



**THE CARIFORUM ECONOMIC  
PARTNERSHIP AGREEMENT: A  
look at EU-CARICOM Relations  
and Regional Integration**

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# WHAT IS THE CARIFORUM?

- It is a loose economic association between the Dominican Republic and 14 CARICOM member states used to dialogue with the EU.
- CARICOM, the Caribbean Community, is a confederation of Anglo and Latin Caribbean countries whose objectives include deeper economic integration, co-operation in social policy and the coordination of foreign policy.



# CARICOM MEMBER STATES

1. Antigua and Barbuda
2. The Bahamas
3. Barbados
4. Belize
5. Dominica
6. Grenada
7. Guyana
8. Haiti

9. Jamaica
10. St Kitts and Nevis
11. St. Lucia
12. St. Vincent and the Grenadines
13. Suriname
14. Trinidad and Tobago



# WHAT IS THE CARIFORUM EPA?

- It is a trade and development agreement between CARIFORUM states and the Economic Community and its members.
- It establishes a free trade area that is compatible with the World Trade Organisation's (WTO) central principles of non-discrimination and reciprocity.
- The EPA will liberalise trade in goods and services over a 25 year period.



# Goods

- The EU immediately opened up over 90% of its market, while CARIFORUM states will open up approx. 85% of their markets.

# Services

- The EU opened up 94% of its market, while CARIFORUM states will open 90%, 75%, and 65% of their markets for Dom. Rep., MDCs and LDCs respectively.



- The EPA's development dimension rests on strengthening and deepening regional integration in order to incorporate CARIFORUM states into the world market, promote investment opportunities in the region, and enhance of capacity building in trade matters.

- The EPA's regional integration governance structure includes:

1. *The Joint CARIFORUM-EC Council*
2. *The CARIFORUM-EC Trade and Development Committee*
3. *The CARIFORUM-EC Parliamentary Committee*
4. *The CARIFORUM-EC Consultative Committee*

- The integration process is expected to be carried out through the CARICOM Single Market and Economy (CSME).



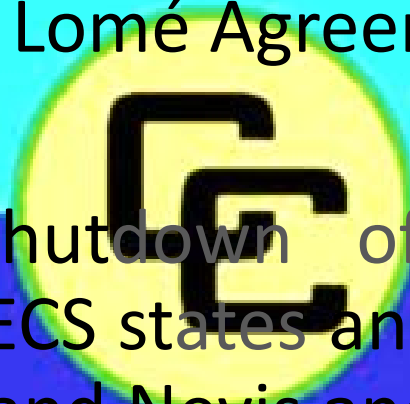
# HISTORY OF EU-CARIFORUM TRADE

## RELATIONS

- This relationship goes back to the time of colonialism, which was exploitative.
- Modern EU-CARIFORUM relations is traced to 1<sup>st</sup> Lomé Agreement. It and subsequent Lomé agreements awarded CARICOM preferential access to the EU market.
- Changes in the global political economy led to the Cotonou Agreement in 2000, a more comprehensive framework for EU-CARIFORUM Relations, which included provisions for negotiating the EPA.



- EU-CARIFORUM trade relations have been considered relatively positive over the last 40 years.
- CARICOM states were pleased with the preferential arrangements.
- The lowest point in EU-CARICOM relations occurred with the WTO ruling against the Lomé Agreement.
- This led to the eventual shutdown of banana industries for export in some OECS states and Jamaica and sugar industries in St. Kitts and Nevis and Trinidad and Tobago.





