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Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements

Regional SIA: Caribbean ACP countries

(Revised) Final Report

30 January 2004

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www.sia-acp.org.

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Annexes

Acronyms

ACP	Africa – Caribbean - Pacific
ACP-CC	Caribbean countries of the ACP group
BRP	Banana recovery plan
CAREC	Caribbean epidemiology centre
CARICOM	Caribbean Community and Common Market
CAP	Common Agricultural Policy
CMO	Common Market Organisation
CPA	Country poverty assessment
CPDC	Caribbean Policy Development Centre
CSME	Caribbean Single Market Economy
CSO	Civil society organisation
CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU
DR	Dominican Republic
EBA	Everything but arms
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign direct investment
FAO	Food and Agriculture Organisation (UN)
FTAA	Free Trade Areas of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDI	Gender Development Index
GDP	Gross domestic product
GMO	Genetically modified organism
HACCP	Hazard analysis critical control point
HDI	Human Development Index
ILO	International Labour Organisation
IMF	International monetary fund
IPR	Intellectual property rights
LDC	Least developed country
MERCOSUR	Mercado Comun del Sur (Common Market of the South)
MDG	Millennium Development Goal
MFN	Most Favoured Nation
NAFTA	North America free trade agreement
NGO	Non-governmental organisation
OECS	Organisation of the Eastern Caribbean States
PRSP	Poverty reduction strategy papers
RNM	Regional Negotiation Machinery
SIA	Sustainability impact assessment
SIDS	Small Island Developing States
SLR	Sea level rise
SPS	Sanitary and phytosanitary
T&T	Trinidad and Tobago
TBT	Technical barriers to trade
TNC	Trans national corporation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
VAT	Value added tax
WB	World Bank
WTO	World Trade Organisation

Executive Summary: Caribbean ACP countries

This report is part of an on-going Sustainability Impact Assessment (SIA) launched for four years/ phases to assess the impacts of the future Economic Partnership Agreement negotiated between the EU and regions of the Africa-Caribbean-Pacific (ACP) countries, on their sustainable development. The SIA is conducted by an international Consortium led by PricewaterhouseCoopers (PwC) including Solagral/ GRET and l'Institut de Prospective Africaine (IPA) with the support of local experts.

The report presents the preliminary findings of an in-depth SIA for the Caribbean region (CARICOM & Dominican Republic), while another in-depth SIA is submitted for the West African Region (ECOWAS & Mauritania). These two in-depth SIA complement the Preliminary Final Report for Phase One that concern all ACP regions. It incorporates the results of a consultation organised in Trinidad on 11-13 November 2003 with various stakeholders and includes contributions from local experts. The consultation in Trinidad was organised by a local NGO network, the Caribbean Policy Development Centre (CPDC), and assembled around 40 people coming from all the Caribbean involved in the EPA process. Participants included representatives of civil society organisations, academics, the private sector (although less represented), regional organisations, which will be involved in the EPAs negotiations, EU delegations in the region and members of the Consortium. The discussion at the workshop centred on a number of working papers which considered different economic, environmental and social challenges facing the Caribbean region and potential impacts of EPAs on these issues. Following the workshop, the working papers were revised in partnerships with local experts from the CPDC to reflect the discussions at the seminar, and they constitute the basis of the EU-ACP SIA on the Caribbean region.

The interest in the consultation process suggests that further work can be done in Phase Two to continue this process and encourage the involvement of local experts.

Methodology

The approach adopted in this report is consistent with the framework presented in the overall EU-ACP Phase One Preliminary Report. Research was undertaken on the basis of a thorough literature review, consideration of statistical data, input from local experts, and the results of the consultation with civil society.

For practical reasons and in order to facilitate the regional SIA, five country groupings have been established based on similar economic characteristics with one single country standing out: "the big four" (Barbados, Dominican Republic, Jamaica, Trinidad & Tobago); the OECS comprising the "small economies"(Antigua and Barbuda, St. Kitts and Nevis) and the Windward Islands (Dominica, Grenada, St. Lucia, St. Vincent & the Grenadines); the mainland countries (Belize, Guyana, Suriname); Haiti, as the poorest country of the region.

Preliminary Findings

General context: resilience against vulnerability, the first step towards sustainability

Although Caribbean countries vary widely in terms of size, shape, wealth and resources, they all share a common feature linked to the fact they are small island developing states (SIDS)—that is, vulnerability. The concept of vulnerability emerged in the early 1990s as a basis to understand the specific situation of SIDS and the problems they face to achieve sustainability. Vulnerability refers to proneness to damage by external forces. It can be used as an indicator of the gravity of economic, social and environmental problems. It provides a guide for action in the context of trade negotiations and is appropriate to include in an assessment of sustainability issues of future EPAs between Caribbean countries and the EU.

As in other SIDS, vulnerability in Caribbean countries is often viewed as an obstacle to achieving sustainability. Although economic performance has been relatively good in the last decade, Caribbean countries economy remains fragile. They are heavily dependent on external trade (exports contribute up to 80% of GDP), which makes them vulnerable to changes in the international economy. This high export volatility may translate into greater economic instability. Low levels of economic diversification exacerbate vulnerability. Most Caribbean countries have made important attempts to diversify their economies away from agriculture towards services, in particular tourism and financial services, in the past decades. However, diversification remains weak due to the over reliance on services which is the largest contributor to GDP and responsible over 50% of employment). The Caribbean countries have moved from being pre-dominantly agricultural based economies to being dominated by services. The volatility of the demand for tourism services tends also to reinforce this economic vulnerability.

Despite the fact that agriculture does not play a major role in the economies of the Caribbean countries (in terms of contribution to GDP and direct employment), it has an important role to play in terms of indirect employment and its contribution to food security, management of the environment and maintaining of local values and culture. In terms of social vulnerability, growing dependence on food imports to meet domestic needs, ongoing out-migration of skilled professionals and rising criminal activity and drug use are the main subjects of concern. Moreover, high levels of inequality, even in countries with significant economic growth rates, point to a number of poor and vulnerable groups including, *inter alia*, female heads of households, the elderly, the homeless, children, disabled persons, and some immigrant and indigenous communities. Most of poor live in rural areas and depend on agriculture, although urban poverty is increasing, linked to underemployment (working poor) in services and the informal sector, and to unemployment.

Finally, environment vulnerability includes issues such as, *inter alia*, loss of biodiversity, declining soil fertility, increasing pollution of freshwater, and overexploitation of fish stocks. It is caused by natural hazards as well as anthropogenic factors (such as, growing population density, practices in the various economic sectors). In agriculture, particularly with respect to bananas and sugar cane, production methods are relatively sound and environmentally benign. Over-exploitation of marine resources, linked to captures and changes in environmental conditions such as the El Niño phenomenon poses environmental and economic risks (such as, loss of tourism attraction and increase in fish imports). However, environmentally damaging practices in the tourism sector play a major role in degrading certain natural assets such as coral reefs. Moreover, expansion in the tourism sector contributed to the erosion and ultimate destruction of some beaches, increased the pressure on the access to freshwater with construction of marinas and hotels, which create sewage and other pollution.

Managing vulnerability means minimising risks from external shocks and maximising the countries' economic, environmental and social resilience and it is a starting point for assessing the potential sustainability impacts of the EPAs in the Caribbean countries.

Recommendations for further work: The in-depth SIA on the Caribbean region should pursue further research on the significance of agriculture, with a focus on poor and vulnerable groups, competitive opportunities and fiscal impacts.

Declining importance of trade relations between ACP Caribbean countries and the EU

As expected from a region composed of many small islands, trade plays a dominant role in the economies of the Caribbean countries. The most important trading partner for the region is North America. Trade with North America has increased rapidly since the mid-1990s. The EU is a distant second in terms of trade with the Caribbean region and levels of trade with the EU have increased very slowly. With the exception of Trinidad & Tobago, agricultural products make up the majority of exports from ACP Caribbean countries to the EU. Exports from Trinidad & Tobago to the EU (and the rest of the world) are dominated by petroleum. The Caribbean countries export considerable quantities of textiles, clothing and footwear, although little goes to the EU. The Windward Islands stand out in the region however, as the EU remains an essential trading partner for this group of countries. Between 30% and 50% of all exports from these countries still go to the EU (although the dependence is decreasing). These exports are comprised mainly of bananas. Imports from the EU to the Caribbean countries are comprised mainly of machinery, electrical equipment, vehicles and other non-agricultural products although some specific agricultural products are exported, notably dairy products.

The importance of the review of Commodity Protocols

Market access for ACP Caribbean goods to the EU is already almost totally duty free. Manufactured and processed tropical products enter the EU market duty free. For exports that compete with EU production, specific import measures are implemented except where those commodities that fall under the Commodity Protocols. Changes in market access under the EPAs that can impact the Caribbean region are those that come about as a result of any changes to the protocols on bananas and sugar, in relation to the CAP reform and the full implementation of the Everything But Arms (EBA) Initiative. The market access regimes governing the entry of EU products into Caribbean countries vary from one country to another. In general, high tariffs are applied on agricultural products, many of which are important for the EU, such as sugar and dairy products, both of which also benefit from a favourable policy environment within the EU for the moment through their Common Market Organisation (CMO).

In the Caribbean regions, liberalisation is already well advanced in services and investment. The remaining barriers to trade in services are typically directed towards the free movement of people, which is important to alleviate in order to develop the setting up of small business by foreigners. Flows of foreign direct investment (FDI) have experienced a sustained increase in recent years in virtually all countries in the region. With the exception of Haiti and the mainland countries, the Caribbean region is the most attractive of ACP regions for FDI.

These observations suggest a focus on three scenarios of trade measures: (1) trade measures that include any changes in the commodity protocols, (2) issues of tariff reciprocity and

lowering of tariffs in ACP Caribbean countries and (3) increasing inflows of FDI as a result, inter alia, of further liberalisation in the services sector.

The in-depth SIA on the Caribbean should consider undertaking country studies in Haiti (LDC), Dominica (lessons learned in the banana sector), Trinidad & Tobago (diversification from agriculture to services and the secondary sector).

Potential negative impacts on sustainability

The review of the commodity protocols, with the modification of the CMO for bananas which implies the end of the quota regime for ACP countries and its replacement with a tariff only system (January 2006), the impact of the full implementation of the EBA Initiative and of the next sugar CMO reform, is likely to have negative impacts in the Caribbean countries depending heavily on these products for export. This is the case of St Kitts & Nevis, Guyana and Barbados for sugar and of the Windward Islands for bananas. For sugar, the most affected country will be Guyana. Guyana is more competitive in terms of production costs than other major ACP sugar exporters (such as Mauritius) but less competitive than those in Eastern African (Zimbabwe, Mozambique and Zambia). All Caribbean countries (as with all ACP countries) are unable to compete with the large Brazilian producers.

With respect to bananas, ACP Caribbean countries will be exposed to competition for supplying the EU market, but are unable to compete with the most important world producers based in Latin America (big plantations and low production costs due to FDI and intensive production patterns). The ability of small Caribbean countries to diversify into other products in the short term will be a challenge.

Modification of preferential trade regime is therefore likely to lead to a contraction in banana and sugar production. Given the fact that most of poor people depend on agriculture and are often among the less skilled people to take advantage of alternative employment opportunities, social impacts might be important. Poverty and social exclusion might increase. A growth of the informal sector might also occur, with less fiscal revenues available. Environmental impacts will depend on the strategy producers will adopt. Some producers with large scale farming systems may choose to intensify their production methods and consequently exacerbate the existing pressures on environmental resources. Other producers with smaller scale farming systems may not have the choice and could abandon their agricultural activity, expand the agricultural frontier or shift their cultivation. While banana and sugar plantations have to some soil-fixing role, the environmental impacts will depend upon the substitute crops that are produced instead of bananas and sugar.

