

Statement to Committee on International Trade
Hearing

The Economic Partnership Agreement
CARIFORUM-EC
4 Dec 2008

Mr. Chairman, Committee Members, Members of the Panel,
Excellencies,
Ladies and gentlemen

Guyana appreciates the opportunity to be heard on this complex but very significant matter, containing far-reaching consequences for the structural transformation of Guyana's economy. The EPA is of such magnitude and would likely impact on the livelihoods of the population, both present and in years to come, that it deserves to be thoroughly examined and understood, giving due regard to principles of policy consistency and coherence. These are two essential principles, advocated by the European Consensus on Development (2006) to which Guyana fully subscribes.

Mr. Chairman, we continue to hear that the CARIFORUM-EC EPA is not a perfect agreement, but it is a good one. We agree that it is not perfect, but we cannot understand why proposals, to make it a better agreement, are not given serious consideration.

The laudable aims and objectives of the "new trading arrangements", so clearly stated in the Cotonou Partnership Agreement (CPA) Title 11 Chap 1 Art. 34 are expressed as follows:

*Economic and trade cooperation shall aim at fostering the smooth and gradual integration of the ACP States into the world economy, **with due regard for their political choices and development priorities**, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.*

Bearing the above in mind, Guyana has identified several "contentious clauses" in the Cariforum EPA, that can undermine efforts for "poverty eradication" in Caribbean economies, limit policy space and flexibility in future bilateral trade negotiations.

These include: the prohibition of export taxes; the undermining of South-South trade and cooperation by the Most Favoured Nation (MFN) provision; "Cotonou-negative" rules of origin; exclusion of infant industry protection; costly and onerous administrative systems for trade in services; loss of revenue from tariff elimination on a significant portion of EC imports and the lack of sufficient safeguards with respect to possible adverse consequences in relation to the regional economic integration provisions. The latter relate to Treaty obligations of CARICOM Member States in the pursuit of the CARICOM Single Market and Economy (CSME), affording "special and differential treatment" to Less Developed countries of CARICOM, namely Belize and the islands of the Eastern Caribbean.

Guyana is sometimes accused of introducing these disturbing questions belatedly. In our view however, to discard caution and the benefit of hindsight in the face of “unanswered questions”, is to say the least, reckless in public policy formulation. And indeed may also be short sighted and irresponsible to the present and future generations, when in 15–20 years the detrimental consequences take hold. A longer view is not only wise caution but also an imperative.

Consistency with the Cotonou Agreement, is fundamental and requires the “new trading arrangements” to be “WTO-compatible” and additionally, to foster “the smooth and gradual integration of the ACP States into the world economy, with due regard for their **political choices and development priorities...**”

On this basis Guyana has sought options that ensure WTO-compatibility, while simultaneously respecting its “development priorities” and advancing, not retarding, regional economic integration.

An improved EPA should address the following topics.

Firstly: restrictive rules of origin.

While there have been improvements in some product-specific rules, for example, textiles and clothing, in other areas the rules are more restrictive than obtained under Cotonou. This is shown in Annex X to Protocol 1 in the Cariforum EPA which prohibits cumulation within CARIFORUM for several sugar containing products until 2015.

This issue has been consistently highlighted by President Bharrat Jagdeo of Guyana and certainly preceded the initialing of the Caribbean EPA as recent as one week before, as attributed to the President in the local press under the headline **EU’s origin rules for sugar products unacceptable-Jagdeo.**

The proposed “rules of origin” are inconsistent with one of the fundamental criteria of the EPAs requiring the Rules of Origin in new trade arrangements to build on the “acquis” of the Cotonou Agreement.

The principle of “cumulation” is fundamental not only for value-addition in the diversification of the Guyana sugar industry, for example, but also as a specific policy measure to deepen regional economic integration.

Preventing “value- addition” in the exports of sugar-containing products, until 2015 is anti-development, backward and inconsistent with proclaimed policy of the EU for increased diversification of commodity-based economies. For Guyana, such contradictions not only undermine coherence of its strategic policy priorities, but is also inimical to the objectives of production-integration between Caribbean economies.

This would be a retrograde step gravely impairing the Caribbean Single Market and Economy (CSME).