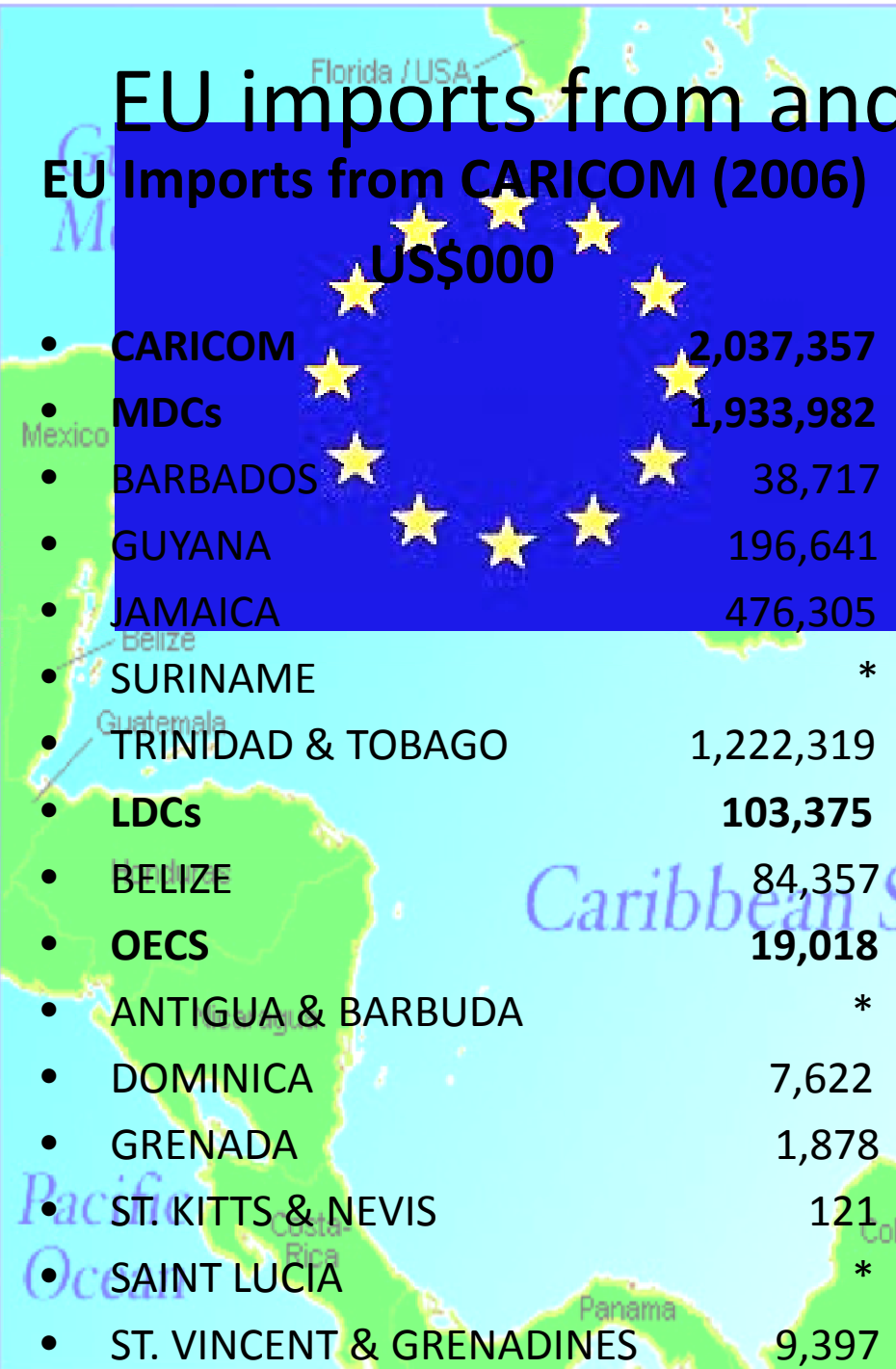
# EU imports from and exports to CARICOM

