



THE CARIFORUM-EC ECONOMIC PARTNERSHIP AGREEMENT

Transcending Borders, Changing Lives



Message from the Honourable Dr. Kenneth Baugh, Deputy Prime Minister and Minister of Foreign Affairs and Foreign Trade

After nearly seven (7) years of negotiations, Jamaica joined twelve (12) other CARIFORUM States to sign the CARIFORUM/EU Economic Partnership Agreement (EPA) in Barbados on the 15th October, 2008.

This Agreement marks the beginning of a new era in the trade relationship between the CARIFORUM and the European Union.

With this Supplement and our seminar scheduled for *Tuesday, 13th January, 2009*, the Government of Jamaica joins the Delegation of the European Union in formally commencing the implementation of the EPA.

I firmly believe that this Agreement can be beneficial to Jamaica, but the public and private sectors must work to ensure that we place ourselves in a position to reap the benefits. We must explore the possibilities in agriculture, manufacturing and trade in services.

I urge the private sector to read this supplement and to familiarize themselves with the text of the Agreement. I also encourage them to begin to explore the possibilities in the EU market.

The Government is committed to providing necessary support. There is no question that to succeed in these challenging economic times, Jamaica's productive sector must be bold and creative. We must increase exports to achieve sustained economic growth and we must be prepared to grasp opportunities where they exist.

Let us work in partnership in the public and private sectors and in civil society to seek and secure the benefits of the EPA.

THE COTONOU AGREEMENT, signed in 2000, is a partnership pact between the African, Caribbean and Pacific Group of States (ACP) and the European Community governing political, economic, social and cultural relations between the parties. Before the Cotonou Agreement, ACP-European relations were governed by the Lomé Convention, which was originally signed in 1975. Co-operation is a major cornerstone of the agreements; the EC supports the ACP countries in their development through the European Development Fund (EDF), investment assistance through the European Investment Bank, and stabilization support for the ACP's key agricultural and minerals exports. On the trade side, the Lomé Convention was a one way agreement, providing preferential or duty free access into the EC market for most ACP agricultural and mineral exports ó with quotas for products such as bananas, beef and sugar.

However, 25 years of Lomé preferences did not yield the results hoped for as ACP economies remained largely undiversified and commodity-dependent. Commencing in the 1990s, developments in the international trading system and internally within the EC dictated that there should be a change in the relationship between the EU and the ACP. This led to the negotiation of an Economic Partnership Agreement (EPA) between the Caribbean ACP Forum (CARIFORUM) and the European Union (EU).



Principal Negotiators of the EC and the CARIFORUM initialling the EPA on 16th December 2007.

What is the EPA?

The **Economic Partnership Agreement** or EPA is:

- A comprehensive agreement, aiming at sustainable development and poverty reduction
- providing predictable, transparent and development-friendly rules, fostering regional integration
- providing for the gradual and asymmetrical opening up of CARIFORUM economies towards the EU as a step towards more integration into the world

economy

- An agreement between the Caribbean Forum of States (CARIFORUM) of the ACP and the European Union (EU) designed to replace the trade provisions of the Cotonou Agreement, which were not in conformity with WTO rules.
- an agreement to co-operate in all trade-relevant areas, including by making available development finance to the CARIFORUM States in the areas required for implementation
- Expected to assist CARIFORUM States to increase exports of goods and services and thereby increase employment, business opportunities and economic growth, which will support sustainable development of the CARIFORUM States.

Why an EPA?

