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Overview of EU-Cariforum Trade Relations

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A brief History

Let me begin by recounting briefly what to many may seem ancient history; but in my view is still of some relevance as it points to the long term challenge the Caribbean faces in developing its full export potential.

Lomé and Cotonou

There were initially four EU-ACP Lomé Conventions running from 1975 to 2000 that eventually came to embrace all of the independent nations of the region other than Cuba. These, like the Cotonou Convention that followed, were non-reciprocal in nature, granting duty free preferential access for almost all industrial, processed and non-agricultural goods; although some commodities like sugar, bananas and rum remained subject to special arrangements.

Such trade preferences were granted in the hope that that ACP exports to the EU would increase, economies would diversify, encouraging growth and development while retaining positive political ties to Europe.

However, for many of the reasons that are still with us today the hoped for export of non-traditional agricultural goods and almost all industrial, processed and non-agricultural goods, trade remained weak.

At the time it was suggested that this poor performance variously reflected growing competition in a liberalising EU market; the smallness and fragmented nature of Caribbean producers, disinterest by the region's private sector, too great a focus by governments on retaining preference for commodities, too great a reliance on traditional markets, inadequate diversification, the absence of sufficient development support, government bureaucracy and so on.

Many of these reasons are still with us today.

Europe of course was not blameless. For example even in areas where the region had the capacity to dramatically improve its exports by managing to have the quota restrictions lifted on a product like rum, this was rapidly followed in 1997 by a transatlantic agreement that resulted in the early full liberalisation with only, at the last minute, a complex transitional trade mechanism being added that afforded a small period in which to move to developing export brands.

By the late 1990s pressure was building in Europe and globally for trade liberalisation while legal pressures were growing for an end to preference. In part the Cotonou Conventions was proposed as a step along the way to assist the Caribbean and other ACP nations through programmed development assistance to manage an economic transition away from preference by encouraging export diversification, and supporting more open and competitive trading.

The EPA

However, almost as the ink was drying and under pressure as a result of WTO rulings relating to bananas, and from other developing nations participating in the multilateral trade negotiations taking place in Geneva, Europe began negotiations for an Economic Partnership Agreement (EPA) with Cariforum.

As is well known, the agreement, signed in 2008, asymmetrically opened the Caribbean market to the EU and was intended to find ways to enhance the opportunity for the region to make better use of the access that by then it had for 98.5 per cent of its exports to enter the EU duty-free.

Designed as response to globalisation, in theory to encourage regional integration, and signed off by Caribbean heads of government, the agreement, was and has remained contentious.

I do not intend to go into this issue other than to repeat my personal view that by foisting the EPA on a still immature regional economic integration process, in which small fragmented economies were at radically different stages of development, this was bound to cause the practical problems that this and other conferences have been trying to address ever since.

Recent trade flows in goods

So how has the Caribbean fared under the EPA in its trade with Europe, CARIFORUM's second largest trading partner after the US?

Although in 2011, total trade between the two regions came to over €8 billion, CARIFORUM continued to run a trade deficit with the EU, for instance of some €0.8 billion in 2013. In fact a snapshot of the five year's statistics up to the end of 2013 indicates that only in one year - 2008 - did Caribbean exports, at €6 billion, exceed imports from Europe.

Moreover, the available EU-Cariforum figures indicate that up to the end of 2013 the region has not been able to come anywhere near that figure; recording total exports in 2013 of €5.2 billion and an average export growth rate of around 1.4 per cent per annum in the five years after the EPA was signed despite the open nature of the EU market.

Worryingly, a further breakdown shows that after discounting oil, and related products, machinery and transport equipment, and chemicals, only around 45% of what was exported from the region to Europe was in the form of foodstuffs, beverages, tobacco, manufactured goods and various other miscellaneous items.

More tellingly still, one has to remember that during this period the Dominican Republic's government and private sector moved decisively to take advantage of the market access that it did not have previously both for its commodities and manufactured and processed goods. Put another way despite the fact that the Anglophone Caribbean's 5.5 m people were joined by another 10m there was no commensurate surge in growth in exports to Europe.