## EU Imports from CARICOM (2006)


## EU Exports to CARICOM (2006)

US\$000

US\$000



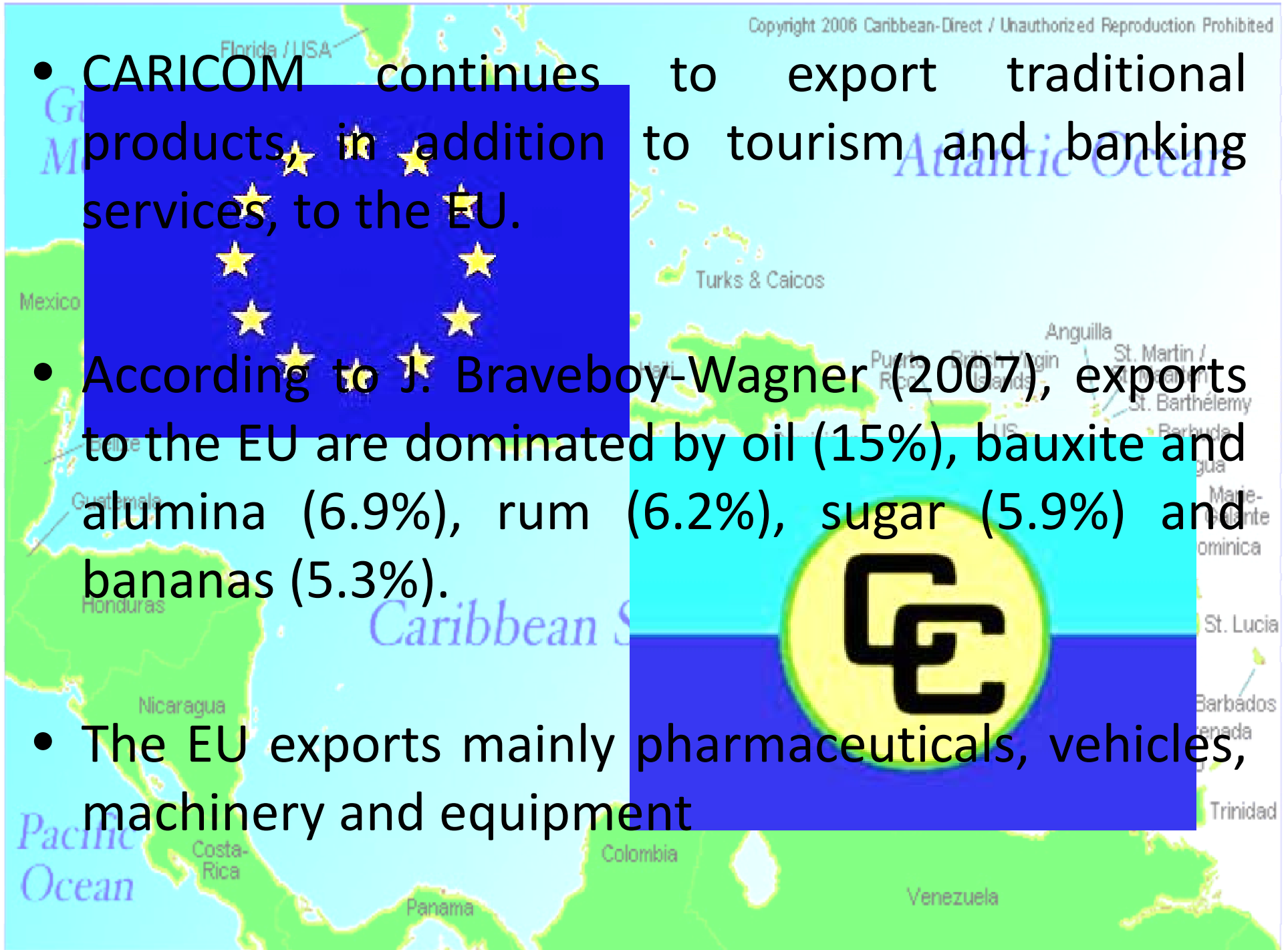
• CARICOM	2,037,357
• MDCs	1,933,982
• BARBADOS	38,717
• GUYANA	196,641
• JAMAICA	476,305
• SURINAME	*
• TRINIDAD & TOBAGO	1,222,319
• LDCs	103,375
• BELIZE	84,357
• OECS	19,018
• ANTIGUA & BARBUDA	*
• DOMINICA	7,622
• GRENADA	1,878
• ST. KITTS & NEVIS	121
• SAINT LUCIA	*
• ST. VINCENT & GRENADINES	9,397



• CARICOM	1,934,573
• MDCs	1,701,057
• BARBADOS	220,140
• GUYANA	84,649
• JAMAICA	466,526
• SURINAME	240,302
• TRINIDAD & TOBAGO	689,440
• LDCs	233,517
• BELIZE	42,458
• OECS	191,059
• ANTIGUA & BARBUDA	*
• DOMINICA	19,264
• GRENADA	37,553
• ST. KITTS & NEVIS	17,913
• SAINT LUCIA	77,411
• ST. VINCENT & GRENADINES	36,539



- CARICOM continues to export traditional products, in addition to tourism and banking services, to the EU.
- According to J. Braveboy-Wagner (2007), exports to the EU are dominated by oil (15%), bauxite and alumina (6.9%), rum (6.2%), sugar (5.9%) and bananas (5.3%).
- The EU exports mainly pharmaceuticals, vehicles, machinery and equipment



# THE THEORETICAL EFFECTS OF THE EPA

## *The CARIFORUM States*

- Due to small size, diseconomies of scale, and lack of resources there will be...
  1. displacement of local production (trade creation) and imports originating outside of Europe (trade diversion).
  2. **Consumers:** ↓ cost of goods and services → ↑ savings.
  3. **Local Producers:** elimination from market → labour moves to next most profitable market.
  4. **CARIFORUM state:** ↓ tariff revenue.



