

## **RNM Note on Aid for Trade: Any Lessons from the CARIFORUM – EC EPA?**

### **WTO Symposium on Evaluation Identifying Indicators for Monitoring Aid for Trade**

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#### **1. CARIFORUM Economic Profile and Challenges**

- a) Caribbean's physical geography (dominated by an archipelago of small island states and remote continental countries) renders the region exposed to high cost of infrastructure, high cost of intra-regional maritime and air transport and results in high cost of production and diminished competitiveness;
- b) CARIFORUM's states also exude the classic traits of small, vulnerable economies, i.e. preference-dependent, especially on agricultural commodities; acute export concentration – expressed in both products and markets; open economies where foreign trade averages over 120% of GDP; and limited number of growth sectors.
- c) Immediate challenge therefore remains that of facilitating the economic re-positioning of these economies if they are to seize opportunities presented by globalization while modulating the risks. Embedded in this broader challenges are the specific need to reduce reliance on border taxes, increase the production and competitiveness of exportables and creating additional value via branding and use of GIs.

#### **2. Aid for Trade and CARIFORUM EPA**

- a) The Agreement spans a comprehensive range of technical disciplines. In a number of cases, specific CARIFORUM commitments hinge on the delivery of EU development support;
- b) Each CARIFORUM EPA chapter enumerates the Caribbean development priorities specific to the stated trade discipline. For example in Agriculture, the following development cooperation priorities are identified, viz.: (i) enhancing the competitiveness of production; (ii) developing export marketing capabilities; (iii) bolstering the ability of economic operators to conform to required quality standards; (iv) promotion of private investment and public – private partnership; and (v) strengthening the scientific, technical, institutional and human capability for sustainable trade in fisheries.
- c) Overshadowing the negotiations was the Regional Preparatory Task Force (RPTF) – a joint body of CARIFORUM and EC trade negotiators and development finance experts. Once the text on various disciplines was concluded, the RPTF would commission the conduct of feasibility studies based on TORs prepared by CARIFORUM-EC trade negotiators. The studies would primarily address four clusters of activities, viz.: (i) identify specific needs at both national and regional levels; (ii) craft programmes aimed at addressing identified needs; (iii) survey the programming of initiatives in the same disciplines in CARIFORUM states(s); and (iv) develop financing proposal that quantifies the costs of intervention.

#### **3. Lessons of the CARIFORUM EPA Aft Approach**

- a) The negotiations fell under the Cotonou Agreement, thereby facilitating the indelible nexus between trade commitments and development funding.

b) The comprehensive gamut of trade disciplines allows for addressing the adjustment that by nature is a multi-faceted challenge. For example, the EPA commitments on market access provisions, investment and IPR would allow Guyanese-produced Demerara sugar to harness the additional value of GI-designated product marketed in Europe instead of the traditional export of raw sugar. Adherence to new trade disciplines requires the marshalling of significant resources for trade capacity building.

c) The approach to development cooperation builds on private-public partnership in augmenting trade capacity building measures. The Caribbean has a successful example of this approach, namely in the West Indian rum project that aims at increasing the bottling of branded Caribbean rum and thereby retain greater economic value for Caribbean owned firms. This project is managed by WIRSPA – the association of Caribbean rum manufactures – a first in the history of EDF-financed projects.

d) A number of CARIFORUM trade commitments are predicated on the delivery of EU development support. The inauguration of such commitments is time-bound, e.g. the phasing out and elimination of ODCs (2018) and additional IPR measures in 2014. In this context, the time-sensitive delivery of EU development support assumes even greater importance.

e) Building synergies on existing programmes and with established purveyors of TRTA. In order to mitigate the loss of fiscal receipts, the CARIFORUM EPA enshrines an EC commitment to assist in the reform national tax administration of affected CARIFORUM States. In undertaking this assignment, CARIFORUM intends to work closely with Caribbean Regional Technical Assistance Centre (CARTAC) that has successfully assisted a number of East Caribbean States to overhaul their national tax regime.

f) The Agreement provides for the establishment of a monitoring mechanism to track not merely the implementation of the Agreement but rather the realisation of the Agreement's development objectives. The work of the EPA monitoring mechanism would also facilitate the crafting of development benchmarks that could serve as objective basis for evaluating the functioning of the new trade arrangement with the EC.

#### **4. Limitations**

The Cotonou Agreement is a sui generis arrangement between a group of industrialised countries and counterparts from the South. The inherent link between trade commitments and development finance is therefore not easily transposable to other trade agreements.

EPAs fail to address the systemic asymmetry in aid for trade initiatives; namely, developing countries trade commitments are binding while industrialised countries' aid offers are best endeavours. This misalignment of obligations is more acute in a context where the slew new disciplines expose the gap between committed donor support and trade capacity needs of developing countries.