three CARIFORUM countries, which present varied perspectives with respect to their approach to the EPA implementation challenge. The three countries, Barbados, the Dominican Republic, and St. Vincent and the Grenadines, have different economies and are at different stages of their economic development. The Dominican Republic has the largest economy in the Caribbean and is the region's second largest country in terms of land mass and population<sup>8</sup>. Barbados and St. Vincent and the Grenadines (the latter's economy depended heavily on banana production), small English-speaking islands, are members of the Caribbean Community (CARICOM) while the Dominican Republic is the only non-CARICOM state in the CARIFORUM grouping.

The three countries were looked at with respect to their institutional arrangements for EPA implementation; the effectiveness of stakeholder outreach; the status of their implementation activities; the challenges faced by public and private sector institutions; and the perspectives on the Agreement of prominent officials. The next three chapters of the report summarize the research findings in the target countries.

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<sup>8</sup> The United State Department of State, Bureau of West Hemisphere Affairs- June 7, 2010.



### 3. FOCUS ON BARBADOS

#### 3.1. Economic & Trade Policy overview

##### **Economic overview**

The global economic crisis has hit Barbados severely by reducing tourism inflows and limiting activity in the International Business sector. GDP declined a cumulative six per cent over the three-year period 2008 – 2010. This decrease in output was driven by widespread weakness across all major economic sectors, especially tourism, financial services, and real estate. Indeed, the fact that the global recession originated in the U.S. and U.K., two countries to which Barbados looks for most of its tourism and foreign direct investment, has exacerbated the country's problems.

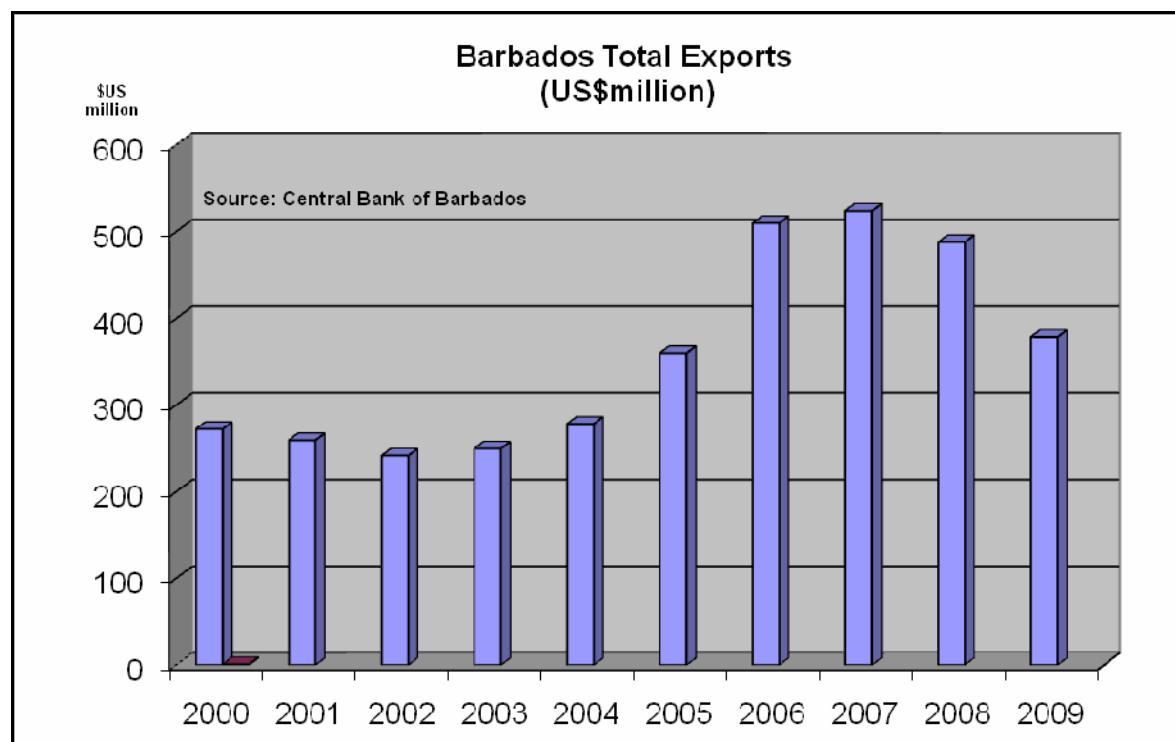
The unemployment rate has steadily increased from 7.4 percent in 2007 to 10.8 percent in 2010, despite a number of initiatives by the government to encourage firms to maintain employment, particularly in the tourism sector.

However, after declining in 2008 and 2009 and remaining relatively flat in 2010, the Barbados economy is recovering from the effects of the global crisis and growth of 2.0 to 2.5% is projected for 2011. The rate of inflation, which jumped to 8.1% in 2008, has since abated to 3.7 and 5.0 per cent in 2009 and 2010 respectively. It is estimated to increase by 3.5% in 2011<sup>9</sup>.

Barbados is a small open economy that is highly dependant on external trade. Therefore, it is critical to develop and expand foreign exchange earning economic activity. Sugar, which had traditionally been the main export earner, has long given way to tourism and other internationally traded services – even rum has surpassed sugar in terms of the value of its exports. The Barbadian economy is increasingly oriented towards services, particularly tourism, which is the largest earner of foreign exchange and is responsible for 14.8% of GDP. Sugar contributes only one per cent and non-sugar agriculture 3.3%. In the circumstances it is easy to see why any decline in tourism and other internationally traded services would have a severe impact on the entire Barbadian economy.

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<sup>9</sup> Central Bank of Barbados Annual Economic Report for 2010



### Trade Policy overview

International trade has played a critical role in the development of the Barbados economy, with total trade in goods and services representing some 133% of GDP. In general, Barbados' open trade regime and a stable trade policy environment have contributed to the country's growth. This trade policy orientation is intended towards achieving a number of key objectives, such as: facilitating the development of a viable and vibrant export trade for Barbados; securing and maintaining favourable access to international markets for Barbadian goods and services; promoting Barbados' trade interests at both the regional and international levels; and implementing regional and international trade agreements to which Barbados is a Party.

Barbados, a founder-member of the Caribbean Community and Common Market (CARICOM), is an original Member of the WTO and actively supports the multilateral trading system. In the WTO, Barbados advocates binding and enhancing special and differential treatment for developing countries and pushes for recognition of the special status and needs of small, vulnerable, developing economies<sup>10</sup>.

This small island nation, which has been an active member of the ACP since 1975, played a lead role in the negotiation of the CARIFORUM-EC Economic Partnership Agreement and is in the vanguard of the Caribbean's EPA implementation effort.

Barbados formulates and implements its trade policy within the context of its membership in CARICOM, which is in the process of consolidating a single market and economy. As a member of CARICOM, Barbados has concluded preferential trade agreements with Colombia, Costa Rica, Cuba, the Dominican

<sup>10</sup> WTO Trade Policy Review - Barbados

Republic, and Venezuela. In addition, exports of Barbadian products have benefited from one-way preferential market access, offered by a number of developed countries.

Although maintaining an open trade policy regime and having relatively simple import procedures, Barbados requires import licences for some products, with different licensing regimes applying to imports from CARICOM and from other countries.

Barbados promotes exports through a number of fiscal and other incentives programmes, some of which have been notified to the WTO as containing export subsidies. In addition to export-support programmes, producers of goods and services may benefit from tax breaks or other forms of assistance. Given its small size and consequent inability to take advantage of economies of scale, Barbados is a high-cost location for the production of goods. Therefore, without export subsidies and protection from lower-cost imports, the viability of several of the existing activities in agriculture and manufacturing would be under threat.

### 3.2. Institutional framework for EPA implementation

The core of the institutional framework for EPA implementation in Barbados is the EPA Implementation Unit of the Ministry of Foreign Affairs and Foreign Trade. The Ministry, which is charged with coordinating the implementation of international trade agreements, took an early decision that it was necessary to have a special unit within the Ministry to ensure that EPA implementation received the attention which it deserves. The Ministries of Finance and Agriculture also have important roles. The former has responsibility for border taxes, regulatory authorities in the financial services sector and tax policy. The latter has been mandated to develop and put in place an appropriate sanitary and phyto-sanitary regime for Barbados.

#### **Private sector organizations involved**

Private sector activity is supposed to be coordinated by the Barbados Private Sector Association (BPSA), but in reality the various Business Support Organizations (BSOs) tend to focus on their own priorities. However, the BPSA's trade policy arm, the Barbados Private Sector Trade Team (BPSTT), has been active in trying to explain some of the EPA's provisions to the business community. The Barbados Coalition of Services Industries, which has been facilitated by the Ministry responsible for International Business, has a special role to organize the export services providers, particularly the small and medium sized companies, and help them to access international markets. In addition, the Chamber of Commerce and Industry has become more engaged in recent months and has indicated a willingness to work with other private sector organizations and with the EPA Unit in ensuring that the business community is better prepared to explore EPA-related opportunities.

The BPSTT, which recently hosted an introductory workshop to inform the business community about the importance of developing project proposal writing capacity in the private sector, has also been proactive in seeking donor funding for its programmes and recently established a "Project Proposal Writing Hub" with financial support from the CARTFund. The Hub is still in its infancy, but when fully operational, it is expected to provide 'hands on' assistance to the private sector by helping Business Support Organisations and economic operators to formulate project proposals to access donor funding and other technical support.

