

**STATEMENT TO PARLIAMENT
ON THE
ECONOMIC PARTNERSHIP AGREEMENT
By the Minister of Trade and Industry**

Mr. Speaker, Honorable Members, I am authorized by the Cabinet to make this Statement on behalf of the Government of Trinidad and Tobago on the negotiation of an Economic Partnership Agreement (EPA) between the Caribbean Forum of ACP States (CARIFORUM), of which Trinidad and Tobago is an integral part, and the European Union (EU).

Mr Speaker, this information is being provided against the backdrop of a challenging and demanding international trade environment, and the need for small island groupings to and manage the challenges whilst taking advantage of the opportunities available to us. This understanding is vital to our survival as we seek to grow our economy by expanding our manufacturing and services sectors to supply not only local but regional and extra-regional markets.

BACKGROUND

Mr. Speaker, the genesis of the EPA can be traced to the historical economic relationship between European countries and African, Caribbean and Pacific (ACP) states previously guided by the Lomé Agreements, which covered the 1970's into the 1990's and essentially gave preferential access to goods emanating from former European colonies into the markets of the EU.

Lome IV was replaced by the Cotonou Partnership Agreement on June 23, 2000 in Benin between the 15 EU Member States and the ACP countries. This Cotonou Partnership Agreement (CPA), which establishes a comprehensive

framework for ACP-EU relations, calls for fundamental changes in their longstanding relationship, to reflect the changing times.

Mr. Speaker, the Lomé and its successor Cotonou provided one-way, non-reciprocal, preferential access to EU markets for most ACP exports as well as aid to financing development projects in ACP countries.

The international rule-making body for global trade, the World Trade Organisation (WTO) , of which Trinidad and Tobago is a member, had provided the EU with a waiver or special dispensation to continue granting preferential access to the ACP countries until December 31, 2007. However, globalization and increased trade liberalization within the international economic environment resulted in a paradigm shift and the WTO membership expressed increasing opposition to this waiver. The case of Latin American countries disputing preferences regarding bananas and sugar demonstrated the growing dissatisfaction and signalled that it was unlikely an extension of the waiver would be granted.

Mr. Speaker, in anticipation of these developments, Article 36 of the Cotonou Agreement stated the ACP countries and the EU 'agreed to conclude new WTO-compatible trading arrangements, removing progressively, barriers to trade between them and enhancing cooperation in all areas relevant to trade." These new arrangements would be termed Economic Partnership Agreements (EPAs) and would be negotiated between the EU and the six ACP regional groupings. EPA negotiations within the ACP region were formally launched on September 27th, 2002 and within CARIFOURM, they were launched on April 16, 2004 in Kingston, Jamaica.

Mr. Speaker, the EPA negotiations represented a major point of departure from the ACP-EU trade cooperation relations on five fundamental scores:

- The ACP countries would be required to provide reciprocal market access, that is, open their markets to EU goods;
- The agreements would provide a framework for enhancing the competitiveness of ACP countries by strengthening their capacity in the services as well as trade in goods
- A major focus involved gradual integration of ACP States into the world economy with emphasis on sustainable development and poverty eradication;
- EPAs would be negotiated in a cluster of six distinct regional groupings – CARIFORUM, that is, CARICOM and the Dominican Republic; Central Africa; West Africa; East and Southern Africa; the Pacific and Southern Africa, - this process was focused on deepening the respective regional integration processes; and
- Development cooperation would be emphasized to take into account the economic, social and environmental constraints of ACP countries;

THE EPA PROCESS

Negotiating Phases

Mr. Speaker, the schedule of negotiations for our regional process, which involved CARIFORUM, covered four phases from the launch in 2004:

- **Initial Phase (April 2004 - September 2004)** - which established the Priorities for EPA negotiations towards an understanding of both Parties' main concerns and interests.
- **Second Phase (September 2004 - September 2005)** - which sought convergence on a strategic approach to CARIFORUM regional integration. The aim was to establish a common understanding of the priorities for support of Caribbean regional integration from January 1, 2008.

- **Third Phase (September 2005 - December 2006)** - designed to structure and consolidate EPA negotiations. The focus was on consolidating the discussion and channeling points of common understanding of a draft EPA.
- **Final Phase (January 2007 - December 2007)** - finalization and consolidation of the EPA negotiations.

Under these circumstances of years of systematic approaches to the negotiations it cannot reasonably be said that these negotiations were rushed or unresearched.