For the most part the reasons were similar to those noted earlier although it has to be said that Europe's once central role for the Caribbean was increasingly eclipsed by more proximate markets.

More positively, however, the statistics do appear to suggest a potential for a growth in relation to value added goods in some of the sectors that this business forum will be focussing on, and in other areas such as branded rum, fisheries and foodstuffs.

Recent trade flows in services

Immensely harder to find is any reliable information about the export of Caribbean services. For this reason I too am hoping in the next day and half to learn more from the experts about this and the problems associated with the region developing a reliable measure.

As Sacha Silva pointed out his paper on Caribbean Trade Integration initially prepared for CEDA's 2013 Caribbean Exporters' Colloquium, and which I commend to you, the available evidence does suggest a continued positive trend for CARIFORUM services exports to the EU, despite what he describes as 'the complete absence of comparable data on the CARIFORUM side'.

He suggests that although it is hard to determine the services impact of the EPA, EUROSTAT data, suggests that CARIFORUM countries ran a consistent services trade surplus with the EU-27 in the years immediately following the signature of the EPA.

While the figures of course principally relate to tourism and reflect the rapid growth in visitor arrivals from the EU again it is important to note from a broader regional perspective that the principal promoter and beneficiary of this has been the Dominican Republic.

That said, away from tourism, in services areas where one might hope to see growth, given the EPA opened up much of European services market, CARIFORUM service suppliers have found market access difficult, given the maintenance of restrictions through a whole host of barriers from visa and nationality requirements, through problems with the mutual recognition of qualifications, to the propensity of large EU Member States to impose national restrictions.

So here we are

So here we are today at a kind of crossroads. The region has had multiple years of almost open access to the EU market; the EPA has been in place for five years but export-led growth in goods and services to Europe, particularly from much of the Anglophone part of the region, remains elusive.

The rest of the world is however, not standing still in relation to the EU market. For example, in my organisation we have been impressed by how rapidly the Governments and the private sector in other similar sized nations in the countries of Central America have moved to take advantage of their association agreement with Europe; as no doubt Cuba will, should it also be offered something close to the EPA during the course of its present negotiations with Europe.

This suggests, as does this forum, that despite the often difficult regional policy environment, there is much more that might be done by business that is both practical and creative.

In my view new thinking and new initiatives now have to be led by the private sector, supported by a continuing growth in the activities of Caribbean Export and its supporting agencies. As a regional body free from the type of inertia that affects so much delivery in this region, initiatives like this forum continue to prove its worth.

Having worked at the practical end of this issue for many years and having seen at first hand the problems associated with translating trade agreements reached by Governments and trade negotiators into the bottom line considerations that drive everyone in business, I have to say that while there is much that can be done in the specific areas of opportunity that this conference is focussing on, there is also a pressing need to address the structural impediments that have held back Caribbean export growth such as the often poor public sector private sector relationship, a poorly organised private sector, and then overall environment in some nations for encouraging entrepreneurship and small business incubation.

Opportunities

So what might be done practically to support those in the region who genuinely have the capacity to export a regional product or service that is competitive and for which there is a demand commensurate to the scale of existing production and capacity of a company to export beyond the region.

Pick winners recognise the role of profit

Most Caribbean nations continue to undertake trade and investment promotion activities as set piece multi-sectoral national occasions, often with European support.

Such events have their place as long as they are about country branding or genuine comparative advantage. What is far from clear in all of this activity is the extent to which anyone subsequently undertakes a cost benefit analysis one to five years out.

Having worked in this area, what is striking is just how much trade and investment occurs without any such fostering. Rather, many positive trade and investment relationships have been the result of sometimes supported low key research undertaken by the company involved; advice sought directly; individual initiatives; personal introductions; and the creation of relevant business contacts often initially catalysed in less formal environments.

Above all, what has driven such decisions is the issue that is most difficult for development agencies and Governments to address: profit. As odd as it may seem, few of the promotional events that take place focus on this or recognise that any decision to trade or invest, create jobs, be socially responsible or choose a particular location, begin and end with whether the company concerned has fully considered whether they are competitive or how they will make a return on a lasting basis.