Lower tariffs are likely to increase competition from EU imports for local Caribbean production since EU products will likely be cheaper and some are already relatively inexpensive because they benefit from support in the EU. On the basis of the tariff structure, it seems that the agricultural sector is likely to be the most affected by reciprocity, notably dairy sector. Besides economic and social potential negative impacts, reciprocity might strengthen vulnerability in terms of increased dependency for food security. Some domestic industries are also likely to be further damaged and maybe simply disappear if they are not able to take advantage of low-cost imports because of their supply-side constraints. There may also be impacts associated with the increasing exports from the EU in products that are inherently dangerous or environmentally damaging (such as fertilisers or vehicles). Of particular importance is the fiscal impact of reciprocity. A reduction or elimination of import taxes will lead to a decline in fiscal revenues in ACP Caribbean countries, of more or less extent depending on whether the country benefits from important trade taxes as a source of revenue.

For a number of countries, import duties constitute an important source of revenue. Reciprocity means less revenue for expenditures in social or environmental sectors.

The potential increase of FDI flows from the EU as a result of further liberalisation under EPAs can lead to increased competition among Caribbean countries to attract FDI. It is likely that the most significant scale effects will occur in the tourism sector. The development of tourism is an important opportunity. However, in number of SIDS, tourism already represents the new mono-sectoral-based development and its further development can increase vulnerability. Moreover, the expected spin-off effects of tourism development on local economies depend on the type of tourism developed. Economic and social impacts could be weak if it is cruise tourism that continues to show the most important growth. Land-based hotels have more favourable impacts on the local economy providing jobs and taxes, distinguishing enclave-resort tourism from traditional accommodation. From an environmental perspective, the increased number of operators in the market may put additional strain on natural resources, particularly fragile coastal zones. Increasing tourism development can also put pressure on local infrastructure and increase demands for scarce resources such as clean water.

Potential positive impacts on sustainability

The review of trade preferences could lead some producers, such as those with the best access to factors of production, to diversify and reduce dependency on the EU market created by preferences. This could have positive impacts in reducing vulnerability. However, it depends on the substitute products that are produced and whether they are high-value, whether there is strong demand, how they interact with other sectors, how they impact on employment and whether production practices are more or less environmentally sound. Banana or sugar producers that are in a position to adapt to structural change may be able to take advantage of increasing opportunities, although still very weak, in high-value niche markets such as fair trade products, organic products or tropical fruits and vegetables.

Lower priced imported products from EU due to the reciprocity could have a positive impact on consumers. Increasing competition from EU imports could also lead domestic producers to lower prices, where that is possible, to benefit consumers. The magnitude of these impacts will depend, to a large degree, on the extent to which imports from Europe are close or perfect substitutes for domestic production in the Caribbean region. Moreover, competition with EU products does not necessarily mean damaging impacts on local production and depends on the relative competitiveness of local products (including manufacturing) with EU products.

Increasing flows of FDI into the tourism sector may have particular positive impacts in terms of employment in tourist dependent areas, and also in all interrelated sectors (providing indirect jobs such as taxi drivers, water sports operators, workers in restaurants, casinos, and souvenirs shops); although problems may also be created including underemployment, violence, and growth in the sex trade. Moreover, where FDI from EU operators encourage transfer or environmentally sound technologies they might have positive impacts, assisting Caribbean countries to upgrade their infrastructure over the long term. Finally, other areas of services less detrimental for the environment might be encouraged by further services liberalisation (such as entertainment services).

Preliminary findings point to the importance of further sectoral work in the SIA on both challenges and opportunities in bananas, sugar, investment and services sectors.

Preliminary Recommendations

There will be adjustments in the Caribbean ACP countries brought about by the EPAs in terms of the creation of a new economic context and the re-orientation of the productive base of ACP Caribbean economies into less traditional agricultural crops or increasing light manufacturing. However, the envisaged scenarios do not have absolute negative or positive impacts—the situation is more complex and each trade measure will most likely have mixed impacts. The real impacts, whether they are positive or negative, will depend to a great extent on the domestic measures that will be implemented to anticipate and mitigate the impacts of change. The challenge is to implement policies that help people adjust to the fact that the economic and trading environment under the EPAs will be different from that under the Lomé Conventions. In order to facilitate this adjustment, a preliminary set of general recommendations is presented. These are based largely on the results of the consultation in November 2003.

- Special and differential treatment based on the SIDS status: special and differential treatment and preferential markets should be taken into account in the trade negotiations between Caribbean region and the EU. The Special Framework of Assistance for the traditional banana suppliers put in place by the EU, with a view to tackling the problems of competitiveness and/ or encouraging diversification in the ACP producers, could be enlarged to other sectors.
- Assistance should be available to compensate for loss of banana earnings, to encourage investment and training for up-scaling conventional agriculture to value-added processing, to re-train displaced workers from uncompetitive banana or sugar companies.
- Capacity building measures to help people acquire new knowledge and technology, re-skill workers, stimulate domestic entrepreneurship, and seek foreign capital. Farmers have for instance to develop their capacity to successfully comply with standards, certification or labelling issues.
- Effective government regulations are important to mitigate potential negative social and environmental impacts related to the review of commodities protocols. This includes social safety nets, measures to maintain and improve the respect of health and other standards. It also includes strong environmental regulations to offset potential negative impacts of tourism development as a result of increased FDI inflows. This includes monitoring, enforcement and support for multilateral environmental agreements. Sustainability in the tourism sector will depend on the good management of natural resources, especially when part of the tourism development is directly linked to the preservation of the environment resource. Trade liberalisation within the future EPAs should therefore be undertaken within a framework of strong environmental laws and policies. Incentives measures to encourage sustainable tourism should be reinforced.
- Mitigating negative fiscal impacts of reciprocity implies considering the development of other revenue creating activities so that the negative impacts of a fall in government revenues and the dependence on duties as a source of government revenue can be alleviated. One alternative, a value-added tax, comes with a large political, economic and administrative price.

Regional SIA: Caribbean ACP countries

1 Introduction

In 1999, the EU launched a Sustainability Impact Assessment (SIA) Programme in 1999, which examines sustainability impacts of trade negotiations that include the EU. The SIA Programme has as a goal, the integration of sustainability concerns into the development of trade policy. As a means for increasing transparency and participation, it also includes a broad and intensive dialogue with civil society on proposed trading relationships.

An international consortium led by PricewaterhouseCoopers (PwC) and including Solagral and l'Institut de Prospective Africaine (IPA) with the help of a variety of other experts is responsible for the SIA of negotiations between the EU and the Africa-Caribbean-Pacific (ACP) countries to develop Economic Partnership Agreements (EPAs).

The Consortium has submitted a qualified Preliminary Final Report for Phase One of this SIA. This report is the In-Depth SIA of the potential impact of EPAs in the Caribbean region (CARICOM & Dominican Republic). It is submitted together with the In-Depth SIA of the potential impacts of EPAs on the West African region (ECOWAS & Mauritania) and complements the Preliminary Final Report for Phase One.

This report has been undertaken through desk research with the most recent data available but also takes into account the input from the consultation organised by the Caribbean Policy Development Centre (CPDC) in Trinidad on 11-13 November 2003, which as attended by representatives of the civil society, the private sector, regional organisations and the European Union.

1.1 Public Participation and Dialogue

Preliminary results of this SIA were shared and discussed with stakeholders during a seminar held in Trinidad, 11-13 November 2003. The seminar was organised with the assistance of the CPDC. Around 40 people participated to the three-day seminar, coming from all the Caribbean countries involved in the EPA process. Participants included representatives of civil society organisations (working in the fields of youth, women, environment, indigenous people, and rural areas), academics, the private sector (producers, industries, and trade organisations), regional organisations (Caribbean regional negotiation machinery – CRNM and Caribbean Community and Common Market - CARICOM). Representatives of EU delegations in the region, and members of the Consortium also participated in the seminar.

The high quality of the different presentations made by local experts, the richness of the debate and the involvement of a local partner permitted the Consortium to improve its understanding on crucial issues and challenges faced by the region, as well as the potential impacts and opportunities provided by the EPAs.

The main themes discussed during the seminar included the following:

- Meaningful participation in the SIA process and with the CRNM, which should communicate consistently and in a timely fashion.
- The SIA should be forward looking and not simply rely on General Computable Equilibrium (GCE) models that concentrate on traditional areas of production. Sectoral studies should be used to forecast competitiveness. Indicators of sustainable development for Small Island States should be used. Race, class and gender analysis are important components of a sustainability analysis.
- Importance of agriculture. Its true contribution to gross domestic product (GDP) has to be documented, because its reveals linkages to all other sectors of the economy.

- Regional vulnerability in terms of food security should be highlighted.
- Lessons from the sugar industry should be studied, and there is a need to explore niche markets and opportunities for value-added.

Economic liberalisation has not been pursued in a way that promotes sustainable human development. Structural adjustment policies and the past 7 years of trade liberalisation have not brought the benefits to the population that might have been expected. While the economy has grown at a rate of 6.7%, 60% of population lives below the poverty line.

Four sustainable development priorities were identified by the participants:

- Agricultural development including value added;
- Poverty eradication;
- Regional integration; and,
- Preservation and protection of environmental resources.

The participants called for deepening dialogue and further partnership through the following mechanisms:

- Partnerships with regional institutions
- Strengthening of information networks

Sectoral case studies were recommended, focusing on: poverty alleviation strategies (social safety nets/access to public goods); unemployment and labour issues; food security and genetically modified organisms (GMOs); crime, migration and HIV; good governance (awareness and participation), fiscal impact of tariff reductions, implementation of environmental conventions and policy coherence.

2 Country Groupings and General Caribbean Context

2.1 Country Groupings

The Caribbean ACP countries are located in the Americas. They include Antigua and Barbuda, the Bahamas (which is not a developing country), Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, plus the Dominican Republic.

Figure 1. The ACP Caribbean countries

Source: European Commission. DG Development

The most relevant regional structure for trade negotiations appears to be CARICOM + the Dominican Republic which is not a member of CARICOM. CARICOM was established by the Treaty of Chaguaramas, signed on July 4, 1973. Today, fifteen countries are members of CARICOM. The main objective is to foster economic integration in the Caribbean region through the creation of a common market, based on the principle of free movement of goods, services, people and capital. CARICOM benefits from some degree of integration although progress towards achieving a fully-functioning customs union has been slow. The EPA negotiations could provide an opportunity to support or enhance not only the regional integration process but also some convergence between CARICOM and the Dominican Republic.

CARICOM may not represent an important economic mass in the region bounded by major integration blocs such as the NAFTA and MERCOSUR. Although CARICOM has 15

member states, most of them are small economies. In 2000, the sum of the GDP of CARICOM countries was around US$26 billion (by comparison, the sum of GDP in ECOWAS was over US$76 billion in 2000). Coordination with the DR is important since it increases the economic weight of the grouping by over 40 per cent.

Even more important than the economic weight of the region are other factors. First is the geographical location of the bloc. Its proximity to North and South America is important for the local economies, as is its proximity to European territories such as the French Antilles and French Guyana. Second, is the relatively high level of expertise and of competence in the region. Finally, the presence of Haiti and its high social and environmental vulnerability make this an important region for the SIA.

The Caribbean Single Market Economy (CSME) was established in 1992 to enhance the economic development of CARICOM Members States. It includes nine prospective protocols covering from institutions and dispute settlement to sector policies (trade, industry, agriculture, transport), to support to disadvantaged countries and sectors. The trade agreement integration should be complete in 2005 with the creation of an economic union. The harmonisation of trade policies is nearly complete. A common external tariff is fully implemented, except in Antigua & Barbuda, St. Kitts & Nevis and Suriname.

The middle-income countries are in a dilemma whereby they cannot yet compete with developed countries in high-tech products, but have already lost comparative advantage in labour-intensive products.[1] The Free Trade Area of the Americas (FTAA) may come into force at roughly the same time as the EU-ACP EPAs are negotiated. A key issue for the Caribbean countries is the review of the commodity protocols on traditional products: bananas and sugar.

There are also opportunities associated with integration. There may be opportunities to develop trade in agricultural products not concerned by the protocols such as fresh fruit**.** There may also be opportunities for strategic development on 'knowledge driven business development,' particularly in the services sectors such as engineering, where a significant level of experience exists.[2]

2.2 General Caribbean Context: Independent Conditioning Factors

This section deals with factors that are dictated by the context of the Caribbean region and that, independently from trade or the EPAs, could impact economic change and performance, or performance related directly to sustainability. They will be kept in mind throughout the SIA.