**Principal EPA Implementing Institutions in Barbados**

<b>Public sector</b>	<b>Non-governmental</b>
Foreign Trade Division EPA Implementation Unit Ministry of the Attorney General Ministry of Finance Ministry of Tourism Ministry of Labour Ministry of International Business Ministry of Agriculture Ministry of Culture Customs Department Immigration Department National Cultural Foundation Invest Barbados BIDC Fair Trading Commission	Private Sector Association Private Sector Trade Team Chamber of Commerce & Industry Coalition of Services Industries Hotel & Tourism Association Barbados Workers Union Institute of Chartered Accountants Barbados Agricultural Society Manufacturers Association Small Business Association CICMC (Barbados chapter)

**EPA Implementation Unit**

The EPA Implementation Unit became operational on 1<sup>st</sup> July 2009, following the appointment of an EPA Implementation Consultant. However, it has remained seriously understaffed because the global financial crisis has forced Government to institute an austerity programme, which includes a freeze on staff recruitment.

The scope of the Unit's mandate includes:

- Ongoing liaison and interaction with public and private sector institutions to identify EPA-related needs and possible sources of development assistance to address those needs.
- Working with Government Ministries and other agencies in developing or strengthening the country's regulatory and enabling environment in order to facilitate the exploitation of EPA-related opportunities by the private sector.
- Organizing, in cooperation with other public or private sector institutions, workshops and presentations on the provision of the EPA and the potential opportunities for Barbadian economic operators.
- Liaising and interact with regional and locally based institutions involved in managing and/or disbursing resources, which could be used for EPA-related projects.
- It is envisaged that the continuous monitoring, together with the mandatory five-yearly comprehensive review, will enable Barbados to determine, based on actual experience, whether or not the objectives of the EPA are being met and, if necessary, to make appropriate adjustments. The Implementation Unit is expected to play a key role in facilitating this continuous monitoring and in helping policy makers to determine whether the EPA is 'on track' to meet its objectives.

### 3.3. EPA implementation initiatives

The EPA Implementation Unit has prepared a roadmap, which reflects both EPA obligations and opportunities. The Roadmap sets out areas where legislation should be drafted or amended and also identifies possible EPA-related opportunities for Barbadian public and private sector institutions. The Unit, as part of its ongoing liaison work, has been working with applicable Government Ministries, such as Finance, Labour and International Business, as well as Departments, such as Customs and Immigration to identify legislative requirements.

In seeking to address the need in both the public and private sectors for concise, pertinent and easily understood information concerning the Agreement, the EPA Implementation Unit is publishing a series of six “EPA Information Booklets” to provide stakeholders with a clear picture of the key provisions of the Agreement, particularly as it relates to business opportunities.

#### **Outreach to stakeholders**

An important aspect of the work of the EPA Implementation Unit has been its outreach to and interaction with various stakeholders. A number of EPA ‘sensitization’ sessions have already taken place and similar sessions are continuing with various Government Ministries or agencies, and private sector organizations. In this context, workshops have been organized in cooperation with the Barbados Investment and Development Corporation, the National Cultural Foundation, the Customs Department, Tourism operators and Professional Services providers.

The EPA Implementation Unit secured support from the EU-funded and Brussels-based TradeCom Project Management Unit for two projects to facilitate EPA implementation in Barbados. One project intended to assist Barbadian services exporters in exploiting market access opportunities in the EU is ongoing. The second project, involving the organisation of a seven-day workshop on “Project Preparation” for persons from the public and private sectors, was executed in October, 2010.

#### **Business Support Organisations**

There has also been some purely private sector activity, with the Coalition of Services Industries organizing trade missions to the UK and Martinique and the Private Sector Trade Team, as mentioned in an earlier section, utilizing CARTfund support to launch a “project preparation hub” to help to address an identified need for help in this area.

The Barbados Hotel and Tourism Association as well as the Caribbean Tourism Organisation and the Caribbean Hotel Association, both of which have offices in Barbados, have been proactive in trying to take the EPA message to their members. The major complaint from these organizations, a message which was repeated by both public and private sector entities, is the absence of actionable information on how to access EPA-related resources.

#### **Legislation**

The process of drafting or amending legislation is proceeding rather slowly because, in the first place executive Ministries or agencies have not been able to prioritize their particular needs and, secondly, there are not enough legal draftspersons to handle all of the urgent or priority requests with which that department is faced. Nevertheless, legislation eliminating ODCs has been passed and legislation has also

been introduced to give effect to the tariff reduction commitments made in the Agreement. Meanwhile, the EPA-related entry visa commitments have been incorporated into a “White Paper” on Immigration, which is currently being circulated for stakeholder comments. We are advised that, although the legislation is not yet in place, any EU service provider, who satisfies the applicable conditions for entry, should not have a difficulty.

### 3.4. Political engagement with EPA

Barbados’ political engagement with the EPA began with the negotiations, as the then Minister of Foreign Affairs and Foreign Trade, the Hon. Dame Billie Miller assumed the role of CARIFORUM Ministerial Spokesperson. This prominent involvement, at the political level, continued under a new Minister, the Hon. Christopher Sinckler, who at the EPA signing ceremony in October 2008, announced that Barbados intended to establish an EPA Implementation Unit. Subsequently, at the inaugural meeting of the Joint CARIFORUM-EC Council in May 2010, Minister Sinckler’s successor, Senator, the Hon. Maxine McClean was appointed CARIFORUM’s first High Representative.

During the past three years, representatives of the Barbados Government have been very involved in the EPA process, not only at the national level, but also in regional exchanges. At the domestic level, there are a number of mechanisms, both formal and informal, to facilitate coordination between the government and the private sector. Therefore the “political directorate” receives regular input from the business community and NGOs on implementation issues.

The engagement of opposition politicians was underlined during the Parliamentary debate on the Budget Estimates in March 2011, when the Leader of the Opposition expressed a number of concerns about the slow progress of EPA implementation in Barbados. The Minister of Finance, in response, defended the Government’s implementation initiatives and highlighted the constraints being placed on Government by external economic factors. When the Senate debated the Estimates, an Opposition Senator also raised some issues related to the pace of EPA implementation and the Leader of Government business in the Senate was quick to respond, enumerating the EPA implementation activities being undertaken by Government and by private sector partners.

### 3.5. Private sector perspective

Business support organisations in Barbados have an important role in the EPA implementation process but the weight of their contribution is seriously limited due to a paucity of financial and human resources. This resource limitation is even more pronounced in the case of voluntary organisations. Therefore, the capacity of smaller private sector entities and NGOs to conduct the requisite evaluation of issues and preparation of position papers is constrained.

#### **Information dissemination programmes**

A number of stakeholders, particularly in the private sector, have spoken of the need for timely, user friendly and enlightening information in order to facilitate their effective participation in EPA implementation undertakings. This private sector observation was made despite the fact that there are several initiatives at the governmental and non-governmental levels to inform stakeholders about the provisions of the EPA and

to advise them on available EPA-related benefits. The EPA Implementation Unit, the Government Information Service, the CARICOM Secretariat's Office of Trade Negotiations (OTN), the Barbados Private Sector Trade Team (BPSTT), and the Barbados Coalition of Services Industries (BCSI) have programmes to inform interested parties about the Agreement.

The BPSTT is one of the private sector organizations that seems fully seized with the provisions of the EPA and indicated that it felt well informed because of its participation in the EPA negotiations, ongoing liaison with the Foreign Trade Division of the Ministry of Foreign Affairs and Foreign Trade, and its own research. The BPSTT is the technical arm of the Barbados Private Sector Association, which is the umbrella body for a number of the business support organizations. The Trade Team has also been active in reaching out to the business community through its website, during consultations and workshops, and in periodic newspaper articles.

Despite the varied information outreach efforts of the organizations referred to above, most stakeholders still seem ill-informed about the Agreement. Some business executives and representatives of BSOs commented that reading and digesting the EPA is a daunting task, which cannot be undertaken lightly by persons, who are not trade specialists. One executive described the EPA as a voluminous document, written in complex language.

Some in the business community have suggested that the contents of the Agreement should be reviewed, written in layman's language and properly packaged to target the different business interests. They argue that business persons should be able to identify immediately the benefits and challenges so that they can determine how best to proceed in order to take advantage of any opportunities. These private sector 'operators' envisage that the booklets or pamphlets, specifically prepared for their convenience, would include basis definitions, summaries of relevant texts, and guidance notes on how to access resources. *The EPA Implementation Unit recently produced and distributed to the various BSOs a series of EPA information booklets. It will be interesting to see whether the availability of this type of information has a positive impact on the business community's exploration of EPA-related opportunities.*

### **Some views on EPA implementation effort**

Some BSOs observed that, until recently, many of their members regarded the EPA, nonchalantly, as an Agreement about which they would eventually be informed by Government. One reason put forward for the business community's apparent disconnect from the EPA is that the private sector's role in the implementation process has not been adequately explained. This has led to the complaint that whereas much time, money and effort was spent on the negotiations, comparatively meagre resources have been dedicated to implementation.

The view was also expressed that Government's approach to EPA implementation seems more oriented towards ensuring compliance with commitments rather than exploiting opportunities. In this context, it was proposed that, perhaps, Government should set up a special interactive website, dedicated to trade agreements and related matters, but oriented towards business persons rather than trade officials. *Another view is that Government is already doing what governments should do and the business community should be more proactive in evaluating and exploiting opportunities, which are brought to their attention.*

On the other hand, certain organizations, such as the BPSTT and the BCSI regarded EPA implementation as a high priority activity, which could produce benefits for their members. These two BSOs are focused on three objectives in their approach to the EPA: (1) The need to preserve access and improve penetration for companies already in the EU market; (2) to ensure that an adequate framework was in place to facilitate new exporters seeking to enter markets in the EU; and (3) securing access to technical assistance and

funding for Barbadian companies, wishing to improve their competitiveness to meet challenges from imported products.