- The dispute over preferential access to the UK (later the EU) market involving its colonies (later members of the ACP) and third countries dates from the inception of the Commonwealth Scheme of Preferences in 1932. The United States and Latin American countries objected to the granting of these preferences, which excluded their tropical agricultural products from the UK market. This became an issue in the GATT when it was created in 1947. It continued after the UK joined the EEC in 1974 which saw the creation of the ACP and the negotiation of the Lome Conventions in 1975. Thus, the issue of preferential access remained a contentious issue through every round of GATT negotiations including the Uruguay Round (1986 ó 1994). It eventually led to the banana disputes in the GATT/WTO commencing in 1993.
- Since 1993, the EC banana regime has been successfully challenged in GATT/WTO dispute settlement proceedings by the Latin American banana producing countries and the USA utilizing the new, more stringent rules of the WTO. This banana dispute has not yet been successfully resolved as the EC is still required to establish a new MFN tariff for third countries.
- Taking account of the rulings in the banana disputes and internal EU reforms to its Common Agricultural Policy, the negotiation of the Cotonou Agreement, which began in 1998, committed the parties to negotiating a new trading regime (the EPAs) after a transition period. These EPAs would be asymmetrical free trade agreements providing for special and differential treatment for the CARIFORUM States, which are compatible with the WTO rules.
- In November 2001, the WTO Doha Ministerial Declaration granted a temporary waiver to the trade provisions in the Cotonou Agreement up to 31st December 2007 and also agreed on transitional arrangements for bananas. The expiry of the WTO waiver for the trade provisions for the Cotonou Agreement provided the deadline for the completion of the negotiations on the CARIFORUM-EC EPA by 31st December 2007.

- In the absence of an EPA, all CARIFORUM countries, except Haiti, would have had to resort to the less favourable European Generalized System of Preferences (GSP) program. The alternative for Haiti, a Least Developed Country (LDC), would have been the Everything but Arms (EBA) arrangement under the GSP. For Jamaica, this would have meant that products such as alumina and rum would have faced duties entering the EC market thereby threatening their competitiveness.
- The EPA between the CARIFORUM States and the EC was concluded on 16th December 2007 and the Agreement was signed by 13 countries on 15th October 2008 in Barbados. Guyana signed it on 20th October 2008 in Brussels. Haiti did not sign up yet and is currently accessing the EU markets under the EBA scheme. The CARIFORUM/EU EPA has been notified to the WTO. The Agreement will set a new trading environment, and as any such changes, present challenges and opportunities to the parties affected by them. The key will be for those who will lose protection through the liberalization process to prepare and adjust – for example by improving product quality or increase productivity of the production processes. On the other hand, the Agreement will have positive effects for enterprises as well, by lowering costs of inputs to the production and improving the regional business environment.



Honourable Kenneth Baugh, Deputy Prime Minister and Minister of Foreign Affairs and Foreign Trade signing the CARIFORUM/EU EPA

Some key provisions of the EPA

TRADE IN GOODS

- As of January 2008, IMMEDIATE duty-free/quota-free (DFQF) market access to the European Union market for all CARIFORUM goods. In the case of rice and sugar this

will occur in 2010 and 2015, respectively.

- On the other hand, CARIFORUM is not obliged to begin reducing its tariffs until 2011, i.e., there is a three-year moratorium. This three-year period is also intended to enable Jamaica to begin to take measures to ensure smooth transition into the implementation of the EPA, and that firms that maybe affected by competition from EU exports can prepare themselves and take the necessary adjustments.
- Tariffs on sensitive goods, such as food items and processed food, imported into CARIFORUM will not be removed. Altogether 13.1 per cent of such products imported from Europe are excluded from liberalization and will continue to be subject to tariffs.
- Tariffs are a significant source of revenue for CARIFORUM states. CARIFORUM, therefore, will be allowed to reduce tariffs on products from the European Union (EU) gradually in several phases. This will allow CARIFORUM time to find alternative revenue sources, such as internal direct or indirect taxation.
 - In 2011, CARIFORUM will reduce tariffs on 52.8 per cent of the goods imported from Europe;
 - By 2013, five years from the date of application of the EPA (2008), CARIFORUM will have no tariffs on 56 per cent of the goods imported from Europe;
 - By 2018, ten years from the date of application of the EPA, there will be no tariffs on 61.1 per cent of the goods imported from Europe;
 - By 2023, duties of 82.7 per cent of goods imported from Europe will have been removed;
 - By 2028, duties on 84.6 per cent of goods imported from Europe will have been removed;
 - By 2033, duties on 86.9 per cent of goods imported from Europe will have been removed.
- Measures to improve customs and simplify administrative procedures to ensure that trade between CARIFORUM and Europe is made easier and more predictable.
- Provisions to develop the CARIFORUM agricultural and fisheries sector. These provisions are aimed at improving CARIFORUM food security and competitiveness, and encouraging the development of new agro-industries.
 - Europe is committed to consulting with CARIFORUM before policy developments take effect, and before any domestic and/or external policy changes are made that would affect the competitiveness of CARIFORUM exports.
 - **SUGAR**