2.2.1 Simultaneous negotiation areas

In parallel of the EPA negotiations, the Caribbean countries are also involved in redefining their trade and integration policy at various levels. Therefore, the Caribbean countries will have to ensure that the approach that they take to the EPAs are consistent with those in other trade negotiating fora. These fora include the multilateral trade negotiations under the World Trade Organisation (WTO), in particular the negotiations launched in Doha in 2001, as well as the negotiations for a Free Trade Area of the Americas (FTAA), and negotiations with various other regional partners such as Canada and Costa Rica. Moreover, the Caribbean continues are pursuing their own regional integration initiative through the prospective completion of the CARICOM Single Market and Economy.

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[1] Ecorys-Nie (2002). *Caribbean Perspectives on trade, Regional integration and Strategic Global Repositioning.* Rotterdam.

[2] World Bank (1996). *Prospects for Service Exports from the English-Speaking Caribbean*, paper prepared for the CGCED, Washington.

Since the rules of the WTO represent the overarching context for multilateral trade, and since WTO compatibility is vital, progress in the development agenda of the Doha Round will impact the EPA negotiations. The absence of progress made during the last WTO ministerial Conference in Cancun September 2003 can been viewed in that way as an obstacle for the other negotiation spheres.

The FTAA negotiations are of particular relevance in the Caribbean region and are considered as a priority—seen to provide more opportunities than the WTO. Article 24 of the WTO in particular has to be modified according to the RNM (Caribbean regional negotiation machinery), which proposes to amend this article by including level of development and making it "development friendly". Moreover, talks on establishing the FTAA are scheduled to be concluded in December 2004, three years ahead of the EPA negotiations.

The EPAs also have to be consistent with regional integration process as defined by the Caribbean countries themselves. This highlights the importance of the meaningful inclusion of Caribbean stakeholders in the process and the onus on them to define collectively and clearly the regional policy or development strategy they seek to promote and how trade policy can contribute to development goals (Annex 1).

Box 1. Regional Integration: a sustainability priority

Regional integration is an overarching goal for the majority of Caribbean people although the extent to which some levels of regional integration have been achieved often goes unrecognised. There has been a pooling of resources in tertiary and early childhood education, purchasing of pharmaceuticals, disease control and medical research, disaster mitigation and management, security forces, and more recently in trade negotiations. The slow pace of evolution to a CARICOM Single Market and Economy is of great concern but this goal is far reaching and more experience is required before it can be realised. The imperative to create an enabling environment in which all levels of business and entrepreneurship can flourish, emphasising the intra-regional market and diversifying the regional economy remain urgent priorities.

Report of SIA seminar, Executive summary, CPDC, November 2003.

Because the EU is not the dominant trade partner for most countries in the region, the FTAA process is considered having more importance for the Caribbean countries. tThe FTAA is therefore at the top of the negotiation agenda, and attracts most attention from Caribbean authorities and non-state actors.

2.2.2 Debt

The high debt burden carried by most Caribbean countries has an impact on their economic performance (Table 1). The negotiations of EPAs are occurring between two very unequal partners in economic terms. These negotiations are viewed as an opportunity for ACP Caribbean countries as a unified region, to put the issue of debt relief on the negotiating table. However, the EU has already stated that it is not prepared to discuss new debt cancellation in order to make up for any prospective lost revenues.

The burden of debt is crucial in the question of funding of social policies, such as safety nets. Safety nets may play a major role to face economic change due to more liberalisation, in particular for poor people, who usually lack of capacity to adapt to new economic environment. The level of debt is also important as funding are needed to mitigate consequences of natural disasters (relief and rehabilitation operations) (see 2.2.4.).

Table 1. Total Dept/GDP ratio

	Total debt/GDP (2001)
Guyana	201.6
Dominica	82.1
Belize	73.6
Jamaica	61.3
Grenada	57.8
St Kitts & Nevis	55.2
St Vincent & Grenadines	54.7
St Lucia	36.0
Haiti	33.4
Trinidad & Tobago	27.3
Dominican Republic	24.0
Suriname	..
Antigua & Barbuda	..
Barbados	..

Source: World Bank.

2.2.3 Governance

Governance issues in the region will also impact movements towards, or away from sustainability, independently of trade. Governance, due to its link with macroeconomic policies, plays a crucial role in the situation of poverty. In the Caribbean, poverty is more linked to inequality than to a general level of under-development. Governments have a major responsibility to ensure that economic growth benefits to the poor, and does not increase the inequalities. In Haiti, the poorest country in the region, lack of rule of law and corruption are added to the necessity of better income repartition. This will constrain Haiti's ability to achieve sustainable economic growth and put in place and enforce environmental and social protections.

2.2.4 Natural disasters

The violent weather in the Caribbean also impacts on sustainability., independently from trade issues. The Caribbean region suffers from a large share of natural disasters, and in particular frequent hurricanes, which damage the economy (agriculture and tourism, for example) and have negative impacts on social well-being, particularly on the most vulnerable group, the poor, by destroying housing and other infrastructures. The weather is one of the factors contributing to environmental vulnerability, which is closely linked to economic vulnerability in the region. During 1995 for example, Hurricane Marilyn and Luis and Tropical storm Iris caused a decline in annual rates of GDP growth of between 3.0% and 0.7% among countries of the Organisation of Eastern Caribbean States (OECS) with impacts on the individual countries being even more severe (Table 2). The closure of all hotels in Antigua & Barbuda after Hurricane Luis generated a loss of 71% of the island's GDP, and damage by the same hurricane was estimated at 102% of the GDP of St. Kitts & Nevis.[3] Lastly, natural disasters impact on availability and quality of groundwater, making drinking water is another critical factor.

[3] Singh, 2003.

Table 2. Cost of damage caused by Hurricane Luis in 1995

Country	Storm damage (EC$ Mn)
Antigua & Barbuda	810
Dominica	252
St Kitts & Nevis	532

Source: Singh, Caribbean Environmental Situation, Presentation at the SIA Seminar, November 2003.

3 Sustainability Issues

Most of the countries of the Caribbean region are classified as Small Island Developing Sates (SIDS), with a high level of vulnerability to external shocks. The concept of vulnerability provides a basis to understand the specific situation of small island developing states (SIDS) and the problems they face to achieve sustainable development. Indeed, vulnerability affects economic, environmental and social well-being. SIDS are not only small economies, they are also characterised by incidence of natural disasters, isolation from markets, high levels of out-migration of skilled populations, a high dependence on imports and low levels of economic diversification. These particular characteristics are reflected in this section.

Sustainability is generally understood as the integration of the economic, ecological and social pillars of the sustainable development. As for other SIDS, vulnerability in Caribbean countries is often seen as an obstacle to sustainable development.
In the context of globalisation, managing vulnerability becomes therefore a real challenge. It is the first step to address sustainable development needs.

Consequently, sustainability issues will be closely linked in this report to vulnerability issues.

3.1 Economic, Social and Environmental Issues

3.1.1 Structure of the national economies

In general, Caribbean economies are typically mono-sectoral in nature, highly open to, and dependent on, external trade, and increasingly reliant on foreign investment for capital formation.

3.1.1.1 Small economies

Caribbean economies are small in nature and function. Small populations, markets, endowments of natural and financial resources and small interests in the global commercial and industrial activity are characteristic of the average Caribbean economy. For example, the Dominican Republic (that has the largest GDP of all Caribbean countries with the exception of Cuba) only accounts for around one-tenth the GDP of Austria, and the GDP of St. Kitts on a dollar-for-dollar basis is smaller than that of the smallest county in the United Kingdom.

3.1.1.2 Relatively and globally dynamic economies

Despite their small size, and in contrast to a number of ACP countries, several Caribbean economies have performed relatively well in the past decades. With the exception of Haiti (and perhaps even Jamaica) all economies have recorded sustained periods of positive economic growth which have contributed to varying levels of social and physical development. For example, at one time, Barbados was rated as the leader of all developing countries by the United Nations Development Programme.

Table 3. Gross Domestic Product (GDP) in the Caribbean Region (2000)

Country	GDP (US$ million)[1]	Annual growth rate (%) 1990-2000[2]
Barbados	2,600	1.7
The Dominican Republic	19,669	4.2
Jamaica	7,403	-0.4
Trinidad & Tobago	7,312	2.3
Antigua & Barbuda	689	2.8
Dominica	270	..
Grenada	410	2.9
St. Kitts & Nevis	314	4.7
St. Lucia	707	0.9
St. Vincent & the Grenadines	333	2.6
Belize	820	1.6
Guyana	712	5.0
Suriname	846	3.0
Haiti	4,050	-2.7

Source: (1) European Commission, DG Trade. External Trade 2002: EU-ACP volume 6. - (2) UNDP. Human Development Index, 2002.

3.1.1.3 Fragile economies

Despite this success, these economies are essentially fragile. In 2000, a study commissioned by the World Bank and the Commonwealth Secretariat identified the following macro and meso conditions that, over time, have inhibited the efforts of small economies to pursue robust and sustained development, all of which apply to the Caribbean ACP countries.

Narrowness of natural resources base. The majority of small economies also have a small territory and a limited range of raw materials and natural resources. This could constitute a handicap in particular at an early stage of the economic development process insofar as the endowment of natural resources is of very limited value to support the development of basic industries. Therefore, the availability of minerals, for example, and other natural resource largely exceeds domestic demand. Their natural characteristics contribute to making these economies primary product exporters, highly specialised and concentrated, and are dependent on a very narrow range of activities (Streeten 1993).

Economies of scale. Small economic size can also preclude the development of sectors with minimum plant size requirement, that is, sectors producing under conditions of economies of scale. It has been claimed that industrialisation might be deterred by small economic size, given that many industrial sectors operate under economies of scale and increasing returns (Briguglio 1998). In addition, given the small size of the market, protective measures necessary to ensure the survival of manufacturing activities might be too large and costly to be justified. The small size of these economies also limits effective domestic competition making them prone to oligopolies and monopolies. Hence, small size imposes serious constraints on efficient import substitution activities (Briguglio 1993). Exports can be a way of overcoming these obstacles.

Indivisibility, economies of scale, and increasing returns in the delivery of public goods are another disadvantage that small economies might face, because it translates into high per capita costs (Alesina and Spolaore 1997). That also might have negative consequences on the long-term economic performance if private productivity depends on the provision of public goods.

Export concentration and economic volatility. Small economies are usually characterised by a high degree of specialisation and openness. Usually, they export a small range of products or services (mainly primary products), the share of exports in GDP is greater than in larger economies, and their coefficient of openness (exports and imports divided by the GDP) is high. It has been asserted that the high dependence on external trade of small economies causes a higher degree of vulnerability to swings in the international economy. Specifically, highly concentrated exports are very likely to imply larger volatility of export proceeds. If in addition, exports represent a large proportion of GDP, high export volatility would ultimately translate into greater economic instability, which might reduce the long-term growth rate (Lim 1974; Voivodas 1974; CS/WB JTF 2000).

Some empirical evidence reveals that small countries face a larger degree of export-related and economic instability, although not necessarily a lower growth rate (CS/WB JTF 2000; CommRisk ITF 2000; Easterly and Kraay 1999). However, new evidence supports the idea that although smaller countries do not grow more slowly than larger countries, extreme specialisation causes export instability, and that export volatility reduces investment and income growth (Isa 2003).

Location, remoteness, and transportation costs. Unit costs of transportation decrease with increased volume. Therefore, small countries are at a disadvantage in the international markets. Moreover, insularity and remoteness may also entail discontinuities and irregularities in transportation services, which might give rise to uncertainty in the supply of imports, harm exports, and increase costs for holding larger stocks (CS/WB JTF 2000; Streeten 1993; Briguglio 1993).

Taxation and fiscal deficit. It has also been argued that larger countries rely more heavily on more efficient taxes (i.e., income taxes) than smaller ones (i.e., tariffs) because of the high set-up costs for the bureaucracy needed to administer more efficient taxes (Easterly and Rebello 1993). In small and/or less developed economies, the share of custom taxes in the total tax revenue is usually large compared to larger and more developed ones. If export proceeds and foreign exchange availability in small economies are more volatile than in larger ones, a larger volatility of tax revenue should be expected. This might cause either periodic increases in the fiscal deficit, which may cause inflationary pressures, or sharp fluctuations in public expenditure, most likely public investment, with possible consequences in the level of economic activity, in particular if public and private investment is complementary (crowding-in) rather than rivals (crowding-out).