Furthermore, since legally-binding market access into the EU for a variety of services suppliers has been identified as one of the benefits emanating from the EPA, the BCSI is seen as having an important role in mobilizing services providers and helping them to identify and take advantage of market access into the EU and related business opportunities.

The agricultural sector, particularly the Barbados Agricultural Society, expressed the view that the EPA presents a serious challenge and they find little solace in its developmental agenda, which the sector's spokesperson regard as not adequately structured and rather vague so that it is difficult to anticipate the attendant benefits or challenges.

### **Market access challenges**

Although the EPA provides duty free access for all Barbadian goods entering the EU as well as for a variety of services, local exporters face the challenge of determining how to take advantage of that access. Some companies seeking to export goods to Martinique, Guadeloupe and French Guiana have been complaining that the required documentation constitute an unnecessary barrier to market access. This is an issue to be followed-up by the appropriate authorities because such discriminatory behaviour could heighten existing suspicions about the reliability of some trading partners in the EU.

The traditional tendency of Barbadians to avoid learning other languages emerged as a constraint on the ability of local exporters to take advantage of market access and general business opportunities in most EU countries. This led to the comment that one of the government's future strategic initiatives should be to make Barbados a multi-lingual country.

Although the BCSI-organised trade missions for services providers to the United Kingdom, Martinique and Guadeloupe have met with some success; BSOs generally, including the BCSI, think that more needs to be done in the area of market intelligence so that potential exporters have a better understanding of market requirements.

With respect to the export of food products to the EU, the absence of an appropriate SPS regime is a major problem. Some potential exporters of chicken and fish products have had to forego likely sales because of the inability of food exports from Barbados to satisfy the EU's SPS requirements. In an effort to address this shortcoming, Barbados has launched a "National Agricultural Health and Food Control Programme (NAHFCEP)" to ensure that Barbadian exporters of food products are well placed to satisfy health and food safety regulations in developed country markets, such as the EU, Canada and the United States. *It is noteworthy that Barbados decided to fund this project with a loan from the Inter-American Development Bank rather than battling with the frustrations of trying to secure timely development support from the EU.*

### **Mutual Recognition Agreements (MRAs)**

The process of preparing CARIFORUM services providers to negotiate MRAs with EU counterparts has also been slow moving. The situation in Barbados and other CARIFORUM States is that much of the groundwork remains to be done before services suppliers are ready to negotiate MRAs. The necessary certification and organizational structures are either underdeveloped or not yet in place. One BPSTT official pointed out that the negotiation of MRAs is a new area for Barbadian professional associations and that they may not have the competence to conduct MRA negotiations. In the circumstances, the BPSTT



believes that more must be done nationally and regionally to prepare these associations to negotiate MRAs.

In some CARIFORUM States, priority with respect to the negotiation of MRAs is being given to Architects and Engineers and, in this regard, contact has already been made with EU counterparts. The BCSI is also assisting services suppliers in organizing themselves and establishing appropriate frameworks to begin the negotiation of Mutual Recognition Agreements with EU counterparts. However, some groups, such as accountants, consider themselves to be better positioned than other services suppliers because their accounting qualifications, such as the ACCA and CGA, are internationally recognised. The Barbados branch of the regional organization for management consultants, the Caribbean Institute of Certified Management Consultants (CICMC), also believes that the international nature of their accreditation places them in an excellent position to conclude MRAs with their EU counterparts.

The Institute of Chartered Accountants of Barbados (ICAB), which is affiliated to the regional body, the Institute of Chartered Accountants of the Caribbean (ICAC), favours a systematic approach, through which MRAs are first concluded within CARICOM before advancing to the CARIFORUM-EU level. A number of ICAC members have already drafted indicative MRAs and the regional body plans to meet in the coming weeks to forge ahead with preparations for negotiating with EU counterparts.

### 3.6. Public sector reactions

The Foreign Trade Division of the Ministry of Foreign Affairs and Foreign Trade has responsibility for both trade negotiations and the implementation of international trade agreements. Mindful of the unprecedented scope of the EPA, as far as it relates to trade agreements involving Barbados, the Foreign Trade Division began its information outreach to stakeholders with a few seminars for the business community even before the Agreement was signed in October 2008. In addition, conscious of its role in coordinating EPA implementation and anxious to ensure that the private sector would have every opportunity to derive maximum benefits from the Agreement, Foreign Trade also began in 2009 to host a number of sensitization sessions for public and private sector entities. It is against this background that the EPA Implementation Unit was launched in July 2009 to focus on EPA coordination and implementation.

#### **Business facilitation**

In Barbados, there is a desire to see EPA-related obligations counter-balanced by the ability and willingness to take advantage of associated opportunities. In this regard, there is a growing awareness of the need to involve the business development and export facilitation agencies, such as: Invest Barbados, Barbados Investment and Development Corporation, and the National Cultural Foundation.

These agencies, whose areas of responsibility include strengthening the competitiveness of foreign exchange earning sectors and identifying exploitable market access opportunities, have been slow to incorporate the EPA into their core activities. However, after some initial reticence because they did not think that they were sufficiently informed about the benefits to be derived from the Agreement, they are now trying to ensure that both traditional and non-traditional exporters are well placed to benefit from any improved market access.

#### **Monitoring**

There was general agreement that it is important to monitor the pace and impact of EPA implementation to ensure that it is having a positive impact on developments in Barbados. In this regard, it was also pointed

out by some interviewees that the key was to establish appropriate benchmarks. Regrettably very little progress has been made thus far in creating the requisite monitoring mechanisms. Although the delay in setting-up such mechanisms was tied to the reality that the entire EPA implementation process was moving rather slowly and attention was focused on advancing the basic implementation requirements so that there would be something to monitor.

The question of effective monitoring mechanisms is not just a Barbados problem, it is an issue that remains to be addressed in Member States across the region. At the CARIFORUM level, some initial efforts are being made to create a template, which should enable the regional EPA Implementation Unit to follow the progress of individual Member States in meeting their EPA-related obligations. However, much more needs to be done, particularly at the national level, in establishing benchmarks to monitor progress, not only with respect to meeting commitments, but also in taking advantage of EPA-related opportunities.

### **Difficulty in accessing funding & technical assistance**

In terms of accessing EU funding, all stakeholders interviewed had negative comments on the process, which was considered to be too complicated and time-consuming. Most public sector Ministries and agencies lamented their limitations in terms of project preparation and project management capacity. This was seen as one reason why Barbados often seemed reluctant to submit project proposals for assistance from permanent or ad hoc funding vehicles. It was also noted that there is usually very little briefing to line Ministries about available development cooperation resources and even less information has been forthcoming about how to access resources made available under the EPA.

Some agencies observed that there is a need for financial and technical assistance to enhance Barbados's competitiveness within the context of the EPA implementation. It was felt that certain public sector institutions, particularly regulatory or export facilitation organizations, needed greater access to development support in order to equip them better to provide assistance to the private sector.

The Ministry responsible for Culture, its associated agencies, and Invest Barbados (a statutory corporation with a mandate to promote the export of Barbadian services) identified the need for assistance in developing non-traditional export services industries, such as music, cultural shows, fashion, film and video. It was felt that these were areas in which the EU could make a tangible contribution to the export capacity of the emerging cultural sector.

The issue of more effective outreach and sensitization programmes was mentioned by a number of public sector officials. The prevailing view seems to be that the Ministry responsible for Foreign Trade and its EPA Unit did a reasonable initial job in drawing the attention of Ministries and other public sector agencies to the EPA, but a more in depth and ongoing effort was now needed to ensure that line Ministries had a better understanding of their role in the overall implementation process.

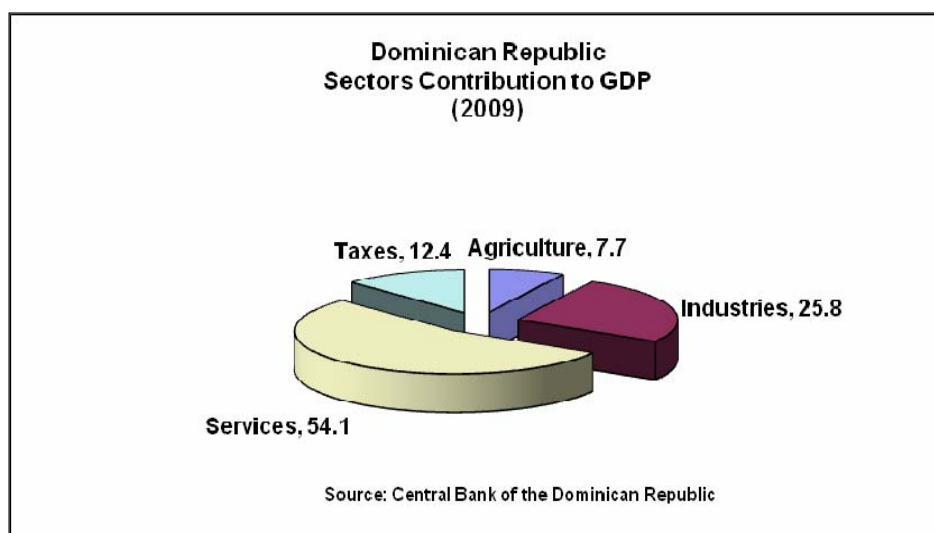
## 4. FOCUS ON DOMINICAN REPUBLIC

### 4.1. Economic & Trade Policy review

#### Economic Review

The Dominican Republic, which occupies the eastern two-thirds of the island of Hispaniola, is the second largest Caribbean nation, after [Cuba](#), by land area and population. It has a land area of 48,442 square kilometres (18,704 sq mi) and an estimated population of 9.2 million according to the recently concluded census. In 2010, the literacy rate was estimated as 85%, with per capita GDP at \$8,300 and 14.5% unemployment.