- From 2008 until December 2009, CARIFORUM Sugar exporters will be eligible to export an additional 60 000 tonnes into Europe. This quantity, which is above the old Sugar Protocol quota, is to be shared between CARICOM signatories to the Protocol and the Dominican Republic. This additional quota is particularly advantageous to larger CARIFORUM sugar producers which will now be able to sell more at guaranteed prices.
- After 2009, when the Sugar Protocol expires, CARIFORUM sugar imported into Europe will be free of duty.
- However, after 2009 and until 2015, Europe could still impose tariffs on CARIFORUM sugar exports. It would be able to do so if the quantities imported from the African Caribbean and Pacific states (ACP) as a whole exceed 3.5 million tonnes and the amount from ACP countries which are not LDCs (lesser developed countries), exceeds 1.38 million tonnes. ACP LDCs will not be subject to these measures.

- **RICE**

- CARIFORUM rice exporters will enjoy receiving increased quotas of 187000 tonnes for 2008, and 250 000 tonnes for 2009. These quotas will be duty-free in contrast to the 65 per tonne duty that would have applied.
- Duty-free/quota-free access for rice from 2010.
- No requirements in the new arrangement for distinctions to be made between whole grain rice and broken rice. This makes it easier for CARIFORUM rice producers to tap into the higher priced market for whole grain rice.
- Licensing and other arrangements related to the rice quota will be kept under review to ensure that CARIFORUM rice producers get the maximum benefit from the trading arrangement.

- **BANANAS**

- Duty-free/quota-free from inception of the EPA
- Joint Declaration on Bananas which provides political reassurance to the region that EU will follow the situation of the CARIFORUM banana industry making socio-economic adjustments to the changing trading environment.

- Assistance to help CARIFORUM comply with European product standards and to develop CARIFORUM's own products standards.

INVESTMENT AND TRADE IN SERVICES

- Provisions encourage foreign investment within the Caribbean but also ensure full respect of core environmental and labour standards.
- New opportunities for qualified self employed CARIFORUM professionals and professional employees to work in Europe for up to six months.
- Special regulations aimed at developing CARIFORUM's financial sector and tourism sector.
- Short-term entry of CARIFORUM business visitors into Europe to allow such business persons to engage in non-commercial business activity such as networking and making business contacts, research, marketing and training.
- Protocol on Cultural Cooperation to complement CARIFORUM market access in EU recreational services markets and to facilitate greater cooperation in the development of cultural industries.

TRADE-RELATED ISSUES

- Rules that ensure that competition is free from distortion and is fair.
- Measures that encourage innovation and creativity amongst firms which can promote their competitiveness.
- Rules that protect workers and the environment from abuses as a result of trade.

DEVELOPMENT SUPPORT

- Provision of technical assistance to build human, legal and institutional capacity
- Assistance for capacity and institution building for fiscal reform and strengthening of tax administration
- Support measures for promoting private sector and enterprise development
- Enhancing technological and research capabilities of CARIFORUM States to facilitate compliance and development of internationally recognized sanitary and phytosanitary measures and technical standards
- Development of CARIFORUM innovation systems, including the development of technology capacity
- Support for infrastructural development

Member States and the European Community support implementation of the Agreement as well as further regional integration by means of their development assistance. The EC has just made available additional funding amounting to p165 million under the 10th EDF for the region. EU Member States are committed to assist the region within the framework of the EU Aft strategy.

The EPA text may be found at the www.crnj.org and at http://trade.ec.europa.eu/doclib/docs/2008/february/tradoc_137971.pdf .

WHY IS THE EPA IMPORTANT TO JAMAICA?