Nonetheless, many less developed countries are also small, and it is not clear whether the dependence on revenue from tariffs is a characteristic associated with low per capita income or with economic size.

Proneness to natural disasters and high magnitude of environmental problems. Small island countries tend to experience much more devastating consequences from natural disasters than other countries. Due to their small size, natural phenomena such as hurricanes and typhoons usually affect the whole agricultural sector and most of the housing and communication infrastructure. Easter (1999) argues that natural disasters are an important factor in explaining growth volatility and vulnerability. Added to impacts of natural disasters, there are a wider range of environmental problems affecting Caribbean countries: rise in sea level resulting from climate change, degradation of ecosystems (coastal and marine resources, freshwater resources, land resources), management of wastes and overexploitation of natural resources. Given the geographic constraint (small size and limited territories), magnitude of environmental impacts is therefore very high. Moreover national institutions and

administrative capacities, as well as regional institutions and technical cooperation are not sufficient to adequately cop with these problems.

These issues point towards the unique vulnerabilities and limitations of small islands and suggest that there may be important policy proposals to pursue in conjunction with further liberalisation to promote their sustainable development.

3.1.1.4 Weak in economic diversification

All of the aforementioned features highlight many of the inherent weaknesses in Caribbean economies but none more so than their *over-reliance on relatively few sectors*, as their main, and in some instances only, earner of foreign exchange and provider of jobs. Whether it is sugar, rice, bananas or nutmeg most of these economies rely almost exclusively on one or two crops/sectors for their economic survival. This is not to say that efforts have not been made to diversify. However, where such efforts have been pursued, many have fallen short of intended successes, or where they have succeeded these new economic activities have tended to replace the old and have themselves become the dominant economic activity, thus moving the country from one "mono-crop" to another singly important sector.

This has occurred through the steady movement of several of the regional economies into the tourism as the major economic activity. From a pre-dominantly agricultural based economy the Caribbean region is now dominated by the provisions of services including tourism and financial services, such as off-shore banking (Table 4). At present, services is the single largest contributor to GDP growth in 10 of the 13 economies in CARICOM and 11 of the 15 Caribbean countries (including Haiti and the Dominican Republic). This shift from agriculture to services has largely occurred without passing through the industrial development phase, with the exception of Trinidad & Tobago and the Dominican Republic (DR).

Countries in the Caribbean lack a diversified range of domestic resources across sectors upon which to build their economies. They thus depend heavily on imports to support local production and satisfy consumer demand and, given the absence of a sizeable domestic market, they also depend on export revenues to sustain economic growth. Hence, these economies are relatively open and extremely vulnerable to external shocks such as fluctuations in international commodity prices and slowdowns in demand for tourism services. In Barbados for example, declining tourism as a result of the 11 September 2001 attacks on the United States contributed to the decline in the real value-added in tourism by an estimated 5.9% in 2001.[4]

[4] Globally, all Caribbean economies have suffered from the reduction of the number of tourists following the 11 September attacks.

Table 4. The economic structure of the Caribbean Region in % of GDP (2000)

Country	Agriculture	Industry	Services
Barbados	6.3	21.0	72.7
Dominican Republic	11.1	34.1	54.8
Jamaica	6.5	31.3	62.2
Trinidad & Tobago	1.6	43.2	55.2
Antigua & Barbuda	3.9	19.1	77.0
St Kitts & Nevis	3.6	26.0	70.4
Dominica	17.4	23.5	59.1
Grenada	7.7	23.9	68.4
St Lucia	7.9	19.6	72.5
St Vincent & the Grenadines	9.8	25.5	64.7
Belize	21.4	27.0	51.6
Guyana	35.1	28.5	36.4
Suriname	9.7	20.4	69.9
Haiti	29.6	21.1	49.3

Source: World Bank and the authors' calculations.

Table 5. Labour force by economic activity (%)

Country	Primary sector	Secondary sector	Tertiary sector
Barbados	4	19	75
Dominican Republic	15	23	62
Jamaica	19	18	60
Trinidad & Tobago	10	27	62
Antigua & Barbuda[5]	4	18	74
St Kitts & Nevis[6]	45	..	..
Dominica	23	18	54
Grenada[7]	24	14	62
St Lucia[8]	21	24	53
St Vincent & the Grenadines[9]	26	17	57
Belize	25	16	54
Guyana	..	..	..
Suriname[10]	9	13	77
Haiti	..	..	..

Source: Caribbean labour statistics unless otherwise specified. (..) means that figures are unknown.

The predominance of services. The importance of services in the Caribbean regions has grown over the past decades and services now represent over half, and sometimes two-thirds of GDP in the economies in the region. Services are also responsible over 50% of

[5] Figures date 1991.

[6] Source: http://www.caribisles.org/caribbean/count-06.htm (no date given, around 2000).

[7] Estimates in 1999.

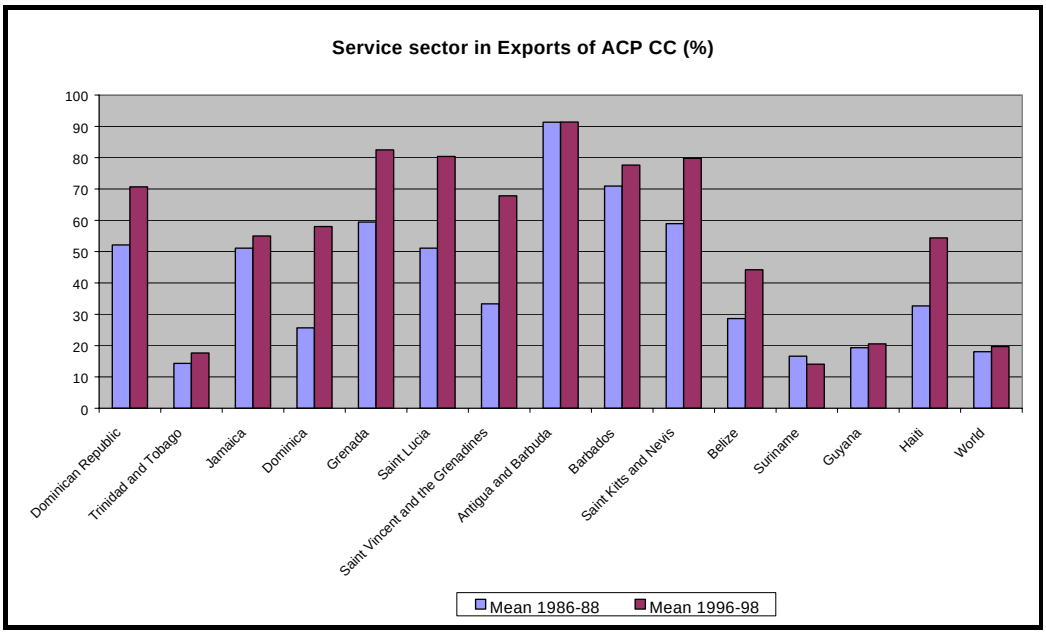
[8] Estimates in 2002. Source : http://www.cia.gov/cia/publications/factbook/geos/st.html#Econ

[9] Estimates in 1980.

[10] Figure date 1998.

employment.[11] Services are particularly important in Antigua & Barbuda, Barbados and St. Lucia where they contribute over 70% of GDP (Table 4).

Figure 2.



Source: UNCTAD.

The main activities in the region include tourism, wholesale and retail services, financial services, transport, and construction. Globally, the Caribbean trade balance in services appears to be positive (Figure 2). The receipt of services growth rate was 5.2% between 1993 and 2000. Three sub-sectors represent over 95% of the total services receipts. Travel and tourism is the most important (over 70% of the total receipts) reflecting the importance of tourism in the Caribbean economies. The second and third largest sub-sectors are commercial services (15%) and transportation (11%).

Travel and tourism is of particular importance for the Dominican Republic and Jamaica, which have developed huge tourism infrastructures (Table 6). The Dominican Republic has been the most active in tourism development. But proportionally, *ie* when we compare the number of tourists with local inhabitants, – this sector is most developed in Antigua and Barbuda, St Kitts and Nevis and Barbados. . In Haiti, tourism is not developed comparing to the rest of the region.

Table 6. Tourism development

Country	1990-1996 Arrivals of tourists (thousands)	1998-2000- Arrivals of tourists (thousands)	Growth (1990/92-1998-00, %)	% of local population
Barbados	404	524	23	194
Dominican Republic	1300	2643	51	31
Jamaica	1018	1265	20	49
Trinidad & Tobago	217	364	40	28

[11] This assertion mainly relies on the figures available on the ILO Website (no data is available for Haiti, Guyana and St. Kitts & Nevis).

Country	1990-1996 Arrivals of tourists (thousands)	1998-2000- Arrivals of tourists (thousands)	Growth (1990/92-1998-00, %)	% of local population
Antigua & Barbuda	210	237	12	339
St Kitts & Nevis	81	83	2	208
Dominica	46	70	34	95
Grenada	83	123	33	123
St Lucia	160	262	39	166
St Vincent & the Grenadines	53	69	24	62
Belize	96	185	48	75
Guyana	71	83	15	11
Suriname	58	59	1	14
Haiti	118	143	18	2

Source: UNCTAD.

The importance of agriculture. The agricultural sector, as other primary economic sectors, has been declining in Caribbean countries. It is currently far less important than the services sector, except in Haiti and Guyana where it contributes to GDP in a higher proportion than services. In Belize and Dominica, it accounts for around 20% of GDP. However, agriculture still employs a significant part of labour force (over 15% on average).[12] Agriculture generates one in every three jobs in the region.[13] It is also important for other issues related to rural development and food security, given its important place in many rural communities in the region (Box 2).

Box 2. Multifunctionnality in the Caribbean

As in Europe, the notion of multifunctionnality can be used to understand the importance of agriculture in ACP CC, in spite of its relatively low contribution to GDP. The importance of sugar for instance comes in terms of social infrastructure. The importance of banana industry, not only in economic terms, is that it employs a high percentage of women, with strong impacts on family life and education. The macroeconomic importance of agriculture is also apparent as strong linkages between agriculture and other sectors such as tourism do exist.
Source: SIA Trinidad Seminar, 11-13 November 2003.

Fish and fish products and industry. Fisheries are not as important to the economies in this region as one might expect. It represents 0.1% to 2% of GDP in all countries, except in Belize and Guyana where it represents 6% and 7.8% of GDP, respectively. Industry is a significant contributor to GDP in Trinidad & Tobago where 45% of GDP come from the secondary sector, mainly from the petroleum industry. Excluding Trinidad & Tobago, the main sub-sectors inside the secondary sector are related to manufacturing: light manufacturing or agro-processing such as beverages (often for the domestic market), electric and electronic goods, textiles. These sub-sectors are generally viewed as important opportunities to develop, notably to offset the actual and likely future loss of exports earnings from agriculture.

[12] The informal sector is large in the Caribbean countries and is not taken into account in official statistics. Hence, the figures are to be interpreted with caution. In Dominican Republic for instance, the informal sector was estimated at just over half of total employment and at 70% or more of total employment in agriculture, construction, and transport and communications in 2001. Source: Banco Central de la República Dominicana (2002a), *Mercado de Trabajo 2001*, Santo Domingo.

[13] Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations : Towards an Enhanced Partnership; Lodge J. 2003. Presentation at the SIA Caribbean seminar. Trinidad. November.

Box 3. Agro-processing in Guyana

Traditionally Guyana has been an exporter of primary products (rice, sugar, timber, bauxite). Agro-processing played only a small part in the economy. However, during the 1970's, the Government introduced the FCH Program (Feed, Clothe and House). There has been a concerted effort to make the country self-sufficient in processed foods and everything was done to sustain this industry by a policy import substitution under a protective tariff regime. This sector is now comprised of a number of small and medium-size enterprises which produce mainly jams, jellies, spices and fruit-based drinks for local consumption with small quantities of pepper sauces being exported to the Caribbean and the United States.