The International Monetary Fund (IMF) forecasts that the Dominican Republic, which experienced growth of 7.8 per cent in 2010, will maintain its growth outlook with sustained growth of 5.5% in 2011 and in 2012. This represented a significant turn around from 2009 when the economy faced a difficult external and domestic environment. The global economic and financial crisis had depressed exports, remittances, and tourism activity, leading to a deterioration of consumer confidence and reduced private investment.



The IMF's "Global Economic Perspective" said the Dominican Republic seems to be managing price increases, so that the rate of inflation should continue on a downward trajectory. In 2010 inflation closed at 6.2%, and data published in March by the IMF project inflation at 6% in 2011 and 5.5% in 2012.

The main areas of economic activity are Tourism, Sugar processing, Gold mining, and Textiles. The Dominican Republic has generally been seen as an exporter of primary commodities, sugar, coffee, and tobacco, but in recent years, the services sector has overtaken agriculture as the largest employer, due to rapid growth in tourism, telecommunications and free trade zones. However, agriculture remains the most important sector in terms of domestic consumption and trails only mining, in terms of export earnings. The Dominican economy is strongly oriented towards the United States with almost 60% of its exports destined for the USA and, in recent years, remittances from Dominicans, living in the USA, amounted to one-tenth of GDP or almost 50% of exports.

The economy of the Dominican Republic has been growing rapidly since the beginning of the nineties, increasing from 22 billion to 50 billion dollars in 2009. In effect, during the last twenty years, the Dominican economy grew to more than two and a half times what it was in 1990, one of the best performances in Latin America and the Caribbean.

### Trade Policy Review

One of the Dominican Republic's main trade policy objectives is to stimulate the economy's efficiency by reducing the level of protection, counteracting any anti-export bias in the tariff structure and fostering regional economic cooperation. The Dominican Republic, which is a founding Member of the WTO and plays an active role in the Doha Round, attaches priority to the multilateral trade agenda.

The Dominican Republic continues to liberalize its trade regime selectively through preferential agreements. In addition to the agreements it had in force in 2002 with the Central American Common Market and CARICOM, the Dominican Republic has finalized negotiations on a partial scope Agreement with Panama, a Free Trade Agreement among the Dominican Republic, Central America and the United States (DR-CAFTA) and it is a Party to the Economic Partnership Agreement between the European Union and CARIFORUM.

In recent years, the Dominican Republic has continued with the liberalization of its trade regime. Among other measures, customs procedures have been streamlined, tariffs reduced, import surcharges and export taxes eliminated, and new legislation adopted on government procurement, competition policy and intellectual property rights. The average applied MFN tariff rate has decreased from 8.6 per cent in 2002 to 7.5 per cent in 2008. The share of duty-free tariff lines increased markedly during the same period, from around 13 per cent to almost 55 per cent. This reflects the elimination of tariffs applied on many inputs and capital goods not produced domestically<sup>11</sup>.

Nevertheless, the agricultural sector continues to be supported by various measures, including an average tariff higher than that for the economy as a whole, direct payments and marketing and price control programmes. The manufacturing sector is characterized by a very marked duality. It comprises a domestic market-oriented sector and another sector that operates under the free zone regime. In the services sector, there is a noticeable difference between its multilateral commitments and the applied regime, which is much more open as a result of the major reforms adopted in recent years.

## 4.2. Institutional framework for EPA implementation

The Ministerio de Industria y Comercio has overall responsibility for the implementation and administration of the matters pertaining to EPA implementation in the Dominican Republic. The Ministry's primary vehicle for executing EPA-related programmes is a special Unit, the Direccion de Comercio Exterior y Administracion de Tratados (DICOEX), which was established in 2002 to manage implementation of all international trade agreements involving the Dominican Republic and, naturally, has assumed direct responsibility for advancing the EPA implementation process. This Unit, which is ISO 9001 certified, is well-staffed and undertakes a range of implementation actions, including ongoing monitoring and extensive sensitisation activities with public and private sector agencies via workshops, seminars and small committees.

<sup>11</sup> WTO Report prepared for the 3<sup>rd</sup> Trade Policy Review of the Dominican Republic.

However, EPA implementation in the Dominican Republic is not limited to DICOEX. A number of public and private sector entities have assigned roles in the implementation process. In addition to the Ministry of Industry and Commerce, other key public sector players include the Ministries of Foreign Affairs, Economic Planning and Development, and Agriculture as well as the Customs Department, the Comisión Nacional de Negociaciones Comerciales (CNNC), and the Consejo Nacional de Competitividad (CNC).

### **Business community has a role**

The business community is represented by the Consejo Nacional de la Empresa Privada (CONEP) an umbrella body for a number of private sector organizations, the Junta Agroempresarial Dominicana (JAD) representing the majority of agro-businesses and producers, and the Cámara de Comercio y Producción de Santo Domingo. These powerful private sector bodies maintain a close liaison with government, often putting forward position papers, either on their own initiative or at the request of Government, on matters related to both the negotiation and implementation of trade agreements. The EPA implementation responsibilities of these private sector organizations also include the coordination of various technical working groups, which are established periodically to address specific private sector concerns.

The common strategic objectives of the organizations involved in the EPA implementation process has been identified as: improving the competitiveness of economic operators in the Dominican Republic; securing resources for EPA-related projects; and ensuring effective market access in the EU and CARIFORUM for Dominican Services and Agricultural products.

## **4.3. EPA implementation initiatives**

The Dominican Republic is currently into the final year of a four-year project intended to enhance its capacity to implement the EPA, the Dominican Republic-CARICOM Free Trade Agreement, and other trade-related integration initiatives undertaken with EPA partners so that the Dominican Republic can take full advantage of the opportunities presented by these initiatives and agreements.

The project, elaborated as the Institutional Support Programme for Regional Integration (ISPRI), is co-funded by the EDF and the Government of the Dominican Republic. It is being jointly managed by the National Commission for Trade Negotiations of the Ministry of Foreign Affairs and the International Trade Treaties Implementation Unit (DICOEX) of the Ministry of Industry and Commerce and it is expected to strengthen the Dominican Republic's capacity for greater trade integration with its EPA partners, both in Europe and the Caribbean region.

### **Capacity building**

Two of the primary areas of focus for the ISPRI project are building capacity in EPA Administration and in EPA implementation. With respect to **capacity building in EPA Administration**, the principal activities include:

- Consider the implications of the EPA regional preferences clause for the trade of goods between Dominican Republic and CARICOM.
- Determine the potential for cooperation with CARIFORUM regional partners.
- Develop a national plan for EPA implementation.
- Develop an EPA information outreach and promotion strategy.
- Undertake study tours to observe the implementation of trade agreements by other EU trading partners.
- Legislative amendments to satisfy any EPA implementation requirement

In terms of **Capacity building in EPA implementation**, the major initiatives include:

- Determining the prospects for exporting vegetables and fruits to EPA partners.
- Developing an agro-export programme for vegetables and fruits into the EU market, including participation in two international trade shows.
- Undertake a study on the free movement of goods in the Caribbean.
- Design of a promotion strategy for Dominican organic cacao in selected EU countries.
- Create an award for the best journalistic work on EPA issues.
- Execute a programme of seminars and training sessions on EPA opportunities for economic actors in the agriculture and services sectors.
- Provide support of the negotiations of MRAs for architects.
- Undertake studies on the possibility of securing geographical indications on select products.
- Strengthen Dominican Republic-Haiti border markets, through seminars, market research and proper organisation.

### Other initiatives

Another important EPA implementation initiative for the Dominican Republic relates to institutional strengthening for the national standards body, the Direccion General de Normas & Sistemas de Calidad (DIGENOR). In this regard, collaboration is being pursued with CROSQ (the CARICOM regional organization for standards) and a range of measures have been taken to improve standards, address quality control issues and contribute to health and food safety. In addition, in order to ensure that Dominican exports of food products can satisfy EU's SPS requirements, there are ongoing programmes to upgrade laboratory facilities, train staff, amend legislation, and introduce requisite regulations.

With respect to the monitoring of EPA implementation by public sector entities, DICOEX has developed a matrix of actions to be undertaken by various Government departments. At the beginning of each year, these departments are written setting out what actions should be taken by them. DICOEX follows-up around mid-year to find out what actions have been taken to comply with the identified obligations or whether there are problems preventing the executing departments from undertaking the particular task.

DICOEX also sets up small committees or working groups, by industry or sub-sector, to discuss all aspects of the agreement – problem areas, which might need reviewing, as well as those that seem to offer promising opportunities. This approach works because the Agency realizes that when members of the business community feel that they are a part of the process, they are more inclined to take an interest and look for opportunities.

## 4.4. Political engagement with EPA

The Government of the Dominican Republic has been very involved in the EPA process from the negotiating phase through to the present exchanges on the issue of the governance of CARIFORUM. In addition, there are several mechanisms to facilitate coordination between the government and the private sector. These include: The Economic, Social and Institutional Consultative Council, National Council for trade Negotiations, Presidential Table for Export Promotions<sup>12</sup>.