Negotiating Structure

The structure developed within the region to deal with EPA negotiations took the following form:

- Heads of Government providing overall direction and decision making
- Appointment of a Lead Ministerial Spokesperson (the former Senior Minister of Barbados, Dame Antoinette (Billie) Miller
- CARICOM's Council on Trade and Economic Development (COTED), which made recommendations, approved strategies and positions and gave overall guidance on the approach to negotiations.
- The Principal Negotiator -The Director-General of the Caribbean Regional Negotiating Machinery (CRNM), Ambassador Richard Bernal of Jamaica, who together with his EC counterpart would meet to resolve sticking points in the negotiations.
- The College of Negotiators who negotiated the text of the Agreement with their EC counterparts
- Four Technical Negotiating Groups on Market Access, Services and Investment, Trade Related Issues (TRI); Legal and Institutional Issues (LII) which involved the EC and CARIFORUM parties negotiating text for the Chapters of the Agreement.
- Technical Working Groups (TWG), which formulated regional positions for the negotiation of the Agreement.

- Creation of a Caribbean Non –State Actors (NSA) Network to strengthen the participation of and dialogue with regional civil society stakeholders.

Mr. Speaker, over 35 technical meetings were held to complete the negotiating process.

Local Process

The Ministry of Trade and Industry (MTI) led Trinidad and Tobago's preparation in the EPA negotiating process. The Ministry of Trade and Industry (MTI) established a Technical Coordinating Committee (TCC) comprising officials from various Government Ministries, private sector groupings such as the TTMA, and the Trinidad and Tobago Chamber of Industry and Commerce, NGOs, Labour groupings and other civil society groups which approved positions which fed into the regional process.

These positions were in turn developed by six specialist sub-committees on Agriculture, Market Access, Services, Investment, Trade Related Issues and Legal and Institutional Issues. The Ministry held wide consultations, developed market surveys, guiding principles for trade liberalization and several negotiating briefs to posit Trinidad and Tobago's position in the regional process.

IMPLICATIONS OF NOT SIGNING THE EPA

Mr. Speaker, we are quite aware of the regional and local anxieties concerning the signing of this EPA. However, I wish to advise this Honorable House that in the absence of an EPA coming into effect on Jan 1st, 2008, Trinidad and Tobago products going into the EU would have faced serious obstacles in Europe.

In respect of Trade in Goods, as of January 1, 2008, Trinidad and Tobago would have been relegated to accepting the Generalized System of Preferences (GSP)

arrangement, which provides trade preferences to ALL developing countries, and would have imposed punitive tariffs on the major exports. Our exporters would have face increased competition from other developing countries in accessing the EU market. Our major exports into the EU (methanol, ammonia, aerated beverages, juices, sweet biscuits) would have faced the prospect of immediately higher EU tariffs (i.e. between 2% and 30.1%). Over TT\$735 million worth of exports would have been affected with the imposition of these duties.

In respect of Trade in Services, no Agreement would have meant there would be no binding regime for the conduct of trade in services.

Mr. Speaker, were it not for the finalization of these negotiations Trinidad and Tobago would have been required to negotiate at least 22 separate Bilateral Investment Treaties with individual European States to ensure a favorable and attractive investment environment and protection for potential investments and profit.

Furthermore, Mr. Speaker, in the absence of an Agreement there would not have been dedicated budgetary funding for development assistance from the EU.

GENERAL OVERVIEW OF THE EPA

The full text of the EPA is available on the MTI website – www.tradeind.gov.tt.

The Agreement covers:

1. Trade in Goods

The EPA covers trade in both agricultural and non-agricultural goods and includes Chapters on customs duties, trade defence instruments, non-tariff measures, customs and trade facilitation, agriculture and fisheries, technical barriers to trade and sanitary and phytosanitary measures. The Agreement

also includes Protocols in respect of administrative cooperation for rules of origin and on mutual assistance in customs matters; Declarations on the origin of fishery products, bananas, rice and sugar and various Schedules setting out the commitments of CARIFORUM States and the EU in respect of their trade in goods.

2. Services and Investment

The Agreement provides for trade in services between CARIFORUM States and the EU by way of the four modes of supply as provided for by the WTO General Agreement on Trade in Services (GATS): -

- cross border supply (from the territory of one into the territory of another)
- consumption abroad (where the consumer moves and consumes the service)
- commercial presence (where a supplier establishes in the territory of another)
- movement of natural person (where the supplier temporarily moves to another territory to supply a service)

There is also provision for a regulatory framework governing areas such as computer services, courier services, telecommunication services, financial services, international maritime transport services and tourism services and for cooperation between the EU and the CARIFORUM States, in respect of these areas.