- The EPA opens the door to a market of 450 million consumers in the EU
- It is a unique development-oriented free trade agreement and represents a shift in relations with the EU.
- It provides opportunities for increased investment, production, job creation and exports thus leading to economic growth
- It challenges local firms to ensure that the goods and services that they produce are both competitive and of high quality in order to take advantage of the EU market access benefits which EPA provides.
- It offers opportunities for Jamaican firms to tap into EU assistance targeted at various sectors
- Stakeholders will need to redouble efforts to forge alliances to strengthen capacity, integrate technology and develop innovative products in accordance with international standards

WHAT IS GOVERNMENT DOING TO IMPLEMENT THE EPA?

The Government has:

- Created an EPA Technical Working Group to drive and oversee the EPA Implementation, chaired initially by the Ministry of Foreign Affairs and Foreign Trade. The activities of the Working Group are guided by an EPA Implementation Road Map and Action Matrix.
- Established a Trade Agreements Implementation Coordination Unit in the Ministry of Foreign Affairs and Foreign Trade which will also be responsible for co-ordinating the implementation of the EPA
- Appointed a national co-ordinator for the EPA.
- Commissioned an inventory of technical/trade-related assistance projects in order to assess existing projects and identify the gaps which need to be addressed not only in the implementation of the EPA but in all other trade agreements which Jamaica has signed.
- Planned an implementation Seminar on “**Implementation of the EPA- Positioning Jamaica to Increase Exports**” which will bring together the private and public sectors and civil society. This is scheduled for early December and is aimed at creating the momentum for cross-sectoral implementation activities in the coming months.



Head of EU Delegation, Ambassador Marco Mazzocchi Alemanni conversing with the Hon. Karl Samuda Minister of Industry, Investment and Commerce.

WHAT IS THE EUROPEAN COMMISSION DOING TO IMPLEMENT THE EPA?

10TH EDF EPA DEVELOPMENT PROGRAMME FOR JAMAICA

The 10th EDF Country Support Strategy for Jamaica makes provisions for an €11.25 Million EPA Development Programme. Work has already commenced on the preparation of the programme through the launching of a contract to engage consultants to prepare a strategy and design the programme.

The objective of the consultancy is to design a strategy which can enable Jamaica to maximise the opportunities available under the EPA. Specifically it should better position Jamaican exports within the EU market, and further expand and diversify Jamaica's market share to include new areas, such as Continental Europe and the French DOMs.

In order to access such benefits under the EPA, Jamaican firms must strategically position themselves within the EU market, adopting a targeted approach that develops dynamic products and services demonstrating strong export potential.

The Consultancy is expected to commence on January 5, 2009 and a final report is due at the end of March 2009. The consultants will meet with all relevant stakeholders and will also convene two workshops to gather as well as disseminate information.

The full implementation of the EPA Development Programme is expected to commence at the beginning of 2010.

10TH EDF CARIBBEAN REGIONAL SUPPORT STRATEGY

The EU is providing an allocation for the Caribbean Region amounting to *€165 million under the 10th EDF*. The global objective of the assistance is to promote economic growth and increased international competitiveness through regional economic integration and cooperation, thereby contributing to Poverty Reduction. The specific objective is sustainable economic development and cooperation through expansion of the regional economic base and active participation in a CARIFORUM/EC EPA.

The primary focus of the strategy is to provide support for regional integration and cooperation among CARIFORUM countries, taking into account the objectives of the region and the needs related to implementation of the EPA, which is considered to be a vehicle for regional integration.

Approximately 143 million shall be reserved for the focal area of Regional Integration/Co-operation and EPA priority areas including Capacity Building, of which approximately 44% will be reserved for EPA implementation and accompanying measures.

An indicative allocation of 22 million has also been allocated to addressing vulnerabilities and social issues.

Support for regional integration and EPA implementation is to be supplemented by recently launched 9th and 10th EDF Intra-ACP programmes providing support in specific areas such as trade and the private sector, commodities, fisheries, infrastructure, and culture; examples of Intra-ACP activities financed under previous programmes in the SPS field are:

- 642M Strengthening Fishery Programmes
- 630M Strengthening Food Safety Systems through SPS measures 6 agricultural and fishery products
- 630M support program to adjust the SPS control System in the ACP countries in line with the EC regulation on Official Feed and Food controls.