Indeed, the complex and critical issues associated with Rules of Origin require that they be best settled at an “all-ACP” level to enable equitable and non-discriminatory treatment. This will avoid problems in a joint defense of WTO-compatibility for the EPAs, as a whole.

Secondly “Services” Provisions and Trade-related issues.

We recognize that the need for economic expansion requires a vibrant services sector and duly appreciate the prominent role of “services”, particularly in economies of several Cariforum states. We however advise that caution be exercised in this area, unless countries have already established a policy framework and this can be enhanced.

Guyana also believes that due care should be taken with respect to the so-called Singapore issues of Government procurement, Competition policy and Investment, especially since the multilateral rules in the DDR have not been agreed on such complex areas to date. Since some of these issues are without multilateral rules, Guyana felt it was premature to undertake binding commitments that can compromise future negotiation positions, not only in the Doha Round, but also in the bilateral theater for example with (Canada and other) trading partners who will justifiably demand no less favourable treatment than that accorded to the EU.

Moreover, for Guyana these undertakings would disorient its “development priorities” to attempt to adequately satisfy, at this stage, the enormous and burdensome transaction, and human resource, costs for the legislative, regulatory and institutional infrastructure. A demand is being placed on scarce resources to undertake obligations, the costs and consequences of which have not been fully understood or researched.

Third: Regional preferences.

Another serious issue pertains to the provisions on “regional preferences” in which there are inconsistencies and lack of policy coherence. For instance, the pace of regional integration, acknowledged in Art 4 of the Cariforum EPA is compromised in the Article on “regional preferences” whereby any concession granted to the EU covering trade in both “goods” and “services” requires reciprocal trading among all other Cariforum countries.

At this stage of regional integration, for instance, the CARICOM-Dominican Republic Free Trade Agreement is incomplete as only “goods” aspects have been concluded and is applicable to CARICOM’s designated LDCs in a non-reciprocal manner. By agreeing to the “regional preferences” clause, reciprocity will be imposed on all CARICOM Member States. This demand infringes the pace of regional integration to which Guyana as a CARICOM member subscribes. With respect to Services, which has not been negotiated yet in the CARICOM-DR agreement, our services offer in the EPA will automatically become our initial offer with respect to the DR and vice versa.

Fourth: The MFN Clause

An issue of significant concern for Guyana is the Most Favoured Nation (MFN) provision. While the provision in the arrangements that govern our relations with Europe, in that Annex V, Article 5 of Cotonou provides for MFN with respect to developed countries, the scope and depth of this provision in the EPA is certainly “new” by including “services” and is applicable to future trading arrangements between developing countries and CARIFORUM States.

For the EC, this is apparently aimed at ensuring “more advanced developing countries”, such as Brazil, China and India are not at an advantage over European products and businesses in our markets. Such a principle could only have been conceded under acute pressure and undermines our endeavours to promote South-South trade and strategic investment policies particularly with neighbouring countries such as members of the Union of South American Nations (UNASAR).

Of even greater significance is the direct risk that, having conceded to this MFN provision in a signed EPA by CARIFORUM, we would have set a precedent for a yardstick to be imposed on the rest of the ACP. This is not only inconsistent with promoting regional integration but also blatantly divisive.

If nothing else, I invite this Committee to be fair-minded and courageous enough to vigorously support the removal of this provision in the Cariforum, and every other, EPA or significantly modify its application.

In conclusion, I draw your attention to the following:

The then-Trade Commissioner by letter of September 19 2008 threatened to impose tariffs on Guyana’s exports, under the GSP Scheme, if we did not join our Cariforum sister nations in signing the initialled EPA in its current form. Guyana requested that it be allowed to accept only the “trade in goods” obligations, pending further negotiations. Although legally possible, that option was rejected by the European Commission.

Facing a loss of about Euros 70mn annually from trade with the EU, Guyana felt constrained to conform and the EPA was signed in Brussels on October 20, 2008.

This was done since a Joint Declaration had been accepted by the signatory Parties providing for the mandatory review of the impact, cost and consequences of implementation of the EPA in 5 years. It is incumbent that objective and measurable indicators be agreed as criteria by which such a review shall be conducted.

Finally, I strongly believe that this Committee has a serious responsibility, to urge the EU Member States to thoroughly re-examine all the EPA agreements before “they irretrievably harm the good historic relations that have existed between the ACP and the EU.”

Brussels, December 4, 2008