3. Trade Related Issues

Various trade related issues such as Competition, Innovation and Intellectual Property, Public Procurement, Environment, Social Aspects and Protection of Personal Data are addressed by the EPA. The commitments made in these areas relate mainly to the implementation of legislation and international treaties, cooperation and transparency.

4. Regional Preference

There is provision that allows for any more favourable treatment that is given to the EU to be given to all other CARIFORUM States. Trinidad and Tobago would be required to meet this commitment no later than one year after the date of signing the EPA.

5. Most Favorable Treatment

The inclusion of a Most Favorable Treatment clause in the Agreement means that any more favourable treatment that we give to a major trading partner under any other free trade agreement subsequent to the signing of the EPA, would have to be given to the EU. A major trading partner would be any developed country, or any country or territory accounting for a share of world merchandise exports above one percent in the year before the entry into force of the EPA, or any group of countries acting individually, collectively or through any free trade agreement accounting collectively for a share of world merchandise exports above 1.5 percent in the year before the entry into force of the EPA.

6. Development

The Agreement makes provision in both general and subject specific terms for the EU to provide development cooperation, assistance and financing. This would include the provision of technical assistance, capacity and institution building as well as provision of support measures, taking full account of CARICOM's Development Vision.

7. Institutional arrangements

Provision is made for the implementation of the Agreement to be supervised by a Joint Council with representation from CARIFORUM States and the EU. This Council would be assisted by a Trade and Development Committee comprising officials from both sides. The Agreement also calls for a

Parliamentary Committee comprising Members of Parliament from both the EU and CARIFORUM States and a Consultative Committee comprising representatives of civil society organizations.

RELEVANCE FOR T&T

For Trinidad and Tobago, and indeed the CARIFORUM nations, signing the EPA ensures the following:

1. Trade in Goods

- Trinidad and Tobago exporters have secured **duty free, quota free access to the markets of the EU** for almost all products with the exception of rice and sugar.

- Potential revenue effect is minimized by the gradual liberalization of import duties. **CARIFORUM has a 25-year timeframe for liberalization of 86.9 percent of EU imports into its market.** Where trade is liberalized at once, tariffs for the products are in many cases already set at 0 percent. This will also allow for a sufficient time frame for the competitiveness of industries to be improved.

- Various non-competitive and sensitive manufactured products have been excluded from tariff liberalization. These are products, which would not be subject to customs duty reduction as they are deemed sensitive to the negative impact of trade liberalization and global competition. These include *inter alia*:
 - primary agricultural products;
 - agro processed products (ham, sausages etc);
 - milk and cream;
 - pasta;

- chocolate;
 - juices;
 - aerated beverages;
 - mineral & aerated waters;
 - alcohol (rum, vodka, gin, whiskies, beer, liqueurs, wine)
 - shampoo,
 - paint and varnishes;
 - toilet paper;
 - doors and their frames;
 - insecticides;
 - disinfectants;
 - articles of clothing;
 - ceramic sinks;
 - mattress;
 - nails;
 - and others.
- Manufacturers will be able to import raw materials and intermediate products which were previously dutiable from the EU at reduced duties beginning 2011. As a result, it is anticipated that they would be able to source raw material at competitive prices.
 - The reduction or elimination of Non-Tariff Barriers would mean that products that are exported from CARIFORUM to the EU would be subject to similar provisions (whether taxes, fees and other internal charges) as EU products thereby removing restrictions and non-tariff barriers that may impede access to the EU market.
 - The Agreement provides for cooperation from the European Community, designed to improve our institutional procedures and to assist with addressing our supply capacity constraints. For example,

focus on our customs administration is designed to improve our business environment.

- The Rules of Origin requirements have been simplified and the Agreement allows for wider accumulation of inputs that would permit CARIFORUM producers to utilize inputs from a wider range of sources whilst still having their goods qualify under the Agreement.

2. Services and Investment

- Trinidad and Tobago investors in manufacturing and services sectors in the EU market would be subject to the same treatment as that given to their domestic investors.
- In general the liberalization of various service sectors should lead to increased investment and greater efficiencies.
- Agreement has special provisions for 'Short Term Visitors for Business Purposes' in the following areas: research and design, marketing, training, trade fairs, sales; purchasing and tourism
- The Services Sector in Trinidad and Tobago stands to benefit from development assistance from the EU to address a range of needs, including development of regulatory regimes to build the capacity of regional services firms, market intelligence, etc to facilitate greater interaction with EU firms.
- Trinidad and Tobago investors can benefit from liberalization in almost all sectors in the EU with only some exclusions in a few sectors and limitations in mainly the new EU member states.
- The EU has liberalized eleven sectors to allow for temporary entry by Independent Professionals or self-employed persons of T&T origin these are - Legal advisory services in respect of international public law and foreign law (i.e. non-EU law), Architectural services, Urban planning and landscape architecture services, Engineering services, Integrated Engineering services, Computer and related services,

Research and development services, Market Research and Opinion Polling, Management consulting services, Services related to management consulting, and Translation and interpretation services.