<sup>12</sup> EPA Implementation Stakeholder Analysis : The CARIFORUM Context (Dominican Republic Analysis), prepared by the Shridath Ramphal Centre, March 2009

Dominican Ministers of Government and accredited Ambassadors have been more than willing to speak out on EPA issues affecting CARIFORUM. Indeed, the political leaders have tended to signal the Dominican Republic's positions on key issues so that their public and private sector spokespersons are able subsequently to elaborate consistent Dominican positions on important developments relating to EPA implementation. This is a clear indication that, in the Dominican Republic, there is a working consensus between the Government and the private sector on the key EPA-related issues, such as: 'Regional Preference', the effectiveness of the CARICOM Secretariat, regional integration, CARIFORUM Governance, and market access issues.

In March of this year, the President of the Dominican Republic named Mr. Manual Garcia to be the new Minister of Industry and Commerce. This appointment is seen as underlining the government's commitment to working with the private sector in trade-related matters, such as EPA implementation. Minister Garcia, whose origins are in the private sector, is thought of as someone who understands the concerns and needs of the business community.

#### 4.5. Private sector perspective

The private sector organizations in the Dominican Republic are keen to have the EPA market access issues resolved so that trade can flow more easily across the region to the benefit of all Member States. One Business Support Organization cited the example of the current situation concerning the trade in glass products, which is such that "It is now cheaper to import glass from Spain or Columbia because there is a 20% duty on glass from Trinidad and Tobago as a result of existing arrangements. However, if all Parties agreed to implement the provisions of the EPA and the Dominican Republic-CARICOM Free Trade Agreement, these duties would be eliminated". The business community in the Dominican Republic reiterated over and over that a rationalization of these types of unresolved issues would make sense for all CARIFORUM countries. Private sector executives, interviewed for this report, stated that they could make this case successfully to their government in the Dominican Republic, if there was a reciprocal approach from CARICOM countries.

##### **Private sector not yet fully engaged**

The private sector organizations commented favourably on the ISPRI Project, particularly the components oriented towards assisting local companies to prepare for and access European markets. Nevertheless, both public sector officials and representatives of business support organizations observe that the private sector is not yet as proactive in moving to exploit market access opportunities as one would wish. Some officials did note that this is normal in the Dominican Republic because when a trade agreement is new, the private sector usually takes a little time to absorb the provisions and implications before gradually showing more and more interest.

With respect to Mutual Recognition Agreements (MRAs), priority is being given to Architects and Engineers. Representatives of these two professions are already in contact with counterparts in the EU and efforts are being made to advance the negotiations of MRAs.

It is felt that the facilitating agencies, which have the principal responsibility for EPA implementation, need to undertake more outreach activities, illustrating the benefits and opportunities for economic operators. In addition, efforts should be intensified to strengthen the capacity of the small and medium sized companies to trade with EPA partners, both in Europe and the Caribbean region. In this regard, the main areas of



interest include support to address supply side constraints, particularly as it relates to diversification of products and services. Other areas of interests, identified by the private sector, include implementation to increase the competitiveness of exporters; initiatives to bring about innovation and build capacity; and to support private-sector development strategies.

### Law 173

It is impractical to examine EPA implementation in the Dominican Republic without discussing Law 173, which speaks to “the Protection of Importer Agents of Merchandises and Products”. The contractual relations between the parties involved in any distribution agreement in the Dominican Republic are under the scope of Law 173 of April 6 of 1966, which was amended by the laws No. 263 of 1971, No. 325 of 1972, No. 622 of 1973 and No. 664 of 1977.

Among the most important and controversial characteristics of Law 173 are the provisions referring to the termination of local representatives by foreign companies “without a just cause”. There is also a stipulation in the amended article 10 of the same Law 173 that the relevant distribution contracts between Dominican importer agents and foreign companies must be registered in the Legal Department of the Central Bank.

Members of the Dominican business community, interviewed for this report, were very aware that potential exporters to the Dominican Republic, particularly from other CARIFORUM Member States, are concerned about this Law. However, both exporters and importers in the Dominican Republic were adamant that, in practice, Law 173 is not as problematic as it might seem. They point to the requirement for any contract to be registered with the Central Bank in order for penalties to be imposed and also argue that the Parties to the contract have considerable flexibility in determining what is included in the contract. Furthermore, they suggest that the risk of penalties can be minimised by avoiding exclusive contracts and working with more than one importer.

## 4.6. Public sector reactions

In commenting on the fact that most EPA regional oversight institutions have not yet met, officials in the Dominican Republic pointed out that this situation, which has remained unresolved for a long time, leads to a void in an important aspect of the Agreement. The existence of such a void creates problems because there is no institution to which they can refer EPA implementation concerns, such as: “How to make ‘Regional Preference’ operational if some countries are not meeting their commitments?” Dominican officials also point out that the inability of the region to organize itself to participate in these EPA regional oversight institutions is having a serious negative impact on the overall question of CARIFORUM Governance.

Public sector institutions in the Dominican Republic, particularly those which are involved directly in EPA implementation, tend to express frustration and disappointment over the apparent reluctance of certain CARICOM Member States to follow through on trade obligations. The Dominicans often observe that whereas Dominican Republic has taken the necessary steps to ensure that it can meet all of its obligations under the EPA and the previously concluded CARICOM-Dominican Republic Free Trade Agreement, a number of CARICOM countries have thus far failed to live-up to their obligations with respect to tariff reductions commitments under these Agreements.

Officials in the Dominican Republic, like their colleagues in other regional Member States, commented that ineffective CARICOM-CARIFORUM institutions were hindering access to EDF resources. The major



challenges in this area were seen as the complexity of the procedures and the fact that the regional institutions do not have enough technical staff to process and expedite requests for funding or other support. Officials frequently cited these problems, plus the difficulties which CARICOM has experienced in implementing projects under the 9<sup>th</sup> EDF CISP, as being among the reasons why they think the CARIFORUM governance arrangements should be reorganized.

Reflecting on the CARIFORUM responsibilities of the Secretary General CARICOM, there was a unanimous and firmly held view among Dominican Republic officials that CARIFORUM should have a separate and distinct Secretariat and that the Head of a CARIFORUM entity should not be required to report to the Secretary General of CARICOM because the Dominican Republic had no role in appointing or overseeing the Secretary General of CARICOM. Dominican Republic representatives agreed that the funding of a separate CARIFORUM Secretariat would be an issue, but posited that the region's development partners in the EU might be persuaded that financial support for a stand alone CARIFORUM entity might be the best investment in the region's development.

### **Dissemination of EPA information could be improved**

In addition to the difficulties arising out of the uncertain CARIFORUM Secretariat arrangements, institutions in the Agriculture sector identified the lack of adequate information as one of the biggest challenges associated with EPA implementation. They observed that the dissemination of EPA-related information, either through the press or by way of workshops and seminars, has not been as widespread as was the case for the Dominican Republic-CAFTA. This information deficit was identified as a problem in agriculture because farmers and even their support organizations have only a cursory knowledge of the EPA provisions and are unsure of all of the possible benefits for farmers.

Nevertheless, the public sector representatives in Agriculture were happy to indicate that the Dominican Republic was now exporting sugar to EU. In addition, diversification was taking place with respect to bananas so that a number of small farmers were switching successfully to organic production for export to Europe. Expansion was also noted in the growing of organic mangoes to supply clients in the EU.

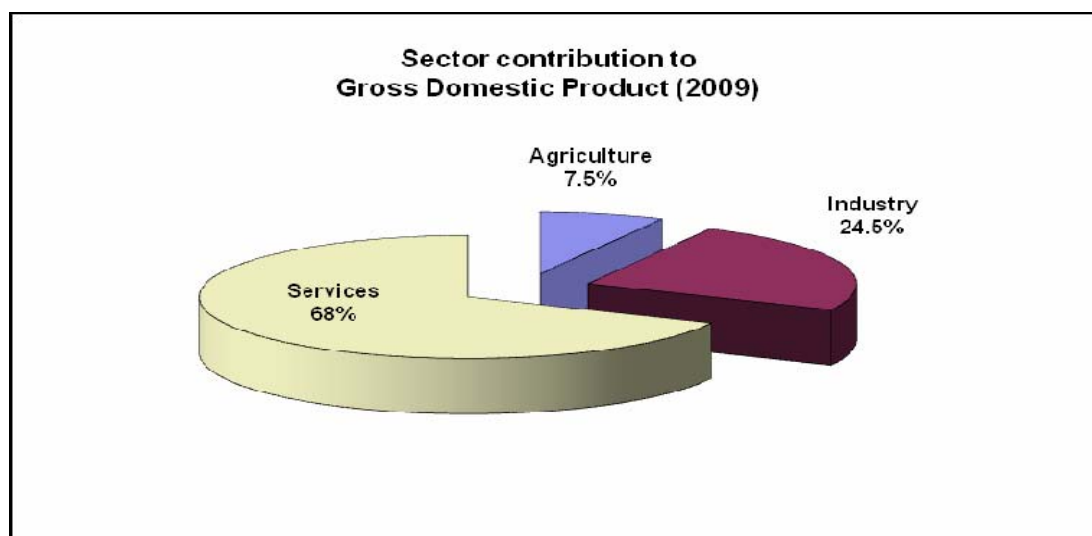
## 5. FOCUS ON ST. VINCENT & THE GRENADINES

### 5.1. Economic & Trade Policy Overview

#### Economic overview

St. Vincent & the Grenadines, a member of the Organization of Eastern Caribbean States economic union, is a lower middle income multi-island nation with a GDP per capita estimated at US\$9,977<sup>13</sup> in 2009. The country is challenged by supply side constraints associated with its small size and its open economy is vulnerable to external economic shocks and natural disasters.