Source: Caribbean Regional Human Resource Development Program for Economic Competitiveness.

3.1.1.5 A classification of the countries for the SIA

Despite these common features, Caribbean countries have retained some individuality both individually and in sub-regional groups. Over the past decades, Caribbean economies have developed at different paces and towards different activities. For instance, the Jamaican economy began a period of gradual transformation in the late 1970s while the economy of St. Vincent & the Grenadines has undergone important changes in the past decade. Belize's economic structure has been diversified towards services and shrimp fishing whereas Surinam's economy has also benefited from mining, especially bauxite. Moreover, during these periods of change, some Caribbean countries have created "duty-free zones". A dual structure characterises their manufacturing sector. In the Dominican Republic for instance, while the domestically oriented sector concentrates on the processing and packaging of agricultural products, enterprises located in the duty-free zones engage mostly in the production of textiles, electronic goods, and jewellery for export markets and provide upwards of 300,000 jobs.

Some Caribbean countries share the same main economic activities and have experienced similar economic transformation or growth and have undergone similar economic difficulties. For practical reasons and in order to facilitate the analysis, it is useful to establish country groupings based on these economic characteristics (it will not include political considerations). Three groups of countries and one single country stand out:

- The big four: Barbados, Dominican Republic, Jamaica, Trinidad & Tobago;
- The OECS, with a sub-division:
  - "Small economies": Antigua and Barbuda;
  - the Windward Islands: Dominica, Grenada, St. Lucia, St. Vincent & the Grenadines, St. Kitts and Nevis;
- The mainland countries: Belize, Guyana, Suriname;
- Haiti.

The economic characteristics of these country groupings are considered below.

3.1.1.5.1 The "big four": strong and diversified economies.

In 2000, the four largest economies in the Caribbean region were the Dominican Republic (US$19.7 million), Jamaica (US$7.4 million), Trinidad & Tobago (US$7.3 million) and Barbados (US$ 2.6 million).[14] The Dominican Republic, Trinidad & Tobago and Barbados

[14] Source: European Commission, DG Trade.

experienced solid growth between 1990 and 2000 whereas Jamaica experienced negative growth, which is unusual in the Caribbean region.[15]

The tertiary sector is the major contributor to GDP (accounting for 55.2%, 54.8%, 62.2% and 72.7% of GDP in Trinidad & Tobago, the Dominican Republic, Jamaica and Barbados respectively) (Table 4) and to employment (62% of labour force in the first two, 60% in Jamaica and 75% in Barbados) (Table 5). It experienced a very important growth in Jamaica in the 1990s while it stagnated in the Dominican Republic and Trinidad & Tobago. Tourism is the major generator of foreign exchange in the Dominican Republic and the main economic activity in Jamaica. By comparison, tourism in Trinidad & Tobago is not as important.[16] The main sub-sectors in the four countries differ greatly. In Trinidad & Tobago, they include distribution, hotels, and financial services; in the Dominican Republic, the main sub-sectors are wholesale and retail trade, construction, and government services; in Jamaica they are transport and communication, and financial services. In Barbados, apart from tourism and services provided by the Government (which represent a large part of the economy), the main service activities include construction, wholesale and retail trade, banking and insurance, and transportation. These activities represented 17% to 18% of GDP in 2001 and experienced continuous growth between 1995 and 2001. Moreover, in the past decade, the most dynamic sectors overall were construction, financial, and communication services in all four countries.

Besides the importance of services, the economies of the "big four" rely on a strong secondary sector. It accounts for 30% to 45% of GDP and employs an average of 22% of the labour force.[17] The economy of Trinidad & Tobago primarily relies on energy (oil and oil-based products and petrochemicals, methanol). In the Dominican Republic and Jamaica the main industrial activities are concentrated in manufacturing. In addition to primary energy products (oil and gas), related industrial activities include oil refining, gas processing and the production of ammonia, urea, methanol, iron and steel.[18] Activities in the Dominican Republic are concentrated in processing and packaging of agriculture products for the domestic market, and the production of textiles, electronic goods, and jewellery for export markets.[19] In Jamaica, industrial activities focus on food, tobacco, textiles, and alcoholic beverages.[20]These countries are also very active in mining and quarrying, although the share of this sector in GDP has been declining since the 1990s. Trinidad & Tobago has large deposits of ores such as asphalt, argillite, chromium, and clay. Among these, clay is the most abundant and extensively used. Trinidad & Tobago also has one of the largest natural sources of asphalt in the world. Therefore, its mining and quarrying activities represent a very important share of GDP compared to others Caribbean countries (11.1% in 1999). Jamaica is also heavily dependent on mining products, especially bauxite/alumina and has large deposits of limestone, marble, silica sand, clay and gypsum.

The importance of primary economic sectors in all four countries has been declining over the past 20 years. Agriculture accounts for a small part of their economy (1.6% to 11.4% of GDP in 2001) but still employs an average of 14% of the labour force. These large islands have sought to diversify their production in order to export. Apart from the traditional export products (bananas, sugar and coffee) Jamaica has grown pimento, citrus, spices, legumes, fruits, and yams. In Trinidad & Tobago citrus fruits are now preferred as a crop to coffee. Hence, the exported commodities in the four countries are now mainly sugar, cocoa, bananas and citrus. While sugar crops constitute the most important part of Barbados' economy, non-

[15] Haiti is the other Caribbean country with a global negative growth in the 1990s.

[16] Source: WT.

[17] This can be explained by the increased use of technology to the detriment of labour force.

[18] Oil reserves are estimated at about 7 years' supply at current rates while the gas reserves are much higher and enough to last 50 years. Source: WT.

[19] Source: WT.

[20] Source: IMF Report.

sugar agriculture includes bananas, cabbages, carrots, cucumbers, mangoes, pumpkins, sweet oranges, sweet potatoes, tomatoes, and white potatoes.

3.1.1.5.2 The OECS: a strong services sector in expansion.

Nine countries are members of the Organisation of Eastern Caribbean States (OECS): Antigua & Barbuda, Dominica, Grenada, St Kitts & Nevis, St Lucia, St. Vincent & the Grenadines, and three UK attached states (Anguilla, British Virgin Islands, and Montserrat).[21]

- **The "Small Economies"**. A sub-group in the OECS group are its wealthiest economies: Antigua & Barbuda and St. Kitts & Nevis – the "Small Economies". These economies are heavily dependent on services, particularly tourism. Simultaneously, there has been a falling share of agriculture, notably sugar, in GDP. The services sector accounts for some 70% and almost 80% of GDP and is growing; it employs about 75% of the labour force (Tables 4 and 5).[22] Tourism is the dominant activity in the economy of Antigua & Barbuda, accounting directly or indirectly for over half of GDP. With respect to this particular characteristic, they are similar to Barbados, where tourism is the third most important economic activity.

The primary sector accounts for 3% to 6 % of GDP and 4% of employment in Antigua & Barbuda.[23] Its importance has decreased for these past two decades, in all the "Small Economies" countries. Forestry activities constitute the most important contribution to the primary sector in Antigua & Barbuda and it has gained importance for GDP since 1993. Fisheries and sugarcane are the main sub-sectors in St. Kitts & Nevis, and have declined over the last decade.

The secondary sector represents 20% to 30% of GDP. It remained at a status quo or slightly increased in the "Small Economies'" GDP during the last decade. Manufacturing accounts for the largest share of GDP except in St Kitts & Nevis but not in Antigua & Barbuda where its contribution to GDP accounts for slightly over 2%. There is some manufacturing production for the domestic market and assembly for export. In St. Kitts and Nevis, the manufacturing sector consists primarily of light manufactures like beverages (beer, malt, rum, soft drinks), and pasta for the domestic market; and of industries that assemble electrical or electronic components, and traps for the cable industry, for export.

- **The Windward Islands**: from banana production towards services.

A second sub-group within the OECS is the Windward Islands, which constitute the smallest Caribbean group in terms of GDP (total GDP US$1,327 million). The Windward Islands include Dominica, St. Lucia, St. Vincent & the Grenadines, and Grenada.

The economies in this grouping are characterised by fluctuations in GDP growth. All growth rates remained positive in the late 1990s.[24] In St. Vincent & the Grenadines this is the result of tourism, in St. Lucia a range of services contributed to this growth, in Grenada growth was linked to activities related to large infrastructure projects (e.g., construction and telecommunications), and in Dominica, the manufacturing sector was responsible for the healthy growth rates. These economies are relatively stable despite their high dependence on foreign direct investment (FDI) (with the exception of Dominica, which does not receive large amounts of FDI).

[21] For more information on OECS and its objective, see Annex.

[22] Figures are given for the year 1991 in Antigua & Barbuda; figures are unknown for St. Kitts & Nevis. Source: ILO.

[23] Figures are given for the year 1991 in Antigua & Barbuda; figures unknown for St. Kitts & Nevis. Source: ILO.

[24] Source: CARICOM's selected indicators.

The economies in these countries show very similar trends and are based on similar activities. Over the past decade, the economies of the Windward Islands have moved away from agricultural production and towards services activities. In so doing, they have been able to diversify production and reduce their reliance on the banana industry.

The economic growth in the Windward Islands is driven by expansion in services, which contribute between 60% and 75% of GDP and employ an average of 57% of the population (Tables 4 and 5). Tourism, retail and wholesale trade, banks and insurance, and transport have been the main sub-sectors of services in recent years (in share of GDP). Within services, the most dynamic areas include wholesale and retail trade, telecommunication, financial services and transport.

In the past decade, the relative economic importance of the primary sector dropped. The banana industry has traditionally been the major contributor to agricultural GDP and an important source of employment. However, production has declined in recent years. Despite efforts to rationalise banana production, under the Banana Recovery Plan (BRP) for the Windward Islands, efficiency and quality have not improved sufficiently, and production levels are still too low to fill duty-free quotas to the European Union. The production of bananas has then been substituted, partially or totally, by other traditional and non-traditional crops such as nutmeg and cocoa in Grenada,[25] dasheens, grapefruit, plantains, coconuts, cocoa beans, coffee, sweet potatoes, mangoes, oranges, limes, and some other fruit and vegetables in Dominica, and breadfruit, mangoes, avocados, plantains and hot peppers in St Lucia. The production of bananas has also been substituted by fish in Grenada. Other activities including manufacturing, tourism, off-shore financial services, and computers have replaced banana production as well, particularly in St. Vincent & the Grenadines.

Fish and fish products accounted for over 1% of GDP in 2000 in these four countries, higher than many other Caribbean countries. The fisheries sector in St. Lucia has been increasing steadily in importance since 1994 and contributed 1.2% of GDP in 2000.

In the 1990s, the share of industrial activity increased or remained the same depending on the country. It increased in Dominica and Grenada, and remained the same in St. Lucia and St. Vincent & the Grenadines. Manufacturing was, and still is, the main sub-sector. The manufacturing sector is primarily concentrated in the production of light manufactures such as beverages (beer, malt, rum, and soft drinks), cigarettes, food, and paper products. This sector has been increasing in Dominica and Grenada and declining in St. Lucia and St. Vincent & the Grenadines. Dominican manufacturers have also chosen to specialise their products, mainly by producing dental cream, toilet soap, laundry soap and hard surface cleansers. This speciality has been very profitable for Dominica, leading its growth in recent years.

3.1.1.5.3 Mainland countries: a high dependence on the primary sector.

The countries in the “Mainland” grouping are Belize, Guyana and Suriname. The mainland Caribbean countries share low levels of GDP (from US$ 700 million to US$ 850 millions each in 2000) (Table 3).[26] However, growth rates have been varied in the past decade. The economies in this group are somewhat dependent on FDI and private transfers (3% to 7% of their GDP)[27] although these financial resources have been fluctuating in recent years, particularly in Suriname. These fluctuations show that the economies of Belize, Guyana and Suriname are not very stable.

[25] Grenada is one of the world's main producers of nutmeg, which accounted for over 40% of Grenada’s total exports in 2001. Source: WT.

[26] Source: European Commission, DG Trade.

