

EUROPEAN PARLIAMENT

COMMITTEE ON INTERNATIONAL TRADE

HEARING

The Economic Partnership Agreement

EC - CARIFORUM

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ASP 1E2, Brussels

Remarks by Havelock R. Brewster

Chair,

I wish to thank you and your Committee for the opportunity to make this presentation on the EC-CARIFORUM Economic Partnership Agreement (EPA). I do not speak on behalf of any CARIFORUM Government or institution. I will try to present, in summary form, the views of a group of critics- that include civil society organizations, trade unions, some opposition parties, academics and non-governmental organizations- on some of the main issues arising in respect of this Agreement.

Conception and Template of the Agreement

The EPA was in a process of conception for the better part of eight years, at least by the officials of the European Commission. It is thus much to be regretted that this process of conception of the Agreement (and the corresponding template for negotiations designed by and handed to the ACP States) – one that purports to represent an Economic Partnership between a group of some of the largest and most wealthy States in the world and a group of poor micro-States, had not been more transparent, more democratic and more pro-development. A good opportunity to craft a best- practice model of international development cooperation has been missed.

The Democratic Deficit

The process of democratic participation has been hugely deficient- from start to finish of the negotiations. Whatever may have been the formal opportunities for participation, few people in the Caribbean, including top government officials, business people and labour organizations really knew anything much about the substance of the draft Agreement. Regrettably too, the process has also involved at times deliberate misrepresentation of information by European Commission officials, and very condescending attitudes on the part of these officials.

Some Core Features of the Agreement

Trade in Goods

One of the central features of the provisions on trade in goods may go beyond the capacity of the European Commission in that it involves the WTO itself. It concerns the basic principle that full reciprocity among highly unequal parties cannot in essence be anything but unjust.

It is moreover incorrect to believe that Europe has not enjoyed any reciprocity. A significant portion of the Caribbean's goods market presently is and has been for a long time free of trade barriers.

Over the 32 –year history of Lome / Cotonou Agreements with the EU tariff-free access to Europe has made little or no difference to the expansion or diversification of Caribbean exports of goods to Europe. Non-tariff barriers are a part of the explanation. But the fact is that market access did not generate market presence. Trade development essentially has not been simply a function of time. Thus reciprocation might have been conceived as a function of some measure of trade performance or capacity, or even of some index of Caribbean development.

There are several other unsatisfactory provisions arising in respect of trade in goods, such as relates to restrictive rules of origin, non-tariff barriers, the MFN provisions, and the issue of regional preferences.

Services and Investment

Trade in Services is treated in conjunction with investment and e-commerce. The reciprocal liberalization of most services sectors and of investment through the local

presence, national treatment and MFN provisions effectively abolish, apparently with immediate effect, the distinction between Caribbean and EU firms. This raises several issues. CARIFORUM economies, to begin with, are very different in structure. Some, notably Guyana and Suriname, have no services export capacity, and are unlikely to develop as significant services export -based economies. Their economic future seems to be linked more to advancing the processing and transformation of their abundant primary raw materials. Yet they are forced to open their domestic markets freely to EU services, companies and investments.

Other CARIFORUM States depend to a substantial extent on services, but on a very restricted range of such products, mostly tourism and offshore finance. But it is doubtful they would have a substantial a capacity to develop significantly diversified services exports that could compete with European products.

Moreover, access to the European market for services is often highly conditioned and discretionary, and in certain respects evidently asymmetrical in favour of the EU (e.g. Mode 4 versus Mode 3). At the same time, the national treatment provisions effectively ensure that the use of affirmative actions is restricted in the promotion of competitive, locally owned private and public companies

Trade –Related Issues

The EPA provisions in respect of the WTO-Plus issues-investment, competition, public procurement- usurp the intended action of CARICOM to put in place such instruments (certain of them, the CARICOM Investment Agreement and the CARICOM Financial Services Agreement, already in an advanced stage of negotiation), and thereby subordinates their content to the EPA conception of what they should contain, what is supposedly good for CARICOM. And in many respects, that conception turns out to be questionable in terms of the Caribbean's best interests, as for example in respect of investment and commercial presence, competition policy, public procurement, intellectual property rights and free circulation.

Regional Integration

The Caribbean Community Single Market and Economy (CSME) embodies a strategy in which regional integration has been designed as a logical stepping stone towards managed integration into the world economy, commensurate with its developing capacity

to do so. However, the EPA immediately assimilates regional integration into an economic zone centered on Europe, thereby compromising the possibility of sequencing and structuring the insertion of the Caribbean economy into the global economy in such a way as to maximize the development of regional supply capabilities, exploit trading opportunities with dynamic new trading partners, and stimulate the emergence of competitive regional enterprises, prior to closer integration into the world economy.

The Development Deficit

The basic development problem of Caribbean countries is inadequate, uncompetitive and undiversified productive capacity. Yet the EPA is essentially about market access and other trade-related modalities. The Agreement is replete with vague references to development cooperation. But nowhere does it provide for a direct, targeted attack on the basic supply –side problem, let alone offer binding operational commitments, to put in place a complement of policies and measures aimed at such major development pre-occupations of the developing country partners as agriculture and food security, primary commodities, energy and infrastructure, manufacturing, transfer of technology, investment issues other than market access, and human development, and should be so totally insensitive to gender issues.

The provisions on development finance are equally unsatisfactory. The EURO 165 million to be provided under the Regional Indicative Programme of the European Development Fund represents a small fraction of the substantial fiscal cost of trade liberalization, the economic cost of the impact on domestic production, the direct cost of implementation of the EPA, and the even more substantial cost of economic restructuring and infrastructure development. At the same time, references made to other funds, such as Aid for Trade, remain vague and non-binding, while there is no assurance that these funds will support CARIFORUM priorities and will not merely be a re-packaging of existing aid commitments.

The consensus of the critiques was that the Agreement is so deficient that it would have been preferable to re-work it in its entirety. Ironically, with hindsight, this conclusion is now even more relevant, given the far-reaching changes now taking place in the world economy.

Thank you.

Question: The Rapporteur, Mr. David Martin asked Mr. Brewster what could now be done, given that the Agreement had been signed? Could it be modified?

Answer by Mr. Brewster: Before the Agreement was signed critics had made compromise proposals for modifying the Agreement. These were not accepted. Now that the Agreement has been signed, the following could be possibilities:

1. A de facto mutually agreed moratorium on implementing the regime for services, as well as the WTO-plus issues (investment, competition, public procurement), and the MFN provisions, for those CARIFORUM member countries who so wish.
2. An independent, continuous, bi-partisan Monitoring Mechanism for assessing the impact and cost of the EPA, and for measuring the extent to which it is achieving its development objectives. This Mechanism should absolutely not be unilaterally organized and managed by the European Commission.
3. A bi-partisan re-examination of the whole issue of development finance, with a view to re- assessing its adequacy and modalities, given the expected fiscal, adjustment, re-structuring, infrastructure, and implementation costs of the EPA.

Mr. Brewster said that the EC statements in respect of the RIP funds (having been doubled) was an example of mis-representation of the facts- as other comparisons showed different results.