The St. Vincent economy grew at an average annual rate of 4.4% between 1971 and 2009, but it has been registering much slower growth - 0.5% and 2% projected for 2010 and 2011 respectively<sup>14</sup> - as the country fights the effects of the trade liberalization, which have been highlighted by the impact of preference erosion on its major export crop, banana. In addition, the recent recession in developed countries, particularly its main markets for tourism and foreign direct investment, as well as the effects of hurricane damage presented additional challenges.



Source: World Bank

External debt and unemployment continue to rise even as the country seeks to diversify its economy by placing more emphasis on services, particularly tourism. Services accounted for 68 per cent of GDP in 2009; whereas, agriculture represented only 7.5 per cent<sup>15</sup> of the country's total output of goods and services. In order to achieve long term balanced economic growth, St. Vincent is transforming its economy into an export-led one; an objective which informs the national trade policy.

The global economic slowdown has had a significant negative impact on the economy of St. Vincent and the Grenadines during the last three years. Following an average growth of about 8 percent in 2006–07,

<sup>13</sup> Source: International Monetary Fund.

<sup>14</sup> Source: IMF

<sup>15</sup> In 2009, agriculture represented 9.6 per cent of GDP.

economic activity contracted by 0.6 percent in 2008 and 1.0 percent in 2009, reflecting declines in tourism and Foreign Direct Investment. Stay-over arrivals fell by 10 percent and FDI declined by 11 percent, (year over year) in 2009.

The central government's overall fiscal deficit more than doubled to 3.5 percent of GDP in 2009, largely due to spending increases to help mitigate the impact of the global crisis on the poor and one-off costs of constitutional and public sector reforms. The deficit was financed largely by issuing government paper in the regional securities market, leading to an increase in the public debt-to-GDP ratio by 5.5 percentage points of GDP to 75 percent of GDP at end 2009.

### Trade Policy overview

St. Vincent and the Grenadines, a founder-member of the Caribbean Community and Common Market (CARICOM), is a Member of the WTO and actively supports the multilateral trading system. In the WTO, St. Vincent and the Grenadines advocates binding and enhancing special and differential treatment for developing countries and pushes for recognition of the special status and needs of small, vulnerable, developing economies<sup>16</sup>.

St. Vincent and the Grenadines formulates and implements its trade policy within the context of its membership in CARICOM, which is in the process of consolidating a single market and economy. As a member of CARICOM, St. Vincent and the Grenadines has concluded preferential trade agreements with Colombia, Costa Rica, Cuba, the Dominican Republic, and Venezuela. In addition, exports of Vincentian products have benefited from one-way preferential market access, offered by a number of developed countries.

The trade policies of CARICOM countries follow a similar strategy even though small variations exist, usually reflecting differences in the sizes of national economies. For example, St. Vincent & the Grenadines, as a Less Developed Country (LDC) of CARICOM, receives special and differential treatment with regards to certain obligations under the Revised Treaty of Chaguaramas.

Generally CARICOM member states follow a coordinated regional approach to external trade negotiations, and therefore they have tended to sign-on to the same trade agreements. Consequently, St. Vincent and the Grenadines is a Party to several bilateral trade agreements which help to shape their national trade policies. In addition to the EPA, these agreements include CARICOM treaties with Costa Rica, Dominican Republic, Cuba, Colombia and Venezuela. The region is also currently negotiating the successor to the CARIBCAN preferential trade agreement.

## 5.2. Institutional framework for EPA implementation

The Ministry of Foreign Affairs, Commerce and Trade has been given responsibility for the coordination of EPA implementation activities in St. Vincent and the Grenadines and it is expected that this Ministry will be supported by other Ministries, which would have specific responsibilities in their areas of competence. These would include the Ministries of Finance, Culture, Industry, and Tourism, plus the Immigration and Customs Departments, the National Authorizing Office and the investment promotion agency, SVG INVEST.

<sup>16</sup> WTO Trade Policy Review - Barbados

EPA implementation in St. Vincent & the Grenadines has not made much progress because most of the required institutional framework, public and private sector, is still to be put in place. The government has been unable to allocate resources to EPA implementation because it has had to deal with the economic fallout from the global recession and hurricane-related damage. The latest hurricane, Tomas struck St. Vincent and the Grenadines in October and inflicted significant damage.

### **Establishment of an EPA Implementation Unit planned**

An EPA implementation Unit is expected to be established later this year and officials in the Ministry of Foreign Affairs, Commerce and Trade are optimistic that establishment of the Unit will boost implementation efforts. The delay in establishing the Unit has been linked to the unavailability of resources, human and financial. Currently, a focal point deals with those EPA matters, for which the Ministry of Trade is responsible.

When the Unit becomes operational, it will initially have a small staff comprising an EPA Coordinator, who has already been identified by the Ministry of Foreign Affairs, Commerce and Trade and an Economist, who is being assigned by the Ministry of Finance to work on its behalf within the Unit.

### **Limited role for business community**

St. Vincent and the Grenadines, unlike Barbados and the Dominican Republic, does not have the range of private sector agencies, which are involved in or have the capacity to contribute significantly to the EPA implementation effort. Any business community role in EPA implementation is likely to revolve around the St. Vincent and the Grenadines Chamber of Industry and Commerce. In addition, a fledgling Coalition of Services Industries has been established, but it has very limited resources.

## **5.3. EPA implementation initiatives**

The EPA implementation process in St. Vincent and the Grenadines has been held back by the unavailability of necessary financial and personnel resources to develop and execute programmes. Consequently, implementation obligations remain largely unfulfilled and initiatives for the private sector have been rather limited. The Ministry of Trade reports that an EPA road map was prepared for Cabinet detailing what needs to be done, particularly in terms of engagement at the political level, but very little work has been undertaken in terms of sensitisation activities with public and private sector agencies via workshops, seminars and the like.

Prior to the completion of negotiations in 2007, the Ministry of Trade organised an EPA information seminar for a broad cross section of stakeholders from the public and private sectors and the NGO community. However, since that initial attempt at information outreach, not much has been done to disseminate information on the EPA.

The Ministry of Trade indicated that several presentations have been made to the services sector, looking at opportunities in areas such as tourism, entertainment and other cultural services, and health care services. The Ministry has plans to work with customs officials on the preparation of new tariff liberalisation schedules and also to prepare information packets for specific goods and services sectors to explain the advantages and challenges associated with the EPA.

### **Service sector**

The EPA has been promoted as providing new opportunities for companies and individuals in the CARIFORUM service sector to do business in the EU. St. Vincent and the Grenadines, like many other countries in the region, see this in a positive light, given their commitment to developing the services sector as part of their economic diversification programme.

A Coalition of Services Industries (CSI) was established in 2008 to provide technical assistance and organizational support to services suppliers, but it is not yet fully operational because of the lack of adequate funding. It had been envisaged that the CSI would have been supported, at least initially, by Government. However, this has not materialized and Government, facing its own financial constraints, has only been able to provide a consultant to assist the CSI in its work. Consequently, the organisation has been forced to rely on volunteers in an effort to provide some support to the small service companies and individual service providers.

The CSI, despite its limitations, has been assisting the Ministry of Trade with sensitization sessions and other EPA-related programmes to assist services providers. However, most of the local service companies and individual suppliers are not convinced that the EPA provides opportunities for the private sector. Therefore, they are more oriented to the local market. Given their relatively small size, most Vincentian service companies feel that it will be very challenging to get into regional and international markets.

Both public and private sector officials agree that, in order to take full advantage of the provisions in the EPA relating to services, Vincentian professional organisations and service providers will have to participate in the negotiation of mutual recognition agreements (MRAs) with EU counterparts. However, not much has been done in this area and the process of preparing to negotiate MRAs has been extremely slow moving. The situation in St. Vincent and the Grenadines is at a very preliminary stage and all of the necessary organizational structures still need to be developed. Representatives of business organizations, including the CSI, seem to have concluded that the best way forward is to wait for some region-wide initiative from which local services suppliers would benefit.

### **Culture and the EPA**

The Ministry of Culture has been working with a number of regional organisations, including Caribbean Export Development Agency and the OECS and CARICOM Secretariats, in developing the local culture sector as a foreign exchange-earning area of activity. Therefore, the EPA market access provisions in entertainment and other cultural services as well as the Protocol on Cultural Cooperation is seen as providing possible opportunities for Vincentian services suppliers. It is against this background, that the Ministry of Culture held a workshop recently to inform cultural services providers about the relevant EPA provisions.

Representatives of the local cultural industry recognise that interacting with EU organisations on the basis of the EPA requires an organisational structure that is non-existent in St. Vincent and the Grenadines. Therefore, in the short term, a considerable amount of organizational work, market research, and promotion must be undertaken before SVG cultural services providers can take full advantage of the provisions in the EPA and obtain tangible benefits.

In addition to the developments mentioned in the previous two paragraphs, the SVG INVEST (the government agency responsible for promoting investment in St. Vincent and the Grenadines) has assumed a lead role in trying to develop the cultural industries. Ministry officials and cultural practitioners point to

these initiatives as indicating a commitment to take advantage of the EPA provisions relating to cultural services.

### **Tourism and the EPA**

Officials in the tourism sector do not see EPA-related activities as being priorities for the industry at this time. Hoteliers and other tourism industry players are more concerned about progress in completing the new airport; increasing airline traffic into the island; and attracting new hotel investment. It is not perceived that EPA implementation initiatives will deliver much short to medium term benefits to the tourism industry in St. Vincent.

Although public sector tourism planners endorse the short term outlook of persons involved in the delivery of hotel and other tourism-related services, they also suggest that the attitude of the industry's private sector might change if the EPA provisions are properly explained and entrepreneurs, particularly the members of the St. Vincent & the Grenadines Hotel and Tourism Association, are able to appreciate the potential benefits.