[27] These data refer to year 1999 for Belize and Suriname, and to year 2001 for Guyana.

Mainland Caribbean economies depend fundamentally on the primary sector although they have been moving towards the tertiary sector, in the past few years. The services sector employs a majority of the labour force (54% in Belize and 77% in Suriname) (Table 5).[28]

In Belize, the economy is primarily reliant on agriculture and in particular oranges, sugar, maize and citrus. Guyana and Suriname primarily rely on agriculture (especially sugar and rice in the former; rice, bananas and plantains in the latter), fisheries (above all in the former), and mining (especially bauxite, above all in the latter). The primary sector accounted for 12%, 31% and 11% of Belize, Guyana and Suriname's GDP in 2001 respectively. There was some slight growth in Belize in the 1990s, a sharp decline in Guyana and the situation was constant in Suriname in the 1990s.

In the past few years, the economies of these countries have been diversified towards the tertiary sector (tourism in Belize), and other service industries (such as transport and communication in Belize, Guyana and Suriname) and shrimp farming in Belize. Suriname has also developed its mining sector whereas Guyana has developed its government services. Industrial and manufacturing activity experienced decline in Guyana and Suriname during the 1990s and was essentially stagnant in Belize.

3.1.1.5.4 Haiti: Agricultural-based LDC.

The economy of Haiti relies heavily on private transfers, valued at US$286.2 million in 1998 and contributing 7.4% to GDP. These transfers have been increasing steadily since 1994.[29] In contrast, levels of FDI are very low and unreliable.

Haiti's economy has been traditionally depended on activity in the primary sectors and still does to a great extent, despite some movement towards services (Table 4).[30] The primary sector in Haiti accounted for around 30% of GDP in 2001, of which agriculture was the most important sub-sector. Sugarcane has traditionally been the main commodity produced and exported. Other major exports are coffee and cocoa. However, the largest quantities of commodities produced (after sugarcane) are for domestic consumption and include corn, millet, rice, beans, and bananas.

The tertiary sector has grown steadily to reach about 50% of GDP in 2001. Growth has been led by government services in the past decade. Commerce, construction and housing are important sub-sectors as well, and have also grown. Manufacturing activity remained constant during the 1990s, accounting for around 20% of GDP. Major manufactured goods (in share of GDP) are food products, although clothing is the major export.[31]

3.1.2 Social Priorities and Poverty

3.1.2.1 Human Development Index (HDI)

The Caribbean region has benefited from a reasonable degree of positive development over the past three decades and boasts strong stable governance structures with a proud record of stable political processes. This is reflected in the favourable ratings for Caribbean countries in the United Nations Human Development Report. Twelve of the fifteen Caribbean countries are ranked in the top half of the Human Development Index and Barbados has the highest HDI ranking of all developing countries (Table 7).

[28] Figures are unknown for Guyana.

[29] National Report on Human Development.

[30] The repartition of labour force in Haiti is unknown.

[31] These figures date 1998.

Table 7. Human Development Index (HDI) in the Caribbean region

Category	Country	Rank (2003)	Value (2003)	Rank (2002)	Value (2002)
High Human Development	Barbados	27	0.888	31	0.871
	Bahamas	49	0.812	41	0.826
	St Kitts & Nevis	51	0.808	44	0.814
	Trinidad & Tobago	54	0.802	50	0.805
	Antigua & Barbuda	56	0.798	52	0.800
Medium Human Development	Belize	67	0.776	58	0.784
	Dominica	68	0.776	61	0.779
	St Lucia	71	0.775	66	0.772
	Suriname	77	0.762	74	0.756
	Grenada	93	0.738	83	0.747
	Jamaica	78	0.757	86	0.742
	St Vincent & Grenadines	80	0.755	91	0.733
	Dominican Republic	94	0.737	94	0.727
	Guyana	92	0.740	103	0.708
Low Human Development	Haiti	150	0.467	146	0.471

Source: UNDP Human Development Report 2003, 2002.

Within the category of High Human Development all the countries, with the exception of Barbados, have lost ground from their previous year's ranking. This highlights the adverse impact that globalisation is having on some of these small countries. Another important trend is the declining rank of some countries in the Medium Human Development category as well, however other countries such as Jamaica, Guyana and St. Vincent and the Grenadines, have shown slight improvements in their development indicators. Haiti is the only country in the region that ranks in the category of "low human development".

3.1.2.2 Population

A relatively dynamic population. The Dominican Republic (DR) and Haiti, with over ten million inhabitants, are by far the most populated countries in the region, followed by Jamaica with three million inhabitants. Haiti and DR also have the highest population growth rates in the region, at 2% per year. Belize and the Bahamas have similar rates of growth. However, there is a demographic shift and an ageing population, which has started much faster than it has in other developing countries.

Youth Development in the region

The youth sector represents a substantial proportion of the region's population, particularly in Haiti and the Caribbean members of the Commonwealth. Haiti has the youngest population in the region, with over 40% of its population under the age of 15. The Commonwealth Caribbean generally has a youthful population with some regional authorities estimating approximately 25% of the region's population being comprised of young people under the age of thirty.

In its national poverty assessments the Caribbean Development Bank has highlighted the fact that youth represent a significant proportion of the poor in the region. In the small vulnerable eastern Caribbean islands of Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent for example, youth generally represented over 50% of those persons defined as being impoverished.

The challenges for many young people stem from a changing global environment that has displaced traditional occupations and skills, particularly those found within the region's rural agricultural sectors. With fewer employment opportunities many of the region's youth have turned to alternative illicit activities to earn a living and this income is not captured in official

unemployment statistics as they are not perceived to be pursuing gainful employment. Other serious social problems are also being experienced by the region's youth and the World Bank has noted that the cost of many of these problems have reached into the billions of dollars.

3.1.2.3 Health

3.1.2.3.1 Improvement in life expectancy and infant mortality rates

Life expectancy at birth. Life expectancy is over 70 years for most of the countries, except for Dominican Republic (66.7), Grenada (65.3), Guyana (63.3), and notably Haiti, where the life expectancy at birth is only 49.1 years.[32]

Under-five mortality rate. This ratio is less than 30 out of 1,000 live births in the countries of the region with the exceptions of Belize and DR that have a ratio between 40 and 50 and, Guyana with a death ratio of 72. However the ratio is 123 in Haiti.[33]

3.1.2.3.2 Improved access to social basic services, except in Haiti

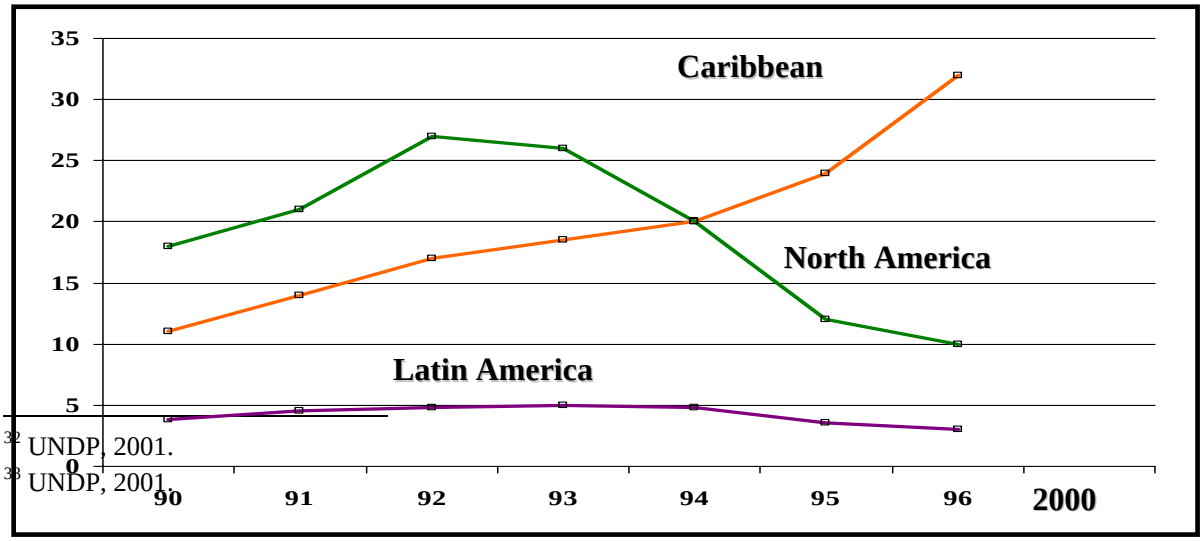
Access to improved water. Access to improved water sources is available in most countries to over 90% of the population with some problems for 15-25% of the population in Trinidad & Tobago, DR, Belize and Jamaica. But in Haiti, only 45% of the population has access to clean water.

Access to essential drugs. Access is available in over than half of the population in all countries with the exception of Haiti and Guyana.

Food security. Food security has become a serious issue for many Caribbean countries faced with increasing competition from external sources of food products. The impact of external sources on local and regional agricultural products is to undermine the security of the domestic food supply and nutritional standards in the region – the Caribbean countries import apples and oranges for instance while local production of traditional fruits are of higher nutritional value.

HIV/AIDS. The Caribbean region represents the second highest HIV prevalence rate in the world after sub-Saharan Africa. The virus is also the leading cause of death among people aged 15-44 years. The epidemic is most acute in Haiti, and in the tourism dependent areas in other countries (Figure 3).

Figure 3. New AIDS cases per year



[32] UNDP, 2001.
[33] UNDP, 2001.

Source: Caribbean Epidemiology Centre (CAREC), 1999 in Aldrie Henry-Lee (2003).

Table 8. The economic impact of HIV/AIDS on Jamaica by 2005

Gross Domestic Product	- 6.4%
Savings	- 23.5%
Investment	- 17.4%
Employment	- 6.0%
HIV/AIDS Expenditure	+ 35.4%

Source: CAREC/UIW, in Aldrie Henry-Lee (2003).

3.1.2.4 Education

The Caribbean region is globally characterised by a high level of education compared to other developing regions. The adult literacy rate is over 90% in most countries and between 80% and 90% in Antigua & Barbuda, DR, Jamaica, and St. Vincent & Grenadines. But it is less than 50% for Haiti, even though the primary enrolment ratio has strongly improved in the last two decades.

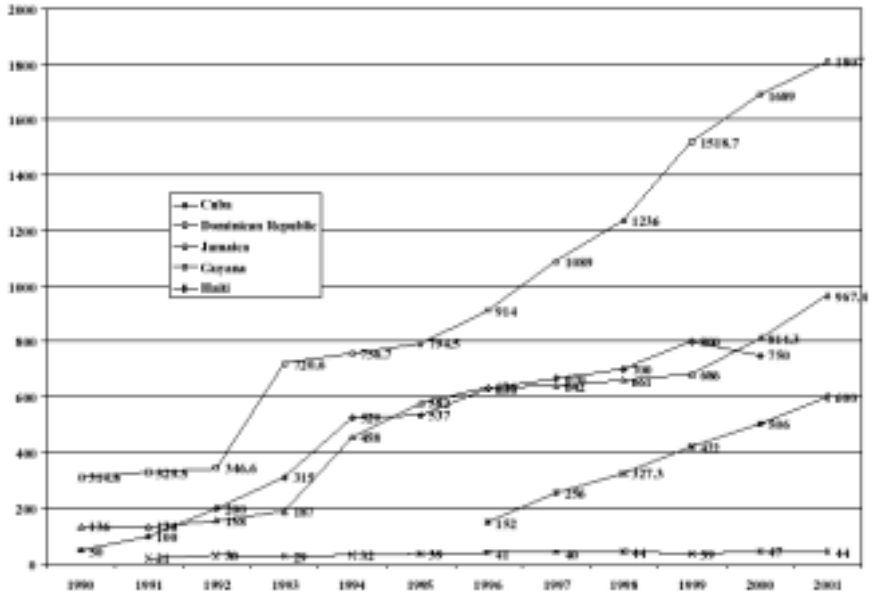
3.1.2.5 Migration: the crucial importance of remittances

Migration is an important coping strategy for poor people in the Caribbean countries, with the exception of Trinidad & Tobago. Haiti is by far the main "exporter" of workers, essentially low qualified workers. The United States is the preferred destination of Caribbean migrants.