- A bonafide service provider from T&T has the opportunity to stay in any EU member state up to 90 days in a calendar year.
- 25 of 27 EU States have undertaken liberalization commitments in the entertainment services subsector with only a few limitations by some States. This would cover services such as theatrical producers, singers, band and orchestra entertainment services; services provided by authors, composers, sculptors, entertainers and other individual artists; ancillary theatrical services; circus, amusement park and similar attraction services; and ballroom, discotheque and dance instructor services.
- CARIFORUM and T&T entertainers will also benefit from increased cooperation, by way of a special cooperation Protocol, with special provisions being made for audiovisual productions. Artistes and other cultural practitioners (who are not involved in commercial activities in the EU) will be able to enter the EU to collaborate on projects and to receive training.
- The agreement provides for access to the EU market for key personnel and graduate trainees.
- The agreement provides for the relevant professional bodies in their respective territories to start negotiations for joint co-operation no later than three years after entry into force of the EPA and to jointly develop and provide recommendations on mutual recognition, among others, in the following disciplines: accounting, architecture, engineering and tourism.

3. Trade Related Issues

- **Innovation and Intellectual Property**

Trinidad and Tobago firms would be able to participate in existing and future framework programmes for Innovation such as the €50.5B Framework Programme 7 (FP7).

- **Protection of Personal Data**

Commitments in respect of Protection of personal data would enhance service exports in various sectors such as call centre services, financial services, human resource functions and billing functions.

4. Regional Preference

Trinidad and Tobago would have to give similar or more favorable tariff reduction and service treatments to the Dominican Republic as that provided to our European partners.

5. Institutional arrangements

The different tiers of institutions would enable national involvement in the EPA implementation process for all citizens. Like its CARIFORUM partners, Trinidad and Tobago is required to make legislative and administrative changes to ensure that it can meet our EPA obligations.

6. Development Funding

Mr. Speaker, as many of you in this Honorable House would be aware, the European Development Fund (EDF) has been the main financing instrument of ACP-EU co-operation since 1958. The EDF is an inter-governmental fund that is financed by contributions made by EU member states that are separate from the financial contributions made into the EU budget as a whole.

The Fund is provided for in Article 158 of the Revised Treaty of Chaguaramas establishing the Caribbean Community including the CARICOM Single Market and Economy. Its purpose is to provide financial or

technical assistance to disadvantaged countries, regions or sectors in CARICOM.

The 10th European Development Fund EDF programme, which is to run from 2008-2013, is estimated at €165mn, with €132 million allocated to CARIFORUM to be applied to the Regional Indicative Programme and €33 million to be allocated directly to EPA participation and commitment making.

The €132 million allocation is expected to be programmed in a manner such that 85 percent would go to the Focal Area of Regional Cooperation/Integration and EPA Capacity Building, and 15 percent would go towards addressing vulnerabilities and social issues.

In addition, the Regional Preparatory Task Force (RPTF) provides resources to activate commitments and provisions in the text of the EPA through the CARIFORUM Technical Cooperation Facility (which has some €400,000 remaining to be utilized) and the Caribbean Integration Support Programme (CISP) (which has €150,000 allocated for studies and another €75,000 for Non-State Actors).

THE WAY FORWARD

Mr. Speaker, having outlined the new dispensation for the trade arrangements with the EU, our next step is to bring the EPA before COTED and Regional Heads at the next major CARICOM meeting set for early March, 2008.

Mr. Speaker, in this matter, Trinidad and Tobago as a member of CARIFORUM, operates as part of a regional grouping in the realities of the new global trading environment and not as a small nation state attempting to go-it-alone.

Consequently we have negotiated alongside our peers, taking into consideration our special needs and economic realities balanced against the need to ensure expanded market space and exploit our unique competitive advantages.

Mr. Speaker, the EPA is the product of eight years of negotiation and discussion between the Region and Europe, beginning, as I stated, with the signing of the Cotonou Agreement, which replaced the Lome Convention in the year 2000.

From the earliest days, the Ministry of Trade and Industry held consultations with key stakeholders and special interest groups. I take this opportunity to inform this Honourable House that MTI is about to embark on a communications exercise on the EPA agreement, to inform manufacturers and service providers of the opportunities available in the EU markets and to further clarify key aspects of the Agreement for the community at large.