Interestingly, neither public nor private sector interviewees seemed to have made a direct link between the EPA provisions on investment and the possibility of attracting EU investment in the Vincentian hotel sector. However, when the question was put to them, representatives from both sides readily conceded that inward direct investment in the hotel sector would be a desirable development and something which could be pursued within the context of the Investment chapter of the EPA.

## **5.4. Political engagement with EPA**

The political engagement with the EPA in St. Vincent and the Grenadines has not been as evident as is the case in Barbados or the Dominican Republic. Vincentian Ministers of Government have participated generally in various sub-regional and regional Ministerial level meetings before the start of formal EPA negotiations, during the negotiating period, and now during the implementation phase. In addition, the Cabinet has tried to remain informed about the status of EPA implementation activity in St Vincent and the Grenadines and the wider Caribbean. Government Ministers have also sought information about the country's obligations under the EPA and what needs to be done to satisfy those commitments.

The Government had agreed since 2009 on the desirability of having an EPA Implementation Unit and had allocated money for its establishment in the 2009 Budget Estimates, but the worsening situation with respect to Government's finances necessitated a reallocation of the resources. The level of political engagement with the EPA process also seems to be related to the general orientation of the business community and became less proactive as it became clearer that the private sector was not particularly enthusiastic about the Agreement. The private sector's view is that since the signing of the EPA, government's priorities have shifted and that this could account for the slow implementation, including with the establishment of the EPA Unit.

## 5.5. Private sector perspective

Most private sector support organizations and individual business persons complain that they cannot identify potential business opportunities in the EPA. This inability to see business opportunities is a major factor in the apathy with which many in the business community regard the Agreement. In addition, because the recent banana negotiations resulted in a loss of preferences and a decline in the local banana industry, those businesses, which have been negatively affected, have become sceptical of EU promises. Consequently, some sections of the business sector are doubtful of the new arrangements with the European Union and, given this orientation, seem more interested in getting finance for existing business activities rather than in building capacity to take advantage of EU markets. As one commentator observed, those business, which were affected negatively by the decline of the banana industry, view the EPA with disinterest because they do not see it as producing a fruitful alternative to the bananas.

That negative attitude towards the EPA is bolstered by the declining level of trade between the European Union and St. Vincent and the Grenadines. Imports from the EU are falling compared with imports from the United States and emerging markets because goods from these sources are more attractively priced. The main export to the EU remains the traditional commodity, bananas and this is declining because of the removal of preferences coupled with the lack of competitiveness in the industry. .

However, one organisation, which represents local and regional farmers, supports the EPA and argues that it provides an opportunity for improved access to the Diaspora market in the EU, particularly the United Kingdom. The Ministry of Agriculture spoke in support of the view expressed by the farmers' group, but underlined the need for more involvement and investment from the private sector in the food sector in order to realize increased food production for export. It was also pointed out that such a project would only be successful if there was appropriate infrastructural development locally and a proper distribution system, probably involving a UK-based partner, in London.

With respect to other private sector organizations, attempts are being made to forge links with counterpart organizations. Therefore, the SVG Chamber of Commerce recently started a joint business development programme with the Birmingham Chamber of Commerce called "Developing Eastern Caribbean Business Organisations" (DECBO), under which training is provided for the private sector through attachment arrangement involving compatible business entities. It is believed that this is the best approach for Vincentian organisations and individual companies interested in learning more about the EU market and doing business in Europe.

### **Inadequate flow of information**

The need for adequate, timely and relevant information underlines many of the private sector's concerns regarding the implementation of the EPA. Some representatives of business support organizations suggest that the negative reactions to the EPA have arisen because of a lack of accurate information and residual fallout from banana negotiations.

The private sector organizations complained that neither the quantity nor quality of the information made available to them was satisfactory. They observed that the private sector operators require information in an easily digestible form that allows them to identify the opportunities and challenges as well as the necessary mechanisms for making full use of the EPA. The EPA is seen as being too large and technical for manageable use by business persons. Therefore, Government must assume the responsibility of communicating the EPA provisions in a manner that allows the private sector to relate to provisions in the Agreement.



One business support organization described the situation with respect to access to resources as a glaring example of the type of information deficit about which the private sector was unhappy. The organization's representative commented that private sector organisations are neither fully aware of what EU resources are available to assist the business community with respect to EPA implementation nor how to access such resources.

The SVG Chamber pointed out that it had been invited to an information seminar before the signing of the EPA but little had been done since then to keep the business sector informed or to evaluate its information needs. The general view is that the government agency that has oversight of the EU resources, namely, the National Authorizing Office (NAO), should be more forthcoming in divulging information on the resources that are available to the private sector. In addition, private sector officials believe that greater use should be made of the local media and that Government should also produce basic information booklets and conduct a number of workshops in order to educate the broad private sector about the EPA.

## 5.6. Public sector reactions

### Attitude towards EPA implementation

Public sector officials point to the failure to establish the EPA Implementation Unit as a major factor inhibiting effective implementation of the Agreement. One view is that EPA implementation is seen by the office of the NAO as a trade regime and not as a developmental instrument, therefore it is not treated with the necessary priority. In the circumstances, there is need for a more cooperative approach between the NAO office<sup>17</sup> and the Ministry of Trade. A similar view was expressed regarding regional institutions which were perceived by Vincentian public sector interviewees as being disconnected from national institutions and the reality of what was taking place in individual CARIFORUM countries.

In spite of these challenges, EPA implementation remains a priority for the Ministry of Trade, which is also working with other Government Ministries and private sector organizations in promoting alternative crops for export to the EU. The prospects for exporting fish to EU markets are also being explored.

Government officials also noted that little provision has been made to make up for the loss in revenue from the reduction of tariffs and other duties. Officials referred repeatedly to the banana experience, where it is perceived that the EU did not do enough to protect the small Caribbean banana producers or provide adequate support to facilitate restructuring into other economic activities. Public sector officials, in a similar manner to those from the private sector, underlined the banana experience as having a negative impact on the approach to EPA implementation in St. Vincent and the Grenadines.

Effective dissemination of information was also listed among the problem areas by public officials, who placed part of the responsibility for the problem on the private sector. Government officials pointed out that poor attendance at sensitization sessions by representatives of the business organisations tended to reduce the effectiveness of the information outreach programmes. However, the public sector officials also commented that many of their colleagues failed to attend important EPA-related meetings, so that some public officials were not sufficiently knowledgeable about the EPA provisions to execute their implementation responsibilities.

<sup>17</sup> The National Authorizing Officer was not available for an interview.



**Access to resources**

Another major challenge for the public sector officials, apart from the inadequate flow of information, is the lengthy and complex procedures for accessing resources for EPA implementation projects. It was argued that, if the EU was committed to facilitating development in the Caribbean, the modalities for accessing development support should be simplified to take account of local realities.

Government officials, including those from the Ministry of Trade, remarked that their Ministry was not fully aware of the available resources for EPA implementation. It was suggested that there was a need to overhaul the existing mechanisms (both in CARIFORUM and in Brussels) for processing project proposals and disbursing resources. One official observed that, while it was recognized that the Regional Indicative Programme has priorities other than the EPA, there was a feeling of disappointment that very little however although the EPA is meant to unleash resources for all sectors this has not been happening.

Note was made of the plight of persons wanting to undertake small local projects, an official opined that the staff responsible for funding projects is not usually oriented to small local projects and need to be sensitised in this regard.

## 6. CONCLUSIONS AND RECOMMENDATIONS

### Information Dissemination

The question of access to “user friendly” information about the provisions of the Agreement and about available technical support is causing concern in all CARIFORUM countries. It is evident that, in terms of EPA implementation, the quality of information dissemination is a major issue across the region. In some cases, there seems to be a disconnect between the Ministries of Trade or other agencies responsible for the dissemination of EPA information and those to whom the information is directed. *The effective dissemination of EPA-related information is a major problem for all CARIFORUM Member States. Therefore, sensitization initiatives and comprehensive information outreach programmes should be important components of any serious national or regional EPA implementation effort. A leading EPA implementation official in Barbados recently described effective information outreach as being one of the most daunting challenges facing that country’s EPA implementation Unit.*

### Competitiveness

It was noticeable that a number of Dominican public and private sector officials spoke about the importance of improving competitiveness. The impetus towards improved competitiveness is based on a “national plan for systemic competitiveness in the Dominican Republic” and is driven by the Consejo Nacional de Competitividad (CNC). The main objective of the CNC, a government created public-private sector organisation, is to formulate and implement competitiveness strategies for the key productive sectors of the economy and to structure a national policy to meet the challenges of globalization and trade liberalization. *This focus on competitiveness is something which should be adopted and pursued diligently by all CARIFORUM Member States because it represents one of the fundamental pillars on which development and growth in regional economies must be built.*

### CARIFORUM Governance & non-establishment of oversight institutions

There is no doubt that the governance issues, which have plagued CARIFORUM for a number of years, have been impeding the region’s progress with respect to EPA implementation. The political and technical resources consumed in trying to resolve the governance issues could have been committed to addressing some of the more practical implementation concerns. One of the areas in which the governance issues have proven to be particularly problematic is the establishment of oversight institutions. Since decisions in CARIFORUM are taken by consensus and given the divergent positions on how to proceed with certain institutional arrangements, it has been virtually impossible to arrive at a consensus on the establishment of the oversight institutions. *The recent meeting in Belize of the CARIFORUM Council of Ministers took decisions on some of the issues related to both governance and the establishment of oversight institutions. The region needs to build on the momentum from the meeting in Belize, convene the first meeting of the Trade and Development Committee, and continue to put in place the other EPA-related institutions so that the practical implementation work can proceed.*