That said, some countries and development agencies have, in different ways, already recognised this; for instance this year's public-private sector Dominican Week in the UK will focus on expanding the use of country's already established platform for making movies. Others, however, need to think outside the box and in the process work out how best to re-launch their promotional activities in ways that are unique, realistic, better targeted and measured, and above relate to the thinking of those who may be importers, buyers or investors.

Think differently

Thinking differently also requires a much broader and different vision of the Caribbean and the economic possibilities its location offers in the global economy. This needs to be shared by both business and government. It requires champions in academia, the private sector and politics able to help translate this into a small number of practical deliverable ideas.

It implies that the Caribbean economy of the future has to be more strategic in its thinking, less protectionist and defensive, and become skills and knowledge based. It requires governments to focus relentlessly on education at tertiary and higher levels, and to build skills that will enhance the region's location at the maritime crossroads of the Americas.

It also needs the public sector to think differently. It is now apparent that the region's biggest companies are outpacing many of the nations in which they are located. The best have moved on from family run operations to being controlled by professionally qualified individuals, young dynamic and in the mode of the best Harvard MBAs who think globally. Like them the public sector requires a mind-set that is action oriented, practical and implementation driven.

Think creatively about the benefits of location

The Caribbean commands access to the widened Panama Canal and has deep water ports at a permanent north-south, east-west intersection for international shipping. This provides the region with multiple opportunities for the creation of transshipment ports linked to development zones for the manufacturing and assembly of finished items. What has been much less considered is that this potentially also provides the stimulus for the much needed shipping links that will make possible Caribbean inter-regional and hemispheric and international trade and in time the development of a wide range of other maritime facilities for offshore operations.

Branding the region as a goods and services provider

I mentioned branding. If tourism can leverage its competitive advantage so too can the region's manufacturing and services industries.

As with tourism what is required is an environment in which buyers will think positively about trends in goods and services for export and being able to profit from the Caribbean. At present most companies in Europe perceive the Caribbean as largely small, fragmented, and not a producer or provider of anything much other than tourism, music, sporting geniuses, rum and commodities.

Although money is tight an obvious response to this is for sectors with well researched market potential to do just as the hotel sector does in the face of global competition; positively position and brand the product in feeder markets, constantly use social media, bring familiarisation trips to the region, and participate in relevant trade fairs. It is also an industry that sells up seeking to add value to its sale of a hotel room.

What this means is finding innovative ways to add business to the image of the region, promoting its location at an international crossroads, linking internationally saleable quality Caribbean product to those who provide hospitality, noting in a planned way to the international media every major investment, and developing the niche export opportunities of the kind we will be discussing in the next two days.

It means also branding the region as one able to provide offshore services from health care to education and making the world much more aware of what the Caribbean has to offer.

Focus on Caribbean comparative advantage

I have had the honour to Chair a number of export seminars in Europe for CEDA and I understand the constraints and requirements that it sometimes has had to operate under. However, on each of those occasions I could see within five minutes those present who were export ready; had products or services that for one or another reason had some comparative advantage; knew what they wanted and how to get it; were corporately aggressive; and who recognised that it was not good enough just to speak in English in Europe of twenty eight nations.

I would suggest that as the detailed subject matter of this conference implies that what is needed is a focus by country and regionally only on a few key value-added sectors, rather than trying to address the entire range of economic possibilities.

Create linkages with already viable sectors

This region has multiple opportunities to create cross cutting linkages with already viable export oriented sectors including, tourism, rum, value added export agriculture, music and high fashion.

However, I am not sure that enough work has been done on establishing the linkages between what the millions of visitors' who come here experience, what they take home with them emotionally and literally, and being able to consume the region's goods, services, and cuisine or luxury products on a continuing basis in their home countries.

This is not about linking farm products through farm to table arrangements with hotels, but the provision or sale of quality products such as chocolate, music, rum cake, high value liqueurs and rums and other beverages to a much broader opportunities to sell in the visitors' home market.

It is striking to me how little attention is paid in this regard to discovering what regional private sector bodies such as the Caribbean Hotels and Tourism Association and the WIRSPA have done or may do with their members either in the region or promotionally in Europe or elsewhere.

