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Opinion

Much criticism has been levied against the Economic Partnership Agreement initialled by the Caribbean and the European Commission last December. From some corners there have even been calls to renegotiate the Agreement.¹ However, there are an equal number of proponents highlighting the merits of the very same EPA. Federico Alberto Cuello Camilo was moved to write to TNI in response to an article in the March edition on the MFN provisions in the EPAs, pointing out that the inclusion of the clause in the Caribbean deal was but one of many elements in a balanced agreement.

MFN in the Cariforum EPA is no threat to South-South trade.

Prof. Dr. Federico Alberto Cuello Camilo²

The article "MFN provisions in EPAs: A Threat to South-South Trade?" (Trade Negotiations Insights, 7[2], March 2008) by Cheikh Tidiane Dièye and Victoria Hanson gives the impression that Brazil and its supporters are the owners of the truth about the matter. Its final paragraph states "...the experience of the Caribbean and other ACP regions, where the MFN clause was strongly resisted yet imposed by the EU, is not encouraging". This is not only unfair, but the wrong conclusion to reach without evaluating the clause in its proper context.

The Cariforum region included an MFN provision for major trading economies in its EPA with the European Commission. This was the last concession given once we had achieved everything else in the balanced package. The Cariforum-EC EPA was concluded on December 16, 2007.

“Major trading economies” are those exporting 1% or more of world merchandise trade. A few southern countries meet this criterion. They should be concerned by this only if they were to grant us better conditions than the EU in future trade negotiations. If that happened, then we would be in a position to grant such countries better treatment than we gave the EU. The EU, in turn, would then be in a position to request implementation of the MFN clause in its favour.

Cariforum (Caricom countries and the Dominican Republic) negotiated in its EPA with the EC a landmark in the history of trade negotiations. For the first time ever, an international agreement puts trade at the service of development. Its many elements have been carefully crafted to achieve balance.

First, there is balance in the rules, covering the issues of interest for all Parties, including provisions on market access, services, investment and trade-related issues. There is balance in the specific market-access commitments, achieved with the required asymmetry in the coverage and pace of liberalisation.

Europe is granting full duty-free, quota-free market access from day one, whereas the Caribbean enjoys a three-year moratorium. Caribbean liberalisation beyond applied rates really kicks-in after year ten of the phase-out schedule. Some sensitive agricultural and industrial products were excluded altogether, while the rest will enjoy a phase-out period of up to 25 years. In the process, European export subsidies are eliminated at the same pace the Caribbean liberalises the farm products concerned.

There is balance in the specific services and investment commitments, which include, in the case of Europe, quota-free liberalisation for all of our offensive interests in Movement of Natural Persons (Mode 4). These interests include all professional activities, as well as non-professional ones of commercial relevance. Our top priority, entertainment, is also covered. Bachata, merengue, reggae and soka bands will now have the right to enter the EU market.

These Mode 4 commitments are an alternative to migration that may transform our export profile by creating trading opportunities at the level of the individual person. After all, remittances are already our second largest source of export revenue. But these depend, unfortunately, on the increasingly unlikely prospects for migration into Europe.

There is also balance in the sectoral regulatory provisions. This is the first time that a trade agreement includes provisions to counter anticompetitive practices in tourism, the one service sector in which developing countries enjoy a favourable trade balance. Another first is the cooperation protocol on culture and audiovisual services to implement in practical terms the UNESCO convention promoting and protecting cultural diversity.

Our EPA includes provisions on development, with which we have given real meaning to the so-called "development dimension" of the agreement. These cover funding for competitiveness, structural adjustment as well as targeted assistance for institutional strengthening in Technical Barriers to Trade, Sanitary and Phytosanitary measures, competition policy, export diversification and promotion, fair trade and trade facilitation.

Clearly, Europe has been a more generous partner than any other developed country thus far. Equity, in our EPA, has been achieved between partners that do not enjoy similar levels of development. Are the complainants [Brazil] ready to provide a better treatment to the Caribbean (or indeed, to all ACP countries)? Can the Caribbean expect a similar or a better treatment from any other "major trading economy"? Our region welcomes their negotiating requests as well as their liberalisation offers, which shall be evaluated according to their merits.

In the meantime, we encourage the complainants to advance their own negotiations with Europe, some of which started well before the EPAs were even conceived, upon concluding the Cotonou Agreement in 2000. That, no doubt, would do wonders to kick-start the sad prospects of the Doha round.

While these countries make up their minds, the Caribbean stands together with developing countries in all key matters that we fought so hard to include in the Doha

agenda, including revising the lop-sided WTO rules; strengthening the dispute-settlement mechanism; and ensuring that our sensitive agricultural products are protected while all domestic support measures are finally subjected to WTO disciplines as well as phased out.

To conclude, our EPA is a balanced set of rules, specific liberalisation commitments, sectoral regulations and development provisions. It liberalises commercially-relevant goods, services and investment. It promotes competition. And it fosters competitiveness by covering both the trade and the development dimension of our bi-regional partnership. It is the first ever development-enhancing agreement in history.

It is in this context that the MFN provision has to be evaluated. Not in isolation.

¹ See: Renegotiate the Cariforum EPA, Havelock Brewster, Norman Girvan and Vaughan Lewis, Trade Negotiations Insights, volume 7, Number 3, April 2008.

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