## The EU

1. ↑competition within industries, allow new market actors, level the playing field among competitors, and increase transparency.
2. ↓prices, better quality goods and services, ↑innovation, greater consumer choice, job creation, ethical choices and generated income.
3. Exposure to more exotic produce at cheaper prices.

# RHETORIC vs. REALITY

## Rhetoric

## Reality

### Positives

- Neoliberal outcomes of ↓ costs, ↑ trade and more market share.

- EDF to enhance RI, investment, and capacity building.

- Global European Project?

- Not as straight forward due to trade barriers and social fallout. It could widen the gap between the rich and the poor.

CARIFORUM already enjoy 95% access to EU markets.

- EDF cumbersome and bureaucratic. Instances to counter this, is grant awarded to Jamaica bauxite industry.

- Can be viewed positively or negatively.



# RHETORIC vs. REALITY

## Rhetoric

### Negatives

- Continued European imperial and neo-colonial presence in the Caribbean.
- CARIFORUM forced to sign EPA.
- Loss of Tariff Revenue will be devastating.
- Benefits from trade minimal/negative making EU-CARICOM relations worse off.
- EPA hinders rather than enhance RI and development

## Reality

- More rhetoric than reality except for arguments of asymmetry and visa requirements.
- Both EC and OTN negotiators disagree with this point.
- Almost negligible impact due to small volume of trade with the EU.
- Goods lost in the SR, can be made up for in the LR. Services will benefit a great deal.
- Yet to be seen but one believes it will enhance RI and dev.