International remittances and other forms of private household level financial transfers are a major instrument of the coping strategies for the poorest in the population—they are important and growing (Figure 4). Remittances may represent as much as half of a poor household's income. This high external dependency is usually viewed as a weakness. In DR, the first source of coping strategy of the poor is financial support from family members both within DR and abroad. Three quarters of poor households receive domestic transfers (typically private transfers from urban based family to rural based family members) amounting to 16% of their income. About one-fifth of poor households receive international remittance amounting to half their income. International remittances contribute to better housing conditions, access to education for girls, and reduction of child labour. In St. Vincent and the Grenadines 17% of poor households received regular contributions either in cash or in kind from individuals outside the household.

However, migration represents the problem of *diaspora*, and in particular of the "brain drain", which raises the issue of weaknesses in the overall question of training. Moreover, the conditions of migration into developed countries have changed and there are fewer opportunities for movement of labour, notably for work or studies.

Figure 4. Remittances to selected Caribbean countries



Source: Orozco, 2002.

3.1.2.6 Poverty

Poverty is a far-reaching concept and the collection of statistical data can only provide a partial understanding of poverty and vulnerability in the ACP Caribbean region. The notion of poverty may be interpreted in different manners, with varying combination of quantitative indicators and qualitative assessments.

The analysis of poverty presented below results from a mix of statistical data and local expert opinions given during the Seminar held in Trinidad. Statistical data take particular account of the UNDP, the World Bank and the ILO work in the region. But resources and research analysis are very unevenly distributed among Caribbean countries. In some countries there is a wealth of research on poverty while in others information is less available. This depends, to a certain extent on the importance of poverty in the respective country. For example, extensive work has been undertaken in Haiti as it is the poorest country in the region. Levels of available research also depend on the poverty agenda. Some countries, such as DR & Guyana, have embarked on the World Bank and IMF led poverty reduction strategic plans (PRSP)process and so poverty assessment reports are regularly undertaken for these countries.

Box 3. Eradication of poverty is another sustainable development priority

This can be achieved by making trade serve our social development goals and commitments as well as preserve and improve our human development gains. In this light we reiterate that the Caribbean should be compensated at the macro level for the loss of its investment resulting from 'harvesting' of its human resource base through planned migration schemes initiated by developed countries. The cost of replenishing and increasing the pool of skilled locally trained personnel available to the region should not only be bourn by Caribbean taxpayers. Family level remittances remain essential for mitigating the social pressures brought about by loss of primary caregivers and the pressing into service of family members who have passed their productive plateau and are in declining physical health. Sustainable impact assessment of EPAs must guarantee that our human development attainments are not eroded and that we do win the fight against poverty.

Source: Report of the SIA Seminar, executive summary, CPDC, November 2003 (extract).

Based on statistical data, poverty is considered with respect to access to food and basic services. Poverty can thus be defined as the number of people living on less income than that required to access (through purchase or self-production) daily nutrition requirements (typically local food consumption to fulfill FAO's daily energy requirement of 2,161 calories) and basic non-food needs which may vary from one country to another, including *inter alia* water, electricity, transportation, education, health, sanitation and personal cleaning and basic costs of shelter/housing.[34]

3.1.2.6.1 Trends and general features

A decrease in poverty in some countries. A decrease of poverty during the 1990s is observed in some Caribbean countries such as DR, Jamaica, and Trinidad & Tobago. In Jamaica, the poverty rate fell from 44.6% in 1991 to 15.9% in 1998. Good economic performance in Trinidad & Tobago led also to a substantial reduction in poverty during the second half of the 1990s, with the unemployment rate falling from around 16% in 1996 to an estimated 12% in 2000. However, if unemployment has indeed fallen, underemployment and low paid wage have developed tremendously, particularly in the wake of privatisation.

Persistent high income inequality and individual poverty. High levels of inequality persist even in countries that have achieved significant growth rates. High-income inequality in conjunction with economic reveals the unsustainable nature of the growth. This indicates that the relatively high HDI rankings in the Caribbean region (compared with other ACP regions) might mask certain realities and underestimate to some extent the reality of poverty or even the worsening of poverty for some people. Levels of marginalisation and social exclusion of certain groups (e.g., homeless) are increasing.

Table 9. Per capita GDP and annual growth rate

Country	GDP/capita (US$)[1]	Annual growth rate (%)[2] 1975-2001
Barbados	9,736	1.3
The Dominican Republic	2,349	1.8
Jamaica	2,812	0.2
Trinidad & Tobago	5,620	2.9
Antigua & Barbuda	10,125	4.4
St. Kitts & Nevis	7,661	5.4
Dominica	3,700	3.5
Grenada	4,187	3.8
St. Lucia	4,533	4.1
St. Vincent & the Grenadines	2,895	3.9
Belize	3,419	2.8
Guyana	936	0.5
Suriname	2,029	2.6
Haiti	509	-2.0

Source : [1]European Commission, DG Trade. External Trade 2002: EU-ACP volume 6; [2]UNDP, *Human Development Report 2003.*

[34] There exist alternative understandings that go beyond this operational concept of poverty based on an income/monetary approach. One very important contributor to the development of this broader definition of poverty is Amartya Sen. These alternative conceptualisations of poverty tend to broaden the issue beyond access to tangibles goods and services (education, shelter, job, health etc.), to intangibles ones (ownership, power, voice in the society) and to freedom of choices in setting their own response strategy. However, such broad understanding of poverty poses important challenges in terms of analysis and research, as it refers to non-quantitative data.

Table 10. Poverty Indicators

Country	Poverty indicators					
	Year CPA conducted	*% below the poverty line*	*% below the indigence line*	*Poverty Gap*	*FGT P2 (Severity)*	*Gini Coefficient*
Barbados	1997	13.9	-	n.a.	n.a.	0.39
Jamaica	2001	16.8	n.a.	n.a.	n.a.	0.38
Trinidad and Tobago	1992	21.2	11.2	n.a.	n.a.	0.42
St Kitts	2000	30.5	11.0	2.5	0.9	0.40
Nevis	2000	32.0	17.0	2.8	1.0	0.37
Dominica	2002	n.a.	n.a.	n.a.	n.a.	0.31
Grenada	1999	32.1	12.9	15.3	9.9	0.45
St Lucia	1996	25.1	7.1	8.6	4.4	0.50
St Vincent & the Grenadines	1996	37.5	25.7	12.6	6.9	0.56
Belize	1996	33.0	13.4	8.7	4.3	0.51
Guyana	1999	35.0	19.0	12.4	n.a.	n.a.

Source: Aldrie Henry-Lee (2003).

Poverty is the outcome of income inequality rather than the effect of overall underdevelopment, with around 30 % of the population under the poverty line (table 10). Haiti's Gini coefficient[35] in 2000 was at 0.50. This key feature of poverty in the region outlines the crucial importance of policies that promote wider social distribution of the benefits of economic growth to ensure that growth is associated to equity.

A higher poverty rate in rural areas. Poverty in rural areas is more widespread than in urban areas, as in other developing countries. This classical figure can be explained by the structure of the population and the predominant rural population in the overall population. This is the case for instance in Haiti, where around two thirds of the total population live in rural areas and poverty remains a rural problem. In Jamaica, nearly three quarters of the poor live in rural areas (table 11). However, it is not always a question of population structure. In DR for instance, despite the fact that two-thirds of the population is urban, over 40% of rural population live under the poverty line as compared to 20% in urban areas. This rural-urban gap is most clear when examining extreme poverty: 6 of 10 extremely poor are located in rural areas.

[35] The Gini coefficient measures the degree of inequality in the income distribution. 0 means perfect equality and 1 perfect inequality.

Table 11. Distribution of poverty between rural and urban areas

	Population (%)	Poverty rate (%)			Share of the poor population		
	Urban	National	Urban	Rural	National	Urban	Rural
Haiti	35.7	48.0	34.0	55.5	3,984,000	1,085,000	2,858,000
Dominican Republic	65.4	28.6	20.5	42.1	2,312,000	1,084,000	1,177,000
Jamaica	56.1	15.9	10-17	25.0	100%	27.5%	72.5%
Trinidad & Tobago	74.1	21.2	23.9	19.7	100%	48.2%	51.8%
Dominica	71.0						
St Lucia	37.8	25.1	16.3	29.6			
St Vincent & Grenadines	54.8	37.5	35.4	38.7			
Grenada	37.9	32.1					
Guyana	36.3	35.0	15.2	46.6	865,000	328,700	536,300
Belize	48.0	33.0	20.6	42.5			
Suriname	74.1	60-70					
Antigua & Barbuda	36.8						
Barbados	50.00	8.0					
St Kitts & Nevis	34.1						

Source: Pedersen & Lockwood (2001), World Bank (1995, 2001), JSLC (2000), Jamaica Survey of living conditions (1992), Guyana PRSP (2002), CDB (1995).

Poverty in rural areas is directly related to a high dependence on agriculture and declining (or volatility in) commodity prices, lack of access to land and other means of production, poor access to markets and basic social services and inadequate infrastructure. In rural DR for instance, land ownership distribution is highly unequal and concentrated. Over half of the rural population does not have access to land ownership or rent. In contrast, 200 families control around 600,000 ha – around half the arable land in DR. In addition to land concentration, legal ownership is highly problematic. The widespread informality of land ownership has multiple consequences for the poor, such as the impossibility to capitalise on land ownership to access other productive assets (e.g., through credit). The higher rates of poverty in rural areas seem also to be related to an urban-bias focus in development policies, with better quality services in the urban areas.

However, though the poverty profile indicates that the poor are mainly rural residents, urban poverty is increasing. Moreover, poverty is not only linked to agriculture, there are increasingly new poor linked to services. The urban population has increased throughout the Caribbean region and urban poverty has become a growing public policy issue requiring attention. With poor infrastructure and poor shelter, health and education infrastructure, high-density settlements put extreme pressure on basic services, where they are available. The urban poor are characterised by overcrowding housing conditions. In Port au Prince (Haiti) for instance, less than 40% of inhabitants have access to drinking water and contaminated water is the cause of half of all infant deaths. In Jamaica, urban poverty is particularly linked to violence in the inner cities and political tribalism. Compared to rural poverty, the problem of poverty in urban areas is more one of access to professional training and credit, low wages and exposure to discrimination.

A strong interaction between urban and rural areas. The relationship between rural and urban areas, and the interdependency between them, are very strong in the Caribbean region, with a direct impact on the evolution of poverty. This is due to the relatively small size of the territories and their high population densities. Compared to sub-Saharan Africa, rural populations in the Caribbean region have better access to urban economic opportunities and

services. In Jamaica, for example, no rural area is more than two hours by car from one of the major two cities, Kingston and Montego Bay.

Unemployment and underemployment. Unemployment is rising in the Caribbean region due to the difficult economic conditions experienced in most of its national economies during the 1990s. Underemployment is also a key contributor to poverty and in some cases is more important than unemployment. Indeed, the Caribbean context shows that labour activity may not necessarily be lower among poorer populations than among wealthier populations. It reveals the particular problem of the working poor.

In Jamaica for example, poverty is closely related to underemployment and low earnings experienced. In fact, 56% of the poor are employed, most in agriculture and the informal service sectors. Unemployment is of particular concern for young people: 7 out of 10 unemployed persons in Jamaica are under the age of 30. The poverty profile appears to be more contrasted among the Caribbean countries to the one based on basic development indicators.

The problem of crime and violence. Crime and violence has proven to be a major social problem over the past five years in the Caribbean. Similar to the international experience, crime in the region has risen dramatically and had an influence on the socio-economic environment. Challenges of unemployment and an increasingly difficult economic environment have led to increasing illegal activities such as drug smuggling/dealing and armed robbery. The extent of the criminal activity was revealed in Trinidad & Tobago in 2003 when it was recently categorised as having one of the highest ratios for kidnapping in the world.

Discrimination. The problem of racism and discrimination towards particularly black people and indigenous communities is related to poverty. This point was stressed by the participants of the SIA Seminar in Trinidad.