### EPA Implementation Roadmap and matrix

At the region level, it was decided soon after the signing of the EPA that there should be a Roadmap setting out the region’s obligations, what actions needed to be taken, whether action was required at a national or regional level, and the timeline for the action. It is clear that such roadmaps are also required at

the national levels in order to focus public and private sector agencies on both the responsibilities and opportunities associated with the Agreement. The experience of the Dominican Republic and demonstrates the value of developing a matrix, which summarizes schematically the main commitments in the EPA by the signatory parties, with emphasis on those commitments that require actions by the responsible government institutions in the individual CARIFORUM countries in order to meet their stated commitments. *This type of document, which sets out commitments, actions required for compliance, the responsible institutions and the applicable timelines, should also identify opportunities or potential benefits for implementing institutions and economic operators.*

### **Lack of resources is a major challenge**

An overriding problem for all Member States is the lack of resources, both human and financial. Regional Governments have often been criticized for being unwilling or unable to implement agreements. In the case of the EPA, Governments are claiming that the global recession has necessitated certain reductions in expenditure and stymied their ability to commit necessary resources to EPA implementation. *However, despite these constraints, the public and private sectors in the region must be proactive in seeking out and exploiting opportunities. Resources are available for EPA-related activities, the challenge facing the region is how best to mobilise to access these resources and use them to improve competitiveness or institutional strengthening and the like.*

### **Aid-for-Trade**

Thus far, the commitment of additional A-f-T resources from the EU to support EPA implementation in the Caribbean has been a major disappointment, falling well short of what the region would have reasonably envisaged. Some EU countries might wish to use the global financial crisis as an excuse for not delivering on their AFT commitments. However, they should be reminded that the small open CARIFORUM economies are even more vulnerable and in need of support during these harsh economic times than they would be when the economies of their developed country partners are buoyant. *Caribbean political leaders and their representatives in Brussels must seize every opportunity to remind EU countries of their unfulfilled AFT commitments and maintain constant pressure for them to deliver.*

### **Monitoring mechanisms must be put in place**

An important aspect of EPA implementation is the need for monitoring & periodic review of the Agreement. The EPA makes provision for continuous monitoring of EPA implementation to ensure that it is properly implemented and its core objectives realized. Monitoring mechanisms are relatively new in trade agreements and the insertion of such a provision in the EPA represents a radical development with respect to agreements involving the Caribbean. *The region has made very little progress thus far in establishing effective monitoring systems - incorporating appropriate benchmarks and the like – at the national or regional levels. This is an area that demands urgent attention and should be among the EPA implementation priorities for all CARIFORUM Member States.*

### **SPS regimes should be prioritized**

An evaluation of the readiness of CARIFORUM economic operators to compete effectively in the EU and other international markets reveals that much more work needs to be done to ensure that the region is in a position consistently to produce competitive products which can satisfy EU market requirements. One area, which demands urgent attention, is the need to put in place SPS regimes that satisfy health and food safety requirements in the EU so that the region's exporters of food products can enjoy effective market access. This is a work in progress which will go much better to the extent that the region becomes more committed

and its European partners more supportive. *The need to put in place appropriate SPS regimes, both at the regional and national levels, is one of those challenges, which is only now being addressed by some Member States and represents an area where the EU should provide timely and tangible support.*

### **Caribbean failing to take advantage of “head start”**

One positive aspect of concluding a comprehensive EPA with the EU at an early date is that it affords CARIFORUM countries the advantage of a ‘head start’ before EU trade relations with other regions evolve to the comparative detriment of the Caribbean. On 24<sup>th</sup> March 2011, the EU initialled a comprehensive trade agreement with the Central American region and other Partnership Agreements are not far away. *Therefore, the advantage of that Caribbean ‘head start’ is in danger of being lost, because CARIFORUM countries are failing to tackle aggressively the challenges associated with EPA implementation. This reticence or complacency must give way to a sense of urgency in order to ensure that CARIFORUM Member States optimize the EPA opportunities.*

### **CARIFORUM must play to win**

Effective EPA implementation in the Caribbean region involves fiscal and other reforms; institutional strengthening; the restructuring of economic activity away from declining to emerging industries; and a commitment to improve the region’s competitiveness in every sphere of activity. *It is the manner in which CARIFORUM faces-up to these challenges that will determine the success or failure of the region’s EPA undertaking.*

## Annex 1: LIST OF INTERVIEWEES

### **Interviewees in Barbados**

During our field research for this report, discussions were held with the following persons in Barbados:

Mrs. Betty Alleyne-Headley – Unit Manager  
Ministry of Finance and Economic Affairs in Barbados

Ms. Cecilia K. Babb, Executive Coordinator  
Caribbean Policy Development Centre (an NGO)

Mr. Andrew Cox, Permanent Secretary - Tourism  
Ministry of Tourism,

Mr. Reginald Farley, Executive Director  
Institute of Chartered Accountants of Barbados

Mr. Seibert Fredericks, Manager  
Public Investment Unit

Mrs Lisa Gale, Executive Director  
Barbados Chamber of Commerce and Industry

Mr. Bentley Gibbs, Permanent Secretary - Foreign Trade  
Ministry of Foreign Affairs and Foreign Trade

Ms Erine Griffith, Chief Immigration Officer  
Immigration Department

Mr. Frank Holder, Comptroller of Customs  
Customs and excise Department,

Mr. Michael King, Permanent Secretary  
Ministry of Agriculture

Mr. Wilbur (Basil) Lavine, Chief Executive Officer (Subsequently retired)  
Barbados Investment and Development Corporation (BIDC)

Mr. James Paul, CEO (He is also an elected member of Parliament)  
Barbados Agricultural Society

Mrs. Brenda Pope, Partner KPMG & President  
Caribbean Institute of Certified Management Consultants

Mr. Joel Richards, Trade Consultant  
Barbados Private Sector Trade Team

Lavine Small, Project Officer  
Barbados Coalition of Service Industries Inc.

Ms Emeline Taitt, Director International Business  
Invest Barbados

Ms Celia Toppin, Deputy Permanent Secretary  
Ministry of Community Development & Culture

Ms Andrea Wells, Chief Cultural Officer  
National Cultural Foundation (NCF)

Mr. Michael Wason, Chief Economist  
Ministry of Commerce & Trade

### **Interviewees in Dominican Republic**

The following persons were interviewed in the Dominican Republic during field research for this report:

Ms Lidia Encarnacion, Directora de Cooperacion Regional  
Secretaria de Estado de Economia Planificacion Desarrollo

Ms Yahaira Sosa, Directora  
Direccion de Comercio Exterior y Administracion de Tratados (DICOEX), Ministerio de Industria y Comercio

César R. Dargam Espaillat, Embajador, Secretario Ejecutivo de la  
Comisión Nacional de Negociaciones Comerciales

Osmar C. Benitez, Vicepresidente Ejecutivo  
Junta Agroempresarial Dominicana, Inc. (JAD)

Eduardo Rodriguez Apolinario, Subdirector Técnico  
Aduanas

Ing. César A. Guerrero, Viceministro de Planificación Sectorial Agropecuaria  
Ministerio de Agricultura

Ruth Montes de Oca S., Directora  
Ministerio de Agricultura, Oficina de Tratados Comerciales Agrícolas

D. Ricardo Koenig, Presidente  
La Reina, C.xA.

Luis Castaños, Dir. Ejecutivo  
Asociacion Dominicana de Productores de Ron, Inc. (ADOPRON)

Francisco José Castillo C., Vicepresidente Ejecutivo  
Consejo Nacional de la Empresa Privada (CONEP)

Emilio Hasbún, Presidente  
Banco Federal

Roberto Amodio, Gerente General  
Parmalat

### **Interviewees in St. Vincent & the Grenadines**

The following persons were interviewed in St. Vincent & the Grenadines during field research for this report:

Jethro Greene, Chief Coordinator  
Eastern Caribbean Trading Agriculture and Development Organisation

Bianca Porter, President  
St. Vincent and the Grenadines Hotel and Tourism Association

Fitzroy O. Glasgow, President,  
Coalition of Service Industries (CSI)

Angus Steele, President  
St. Vincent and the Grenadines Chamber of Industry and Commerce

Andrew Woodruffe  
Pasta Enterprises Ltd

Anthony Theobalds, Cultural Officer,  
Ministry of Culture

Michael S. Peters, Research Officer,  
Department of Culture

Shanna Browne, Export Development Officer  
INVEST SVG

Nathaniel Williams, Permanent Secretary  
Ministry of Agriculture, Rural Transformation, Forestry and Fisheries

Ellison Clarke, Economist  
Ministry of Tourism and Industry

Maurice Edwards, Director General, Finance and Planning  
Ministry of Finance

Clarence Harry, Director of Trade,  
Ministry of Foreign Affairs, Commerce and Trade

Gibriel Bah, Trade Policy Analyst,  
Hub and Spokes Project (COMSEC),

Okolo John Patrick, Trade Officer I & EPA Focal Point  
Ministry of Foreign Affairs, Commerce and Trade

### **Interviewees from Regional Organizations**

Ambassador Gail Mathurin, Director General  
CARICOM's Office of Trade Negotiations (OTN)

Hugh Riley, Director General  
Caribbean Tourism Organization

Pamela Coke-Hamilton, Executive Director  
Caribbean Export Development Agency

Branford Isaacs, Advisor to the Secretary General CARIFORUM  
& Head of the CARICOM/CARIFORUM EPA Implementation Unit

Dr. Keith Nurse, Director  
Shridath Ramphal Centre for International Trade Law, Policy and Services  
University of the West Indies - Cave Hill Campus





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