EU AID FOR TRADE STRATEGY

Trade has served as a strong catalyst for growth, poverty reduction and sustainable development in a large number of developing countries. However, for some others, improved market access opportunities in export markets and the stability provided by international trade rules have not by themselves always been sufficient to translate into increased exports from developing countries. For countries to become more competitive on global markets, improvements may also be required in their productive and supply-side capacity and in other constraints affecting their ability to participate in and benefit fully from trade.

Aid and trade are twin pillars of the EU development policy. Using the mix of grant aid and innovative trade instruments, the EC has sought to help some of the world's poorest countries to achieve sufficient economic transformation to lift their populations out of poverty. In this sense, Aid for Trade has long been at the heart of the EC cooperation agenda, and its importance has been reconfirmed at several revisions of EC development policies, most recently in the 2005 European Consensus for Development which identifies trade and regional integration as a key area for Community action.

The overarching objective of the EU Aid for Trade (Aft) Strategy is to support all developing countries, particularly Least Developed Countries (LDCs), to better integrate into the rules-based world trading system and to use trade more effectively in promoting the overarching objective of poverty reduction in the context of sustainable development.

One aim of the EU Aft strategy is to support ACP regions and countries to take full advantage of increased trading opportunities and maximise the benefits of trade reforms, including those of the EPAs. This includes providing in the order of 50% of the strived for

increase in Trade Related Assistance (TRA) to ACP countries; stepping up support to the wider AfT agenda by increasing overall AfT in ACP countries in proportion to overall increases in Overseas Development Assistance; applying aid effectiveness at national and regional level and stepping up efforts to support regional integration.

The objective of the regional Aid for Trade packages for the ACP is to help ensure early and effective delivery of EU Aid for Trade to the ACP regions, in line with the objectives and principles of the EU Aid for Trade Strategy. Specifically, the role of the packages is to support ACP-owned regional integration agendas. The packages will provide an effective, coherent and concrete EU response to needs and priorities expressed by the ACP countries and regions, including in national and regional development plans.

The EU AfT should respond to ACP demands articulated in their own national and regional development strategies and plans. Thus, a prerequisite for progress is that ACP countries and regions do the necessary homework. In parallel the EU must do its share.

The first step is to clarify trade related priorities embedded in existing valid ACP strategies and programmes and needs assessments, at national and regional level. On this basis, priority areas for AfT support at national and regional level can be defined. The relevant absorption capacity would also need to be assessed.



HOW DOES EPA RELATE TO THE AVERAGE PERSON?

- Opportunity for Entrepreneurs/Small businesses to develop exports to an EU market of 450 million people
- A chance for local producers to focus on productive efficiency, enhanced quality and competitiveness, in anticipation of greater competition from European products
- Opportunity for Entertainers/providers of cultural services, film producers, dancers, fashion models and others to tap into the European Market, subject to relevant immigration requirements
- There is also the possibility for cooperation across various areas in order to promote development of cultural products, and other goods and services
- Improved access for business visitors, contractual services providers and independent professionals to access the EU market and provide services on a temporary or short-term basis
- Utilizing provisions for capacity-building and technical assistance to improve productivity and competitiveness for businesses, including small businesses and to improve standards for export to the EU market

- Removal of duties on some products will allow for cheaper inputs into the production process/value added
- It presents the possibility for inflows of investment into Jamaica, and possible job creation/ employment opportunities.
- Greater competition should also result in consumers having lower prices and access to a wider choice of better quality and cheaper goods
- Government's continued efforts towards removing bureaucratic red-tap, better service delivery, technology innovations (for example, in areas such as customs) should result in cost savings and a more favourable operating environment for local business

It is important to emphasize that the EPA is no panacea. Indeed, the Agreement is not without its critics. There will have to be constant monitoring and on-going review to ensure that the EPA delivers the anticipated benefits for Jamaica and the Caribbean. Jamaica faces a significant challenge in seeking to diversify its exports, and this challenge is compounded by the present global economic crisis. The recession affecting the major EU economies may slow demand in Europe. Therefore, take-off for Jamaican exports under the EPA might well take some time.

Ultimately, the level of benefits to Jamaica will depend on the country's preparedness to take advantage of EPA market access - which places a lot of responsibility on private sector entrepreneurs and small businesses to make the Agreement work. This is no small undertaking in today's challenging economic environment.