Build on smallness: use existing success to leverage growth

In some areas, particularly services, smallness is irrelevant. Smallness is also about high value added niche products enabling producers to move up the value chain with well branded product that denotes quality and refinement.

Opportunities exist, irrespective of the size of a nation, for instance in the creation of information hubs that group together specialists able to provide detailed analysis and information; there are also real opportunities to build research centres, science parks and intellectual hubs around universities an internationally well developed approach that this region has been slow to adopt. In addition, quality education at regional universities is saleable internationally; creative industries can have greater viability if they also involve the capture of associated income, management and marketing in complexes of professionals.

Consider for instance an idea proposed by the former Bahamas Minister of Financial Services, Ryan Pinder, who suggested finding ways to tie a location in which financial services are being provided to supporting the broader interest of a client and their business. Mr Ryan proposed for the Bahamas , as a part of its offering, bringing together a facility such as its free trade zone, the tax advantage the islands' offer and their location as a hub to attract not only the client from a wealth management perspective, but also making it a component in their business operations.

Address Non tariff barriers

While Europe long ago removed its tariffs on most Caribbean exports to the extent that they have largely become irrelevant, there is a need for governments and agencies to be encouraged to try to address non tariff barriers on goods and services. This is not easy as it requires a commitment of resources by the entire region, but if governments are serious about seeing export led growth emerge from the relationship with Europe this needs to happen particular in relation to professional and cultural services.

A Caribbean trading house in Europe

The Caribbean has many diplomats in Europe but it does not have dedicated intermediaries involved in promotion and distribution. Is there a case for establishing a body that focuses squarely on the niches available to CARIFORUM exporters? Is there a role here to work with the French DOM? How might this be resourced?

Encourage a new generation of regionally committed business leaders

The big private sector to a significant extent has lost its interest in regional roles. The founding fathers of the regional private sector have understandably been replaced by business oriented MBAs with little time for outreach other than in relation to their corporate self interest. This needs to change. There need to be business champions operating at high levels across the regional linguistic divide who have and are prepared to use their access in Brussels, EU capitals and other parts of the world to promote the region as one that means business. It is an area I am exploring with some of the biggest Caribbean companies

Seek to educate EU officials

Most officials and politician in Europe are disinterested in this region. In private many are critical. Few in an EU of 28 have any historic or personal relationship with the region. They too need to see opportunity in the region so that it ceases to be a region that is of no priority. This requires not just

government to make the case but significant business leaders from the region to be doing the same at high levels.

Change radically public -private sector institutional arrangements

There needs to be a stronger effort to include the private sector in developing positions that benefit exporters whether in relation to trade negotiations, addressing non-tariff barriers or in resolving trade disputes.

It also means acting on trade issues in real time. For instance it is quite disgraceful that despite an awareness that that regional exports of rum are now suffering as a result of US cover over arrangements involving the USVI and Puerto Rico, only now are the implications being taken more seriously by some nations.

Observe others. Mauritius, the Dominican Republic, the DOM and many other relevant nations can demonstrate best practice in joining up the private and public sectors. They recognise that trade policy has to respond to pressing commercial interests; they recognise their role is strategic and is to enable private sector led growth

At a regional level there need to be serious reconsideration given to the establishment of a Cariforum Caribbean Business Council that regularly dialogues with at the level of the Council of Ministers. For this to have power it requires accepting that those who represent services, tourism, and value added sectors like rum, the indigenous banks and others that reflect the economic strength the region needs to be organised on a federal basis with national associations into a body that offers new perspectives and a loud voice.

Conclusion

The biggest private sector players in the Caribbean in many cases now invest or trade outside the region or seek opportunity in new ways. This is light years away from the micro enterprises which we all wish to see growing. Unfortunately there has in the past been a propensity to suggest some should fly before they can walk; or consider the international and export market when their production levels and products are better initially suited to selling at airports where the visitor foot fall is vastly greater than in the international outlets they have been encouraged to dream about.

That is why for me this forum is an important start in a process of trying to identify real opportunity and where there is the opportunity to help created an environment that supports the niche, value added products and services for export.