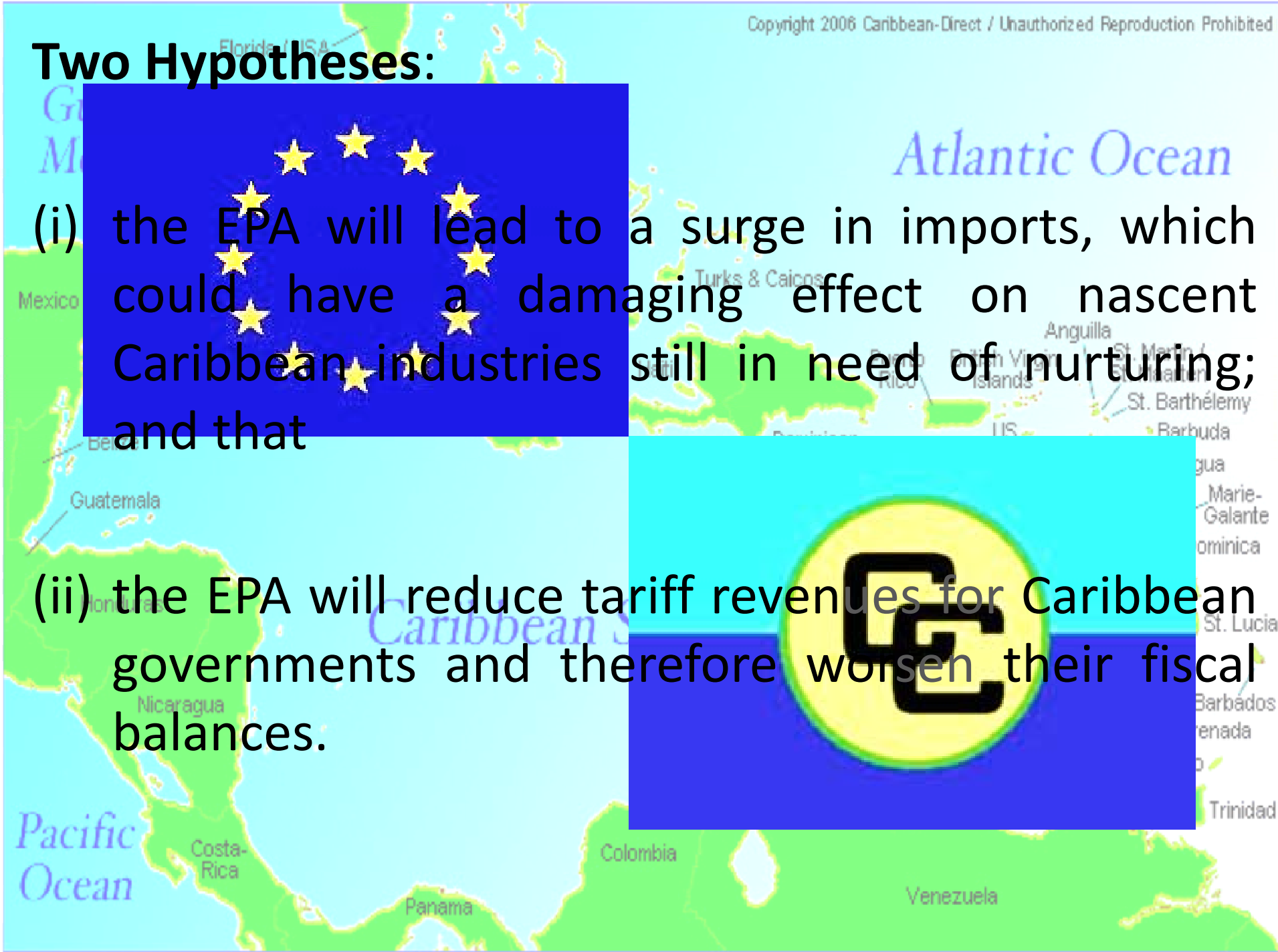


# CASE STUDY: ST. LUCIA

- LDC and one of the smallest CARIFORUM members.
- The ratio of GDP for imports is 70% (mainly manufactured consumer goods).
- The majority of the country's revenue comes from tourism, FDI, and the export of bananas to the EU.
- 13% of imports originate from the EU.
- Prior to the EPA, tariffs on imports amounted to between 0% - 70%.



## Two Hypotheses:



(i) the EPA will lead to a surge in imports, which could have a damaging effect on nascent Caribbean industries still in need of nurturing; and that

(ii) the EPA will reduce tariff revenues for Caribbean governments and therefore worsen their fiscal balances.



- Like Guyana and Jamaica, the 1<sup>st</sup> hypothesis was rejected and the 2<sup>nd</sup> accepted.

***For Hypothesis 1:***

1. The manufacturing industry will be negatively affected by EU imports (will double) but, this is almost negligible b/c manufacturing is less than 1/10 of the economy. EU imports:  $\uparrow 4\%$ .
2. Tourism amounts to 25% of the economy and will grow by 4% (SR) and 8% (LR).

***Hypothesis 2:***

1. Tariff liberalisation will amount to 0.8% drop in GDP. Can be compensated by indirect taxes on goods.



# OVERALL RESULTS

- Rhetoric is found to be based little in reality.
1. There will be little change in EU-CARICOM trade relations. There is expected to be a small positive change in the LR.
  2. It is expected that the EPA will have a positive impact on RI by forcing CARICOM to fully implement the CSME to gain real benefits from the EPA.



# WHAT DOES THE EPA MEAN FOR THE POST-LISBON ERA?

- The Lisbon Treaty has a minimal impact on the CARIFORUM EPA apart from the wording of the document.
- The EPA was signed before the Treaty of Lisbon came into force on 1 December 2009.
- The Treaty states that “the (European) Union shall replace and succeed the European Community.”
- It would be interesting, however, to see the dynamic of a stronger European Parliament (EP) and its impact on the European Commission decisions.



Florida / USA

# QUESTIONS?

*Atlantic Ocean*



# THE END



Guatemala

Mexico

Belize

Guatemala

Honduras

Nicaragua

Costa-Rica

Panama

Venezuela

Colombia

Turks & Caicos

Haiti

Puerto Rico

British Virgin Islands

Anguilla

St. Martin / St. Maarten

St. Barthélemy

Barbuda

Guadeloupe

Marie-Galante

Dominica

St. Lucia

Barbados

Trinidad

*Pacific Ocean*

*Caribbean Sea*