

Update on the EU/Cariforum Economic Partnership Agreement (EPA)

On December 15, 2007 the European Commission (EC) initialed an Economic Partnership Agreement with Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Surinam, and Trinidad and Tobago (the Cariforum countries) covering all areas under negotiation. The EPA is a comprehensive free trade agreement, encompassing goods, services, investment, government procurement, and intellectual property rights. The EPA is currently being reviewed by Cariforum countries with the expectation that it will be signed and ratified by April 2008.

The EPA is a successor Agreement to the Cotonou Agreement, which provided one way preferential tariff access into the EU markets and technical cooperation arrangements for Cariforum countries. The one way or non-reciprocal trade arrangements in Cotonou, which breached the WTO Most Favoured Nation principle, were legitimized by a WTO waiver, which expired in December 2007; hence the need to finalize the EPA by December 2007.

The EPA, which is a reciprocal free trade agreement compatible with WTO rules, replaces the trade provisions of Cotonou: but the arrangements for technical and financial cooperation- development assistance for the Cariforum states are still located in Cotonou and not in the EPA /FTA.

The EU is currently engaged in negotiating EPAs with six sub regions of the broad ACP group which were treated as one group under Cotonou. Of the six sub regions, Cariforum is the only one to conclude and initial a comprehensive EPA. The other regions have signed interim agreements limited to trade in goods only and will use 2008 to agree on the other critical areas of the EPA.

Key Points for Agriculture in the EPA

- Guarantees permanent duty free quota free (DFQF) access to the EU market for Cariforum exports, with the exception of sugar and rice, which have short transition periods before DFQF is applied
- DFQF treatment for bananas, without former ACP quotas and license arrangements. The market is fully liberalized and will present a challenge for small high cost producers like Jamaica. A similar

situation could arise for sugar after 2009, the end of the transitional period for sugar

- Opportunity for Cariforum to export sugar based products such as soft drinks and confectionary; this was not permissible before the EPA
- On the Cariforum side, a number of sensitive agricultural products have been excluded from liberalization including meats, poultry, fish, vegetables, fruits, tubers, sugars, rum, bananas, plantains, dairy products and others. This means that the current tariffs will not be reduced and will continue to be applied, with the flexibility to increase them up to the WTO bound rates. This exclusion from liberalization is compatible with WTO rules and does not represent any special or differential treatment for developing countries.
- The domestic market for excluded products, including Cariforum markets will be protected against EU competition and facilitate the attainment of food and nutrition security for the region and the creation of jobs and rural development for Jamaica and the wider Cariforum region
- The tariff on a number of products such as temperate climate fruits and vegetables as well as certain fish products will be reduced over an extended period of time from ten up to 25 years. During this period plans will have to be implemented to confront the competition anticipated in the domestic market.
- EPA presents the opportunity to develop some non traditional exports to the EU, now that the traditional exports might not be very competitive, its time to consider both product and market diversification
- Jamaica's exports of processed foods will need to comply with strict health and food safety standards in the EU also the specified rules of origin
- The development package was promoted heavily by the EU as what would distinguish the EPA from an ordinary FTA. The development

component however is not linked with the liberalization timetable and the necessary adjustments as was requested by Cariforum.

- In agriculture it has been repeated several times that sugar, bananas and rum have already received substantial financial resources for adjustment programmes. Therefore the development resources in the Cotonou Agreement should perhaps be channeled to the non-traditional sector.
- The EPA is expected to have over time the effect of reducing Government revenues which could be recovered by internal taxes.

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