LONG HISTORY OF EU COOPERATION WITH JAMAICA AND THE CARIBBEAN

Jamaica has enjoyed diplomatic relations with Member States of the European Communities (EC) since gaining its independence 46 years ago. This relationship has evolved over three decades at the bilateral level and through Jamaica's membership of the African, Caribbean and Pacific (ACP) Group of States.

Jamaica's Embassy in Brussels, Belgium was established in 1972 to serve not only Belgium,

but also the European Community (now the Union) and the African, Caribbean and Pacific (ACP) Group, both headquartered in Belgium.

Today, Jamaica has a trade surplus with the EU due to exports of alumina. In 2007, Jamaica exported goods to the EU valued at US\$577.6m while importing goods valued at US\$436.7m.

The accession of the United Kingdom into the European Economic Community (EEC) on January 1, 1973, established a new relationship between the 20 Commonwealth countries in Africa, the Caribbean and the Pacific (ACP) (former colonies of Britain) and the EEC. Since then, cooperation between the European Community (EC) and Jamaica has been underpinned since the 1970s by successive Lomé Conventions (1975 to 2000), and now the Cotonou Agreement signed in 2000.

The Lomé Conventions combined preferential and non-reciprocal access for ACP exports into the EC market together with development assistance in the form of five-year financial protocols under the European Development Funds (EDF). Specific protocols provided special treatment for sugar, bananas, beef and rum while the EC also provided compensatory finance mechanism known as STABEX and SYSMIN, to stabilise ACP export earnings for key commodities and minerals. On the expiration of the Lomé Convention, a new agreement was signed in Cotonou, Benin on June 23, 2000. The new agreement fully entered into force on April 1, 2003.

The Cotonou Agreement has a duration of 20 years, with a clause allowing for revision every five years. The first review took place in 2005. Jamaica played a lead role in the negotiation of both the Lomé Conventions and the Cotonou Agreement. The Cotonou Agreement has as its central objectives poverty eradication, sustainable development and integration of ACP countries into the world economy.

Cooperation aims to improve living conditions and livelihoods in the beneficiary countries, such as Jamaica, through targeted and sustainable programmes in such sectors as agriculture, including the banana and sugar sectors; trade; economic development; tourism; education; health, and infrastructure. It is this level of cooperation which has made the EC the largest grant aid development partner in the region.

In recent times, the EC has placed increasing emphasis on climate change, alternative energy and food security as well as mainstream issues such as environmental protection, gender and governance in its development cooperation

DEVELOPMENT COOPERATION

The European Development Fund (EDF), set up in 1958, is the principal source of extra budgetary funding for European Union co-operation with the ACP group of states and the Overseas Countries and Territories (OCTs). EDF funds originate from ad hoc contributions by EU member states. It is implemented jointly with the beneficiary countries via specific co-management mechanisms.

Jamaica's National Indicative Programme (NIP) under the 10th EDF (2009 to 2013) will benefit from € 110 million from what is termed as the A envelope and an additional € 20 million from the B envelope. 55 percent of the NIP will go towards the Government's macro-

economic support programmes; 30 % for sectoral budget support programme ó that is support for various sectors; 15% for project support. Areas of targeted support include education, governance (security, peace and justice), and capacity building to support the successful implementation of the EPA.

The EC is also jointly working with CARICOM on the programming of the 10th EDF Caribbean Regional Indicative Programme which will be an amount of approximately p165 million.

EPA Implementation Seminar

On 13th January 2009, the Ministry of Foreign Affairs and Foreign Trade in collaboration with the Small Business Association of Jamaica and other private sector organizations will be hosting a full day Public Seminar: “Implementing the CARIFORUM-EC Economic Partnership Agreement (EPA) – Positioning Jamaican Exports for the Future”. This Seminar is intended to facilitate discussions between government and business on strategies for Jamaica to take advantage of the benefits of the EPA. The Seminar will be held at the Knutsford Court Hotel. For enquiries and participation contact Mr Calvin Manduna / Mr David Prendergast at Tel. 926 4220 Ext 3232 or e/mail: ftmfaja@cwjamaica.com

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