Mr. Speaker, while we understand that the EPA process is now attracting a higher level of interest and debate because of its advanced stage, we do not believe that the integrity, hard work and commitment of the regional negotiating team should be discredited. These efforts were driven by a unique understanding on the part of the Region's negotiators of the economic sensitivities of CARIFORUM, which is demonstrated by the fact that virtually all eligible imports from the region will receive duty free treatment in the European market as off January 1st, 2008. On the other hand, CARIFORUM will liberalize its imports from the EU over a 15-25 year period, with some sensitive products permanently exempt from liberalization.

With regard to statements that the EPA text has not been made available for scrutiny, we wish to state, once again, that the document can be found on the MTI web-site, www.tradeind.gov.tt, as I promised during a media conference on the EPA process held on December 19th, 2007. It is also important to note that CARICOM at its next meeting of Trade Ministers (COTED) in the Bahamas

during the period 3rd to 5th March 2008, will examine the final EPA text before presentation to CARICOM Heads.

Mr. Speaker, there will be some costs attached to the signing of this Agreement and eventually more and more local firms will come under increased competition, but that is to be expected, if we cannot compete locally we have no chance internationally. Government has recognized this possibility and urges firms to take advantage of initiatives such as the Research and Development Fund under the Business Development Company (BDC), which also has programmes for guaranteed loans, leasing of equipment facilities, training, market research and other initiatives to help industries grow. In addition, eTeck through its investment promotion activities is in a constant drive to source joint venture opportunities for local firms.

In addition, MTI will continue to aggressively pursue its mandate to drive the non-energy sector through further development of supportive legislation, support for manufacturing and services through the IDB funded Trade Sector Support Program and through upgrading of the Investment Policy, Export Policy and strengthening of trade related institutions.

EFFECTING THE EPA: INSTITUTIONAL ARRANGEMENTS

Mr. Speaker, in order to give effect to the rights and obligations contained in the EPA, the Government of Trinidad and Tobago is required and intends to bring legislation, of which the Agreement will be a part, before the Parliament for debate as it would do with any other piece of legislation. Mr. Speaker, there are several steps which must be completed at the multinational, regional and national levels, before the Agreement comes before Parliament.

The Parties to the Agreement, that is, the States in the grouping referred to as CARIFORUM on the one hand and the EU on the other, are currently engaged in a legal scrub of the text of the Agreement. Once this has been completed, the CARICOM Secretariat would be required to present the Agreement to the regional Ministers with responsibility for Trade. This is in part, a fulfillment of the commitment given by all CARICOM Member States in Article 80 (4) of the Revised Treaty of Chaguaramas, which states that:

“4. Where trade agreements involving tariff concessions are being negotiated, the prior approval of COTED shall be required.”

As such COTED which would have received reports of the negotiation at various stages before, would be required to give their approval to the negotiated text.

This approval together with prior consultations at the level of the COTED and of the Conference of Heads of Government are mechanisms that would have been established by the Conference in fulfillment of the commitment made by Member States pursuant to Article 80(2) which sets out that

“2. The Community shall pursue the negotiation of external trade and economic agreements on a joint basis in accordance with principles and mechanisms established by the Conference.”

Mr. Speaker, once this process is completed, the Cabinet of the Republic of Trinidad and Tobago would be asked to give its approval and instruct the Chief Parliamentary Counsel's Office to prepare the necessary Bill to take to Parliament.

Mr. Speaker, Trinidad and Tobago is at an exciting time in its history and economic development, recognizing that we cannot rely forever on a depleting resource such as fossil fuels, Government is driving economic diversification,

seeking market access for local companies and foreign firm which invest here and striving to create a business-friendly environment to foster commerce, industry and trade in the non-energy sector. Signing this EPA with our regional counterparts is a move in this direction.

Mr. Speaker, this Agreement, like any similar initiative, is not perfect, but it is the result of the best negotiated arrangements arrived at for the sharing of markets between the trading blocks of CARICOM and the European Union. Our technical teams and the CARICOM Regional Negotiating Machinery (CRNM) have crafted the best possible arrangement for our local services and manufacturers to participate globally. Indeed, Mr. Speaker, we are concerned at the inference from certain quarters that our teams were “bullied” or “intimidated” by their European counterparts – such a position reflects a lack of respect for our highly trained and qualified regional technicians and an inability to understand how we have progressed as a region and developed capabilities to manage our own affairs. Indeed, this belief that we must shy away from dealing directly with international economic issues and forever demand special treatment because of past misdeeds against us has no relevance or sympathy in today’s world.