Box 4. Haiti: the poorest country of the Caribbean region

Haiti is the least developed country in the region with the least economic weight. It is by far the poorest country in the Caribbean region and the Americas and stands among the poorest in the world. By all standards Haiti lies at the bottom of human development. Indeed, the analysis of basic development indicators for the region shows clearly the unique position of Haiti. About 80% of the population lives in abject poverty. Nearly 70% of all Haitians depend on the agriculture sector, which consists mainly of small-scale subsistence farming and employs about two-thirds of the economically active work force. The economy shrank an estimated 1.2% in 2001 and an estimated 0.9% in 2002. It is evident that Haiti should benefit from specific attention concerning the development impact of EPA in this country and especially in terms of poverty reduction.

Employment and sources of income. The main source of income for the rural poor stems from agricultural activity in most of the Caribbean countries, except in Trinidad & Tobago, which has an oil-based economy and where the rural-urban division is not pronounced. This may be explained by the fact that agriculture represents a very low proportion of income source in rural areas. In Guyana, about 40% of poor households live off agriculture. In Belize, the rural poor depend mainly on agriculture and fishing. In St. Vincent & the Grenadines agriculture provides the largest share of jobs to both the poor and the non-poor.

However, rural income is not systematically linked to agriculture. In DR, it is estimated that 41% of rural income stem from agricultural relates activities (26% directly, 15% indirectly through agricultural manufacturing and services); the remaining 59% is generated by non–agricultural activities including tourism, small manufacturing, industry and commerce.

The informal sector includes a large part of poor population. There is a strong correlation between poverty and the informal sector. In DR for example, 76% of poor workers are employed in the informal economy whereas 58.9% of the non-poor workforce is employed in this informal economy.

3.1.2.6.2 Focus groups of poor population which should be paid particular attention

Vulnerable groups:

- Female heads of households;
- Elderly persons, who live with subsistence farming;
- Homeless persons;
- Children: issue notably related to labour of children and child business in the street. Half of the poor in Jamaica are children.
- Disabled persons
- « Ethnic groups ». It is well known that the Haitian immigrant community (that is Haitian migrants and their descendants) is of great importance in DR, although this figure is undocumented to a large extent. Some Haitian immigrants are political refugees or seasonal workers in the agriculture. The World Bank estimates that taking into account the Haitian community in poverty figures would raises the poverty rate to 31.1% at national level, compared to 28.6%. In Guyana, vulnerable people are especially highly isolated indigenous communities with very low access to basic services due to lack of infrastructure and distant. In Belize, ethnicity is a key pattern of poverty. The Maya community as well as Central American immigrants are over-represented in the poor population while native Belizeans are under represented.

3.1.2.7 Gender issues

Data about gender issues are not available for most of the small islands. For the few countries where data are available concerning the gender equality in accessing to basic services (UNDP GDI), it appears that in Guyana and in DR the gender inequality is stronger than in countries such as Trinidad & Tobago, Jamaica or even Haiti. Local experts highlight the fact that women are the backbone of the agricultural sector.

Access to education. Access to education seems to be relatively equitable according to the available data, since the highest difference is in Haiti where female adult literacy rate is 43.4% compared to 48.3% for men. However, statistics are controversial and some people underline the lower education for female.

Access to wealth. Data suggests that access to wealth is unequally distributed. In Belize, the GDP per capita for men is over 300% higher than the per capita GDP for women. The difference is over 200% in DR, 170% in Guyana and Suriname and 135% in Trinidad & Tobago. It is between 70% and 50% for countries such as Haiti, Jamaica, Barbados and the Bahamas. Poverty affects more women than men. In the Windward Islands for instance, 17.4 percent of households headed by males and 20.4 percent of households headed by female were poor. In Trinidad & Tobago, female-headed household represent over a third of poor households although compared to a quarter for all households. Gender is a key component of poverty in Jamaica. 66% of poor households are female headed while 44% of all households are female headed.

Higher rates of unemployment for women. This is consistent with the average size of female-headed households, which are larger than male-headed households. It is also related to unemployment, as female unemployment is twice the rate of male unemployment (22% versus 10%). In DR, although the unemployment rate is 24% for woman and 9.2% for men, wage differences are not particularly significant. By contrast, in Guyana or in Belize, the proportion of female-headed household is roughly unchanged in the poor population than in the overall population. At sub-regional level, gender differentiation may be more relevant however (Table 12).

Table 12. Gender distribution of unemployment for some countries

Country	Unemployment Rates		
	Male	Female	Both
Bahamas	6.8	7.1	6.9
Barbados	8.0	11.9	9.9
Belize	-	-	9.3
Jamaica	10.3	21.0	15.0
St Lucia	13.9	13.1	13.5
Trinidad & Tobago	8.6	14.4	10.8

Source: Aldrie Henry-Lee (2003).

3.1.2.8 Social policies

Poverty reduction is a priority for all the countries of the Caribbean region, as their commitments to the Millennium development Goals indicate. A number of strategies for poverty reduction have been implemented that are also a crucial source of data to have a clear understanding of the reality of poverty in the region.[36] For some countries such as DR, Guyana, Grenada, Dominica, Poverty Reduction Strategy Papers (PRSPs) are available. In Guyana there is also a Social Recovery Programme and Social Impact Amelioration Programme (SIMAP). Other response strategies in pursuing poverty reduction are those set up for instance by NGOs and local communities.

The problem of safety nets is mainly the question of "who pays", and for instance the role of private sector in financing health. The burden of debt seems to be crucial in the question of the funding of social services and safety nets development. Private mechanisms such as insurance services are marginal. This is of particular concern given the region's high climatic risk. There is little accesses to catastrophic crop or housing insurance for farmers and the poor. This increases the impact of climatic catastrophes such as the 1998 Hurricane George.

3.1.3 Environmental Priorities

3.1.3.1 Geographical Setting

The Caribbean region comprises a geographic and political group of islands and mainland countries which all share a common resource, the Caribbean Sea. The Caribbean region is very diverse in terms of size and features of its countries. The region constitutes the eastern perimeter of the wider Caribbean region, and includes the islands of the Greater and Lesser Antilles, those of the Bahamian chain to the north, the low lying states of Guyana and Suriname, as part of the South American mainland, and the Gulf coast state of Belize as part of the Central American mainland. The terrain ranges from mountainous, rugged, geologically unstable slopes to low-lying coastal plains. The countries are generally of volcanic or coralline origin.

3.1.3.2 Environmental context

The natural environment is the life-support of all human systems, especially in the Caribbean region. It is not a commodity that should be set aside merely for the wealthy to enjoy but it

[36] OECS- Social development unit, CDB- poverty assessments in nine countries, DFID, UNDP- poverty assessments, Directional Plan of Action for Poverty Eradication adopted in 1996.

must be sustainably developed for all. With regard to the environmental situation, there are some common characteristic features: unique and fragile ecosystems; a strong economic, social and cultural dependence on natural resources; a high global environmental vulnerability, especially in the islands due to high population density and limited land resources.

As mentioned above, the region is also prone to natural hazards: volcanic activity, landslides, tsunamis, hurricanes, earthquakes, droughts and floods. Of these disasters, hurricanes have been the major cause of loss of life, with 1,745 deaths in the region recorded between 1990 and 1998. These figures are perhaps a reflection of the social vulnerability caused by poverty, environmental degradation and policy failures. While the data on long-term economic impacts of natural disasters are less readily available, the link between economic vulnerability, environmental vulnerability and size was reinforced by the experiences of the north-eastern Caribbean, during the mid nineties.

The coastal environments of the wider Caribbean region possess a diversity of habitats, including coral reefs, sea grass beds, mangrove, wetlands and rocky shores. Under the United Nations Convention on the law of the Sea (UNCLOS), CARICOM states have acquired rights to vast areas of ocean space that constitute their exclusive economic zones (EEZs). However, the countries have lacked the resources to derive greater benefits from these zones.

Environmental vulnerability can be defined as the degree to which a natural system is susceptible to, or unable to cope with the effects of external stimuli refers to the risk of damage to a country's natural capital, and by extension threatens the likelihood that it can achieve sustainable development. Indices of environmental vulnerability are numerous : loss of biodiversity, loss of soil fertility, pollution of freshwater, overexploitation of fisheries, etc. It is caused by natural hazards as well anthropogenic factors (growing population density, intensification of agriculture and fishing practices, etc.).

3.1.3.3 Major patterns of improvement or deterioration of the environment

Although data on environment are disseminated and not homogenous, it is possible to identify the major patterns of improvement or deterioration of the environment. Globally, environmental problems that Caribbean countries are facing mainly result from economic activities, in particular from agriculture, forestry, fishery, mining and tourism. Pressure on the environment is high: soils erosion, loss of biodiversity, pollution of freshwater and coastal ecosystems, deforestation, sharp decrease of fish stocks, etc.

Climate change will enhance the vulnerability of the Caribbean region in many ways, but the adverse effects will be particularly noticeable along the coastal areas, as a consequence of sea-level rise (SLR). SLR will lead to major water level changes, which will cause, *inter alia*:

1. Flooding/inundation of beach and backshore, by shifting the surf zone landward;

2. Exaggeration of amplitude and energy waves and increase surge and tidal waves thereby increasing scouring and erosion;

3. Increased mobility of sand grains, leaving beaches more susceptible to wave action;

4. Reduced resilience in other coastal and marine ecosystems, e.g. sea grasses and mangroves.

Access to water in most islands is difficult with constrains for the development of irrigated agriculture, human consumption. Further, the availability of water resources will be a key limiting factor on economic and social development in the region. Water availability is also climate-sensitive. Many countries depend on a single source of supply, which limits their

socio-economic potential (for example, Barbados, Antigua and the Bahamas rely almost totally on groundwater). Groundwater availability is controlled by:

1. Size of groundwater lens;
2. Rate of aquifer recharge;
3. Spatial and temporal variation in rainfall;
4. Rate of drawdown.

Agriculture. There is an increase of agriculture production in the islands. The environmental impacts are dependent on the intensification with risks including agro-chemical pollution, erosion, and overuse of scarce water resources.

In banana production, typically small farmers employ relatively sound production methods. Sometimes, production practices include excessive use of agrochemicals (pesticides particularly), with negative impacts on soil and water. Environmental impacts also may occur at the packaging phase.[37]

Small-scale sugarcane production is relatively environmentally benign. It even contributes to permanent tree cover, preventing erosion, and has a strong resistance to climactic shocks. But on islands such as Barbados and St. Kitts, traditional manual cutting of sugarcane has been replaced by large-scale mechanisation. The field enlargement may induce erosion. Sugarcane production produces wastes with high biological oxygen demand (BOD) concentrations, known to stress fish nurseries occurring within coastal mangrove systems.[38]

Forestry. The mainland Caribbean countries contain the largest aggregation of tropical forest in the world. Forests cover around 95% of the land area of Suriname and Guyana, and 90% of Belize. Overexploitation of forest in the islands with erosion, loss of biodiversity, lack of access to low cost energy for poorest people is particularly true in Haiti.

Forest and wood products (FWP) are important for the economic sector. Among the three mainland countries, Guyana is the largest producer and exporters of logs and sawn timber. It produces 297, 000m^3 and exports 40,000m^3.[39] The forest and wood production in Guyana, Surinam and Belize is mainly used for domestic consumption; only a small quantity is exported, mostly logs with low levels of value-added. Other important factors constrain domestic production including lack of infrastructure, restricted access of locally owned companies to capital and control by trans-national companies.

In 2002 exports of logs from Surinam and Guyana represented 15% and 13% of the total production, respectively. However, selling logs solely in the local market is not viable and so despite the small size of exports, they are important for local and national producers. Trinidad & Tobago also produces forest products, but in very small quantities and production is entirely used for domestic consumption. In the Caribbean region commercial logging is not the major cause of deforestation, which has adverse impacts on soil conservation and productivity, water flow and quality, and on biodiversity.

Fisheries. The Caribbean region has developed a wide variety of fishing activities. It goes from the industrial and traditional fishing activity to the recreational fishing for tourism. Main fisheries within the area are for small and large pelagic finfish, reef fishes, coastal demersal finfish, crustaceans and molluscs. The captures in the region are around 120,000 tons per year, one third being caught in the waters off Guyana. The other main catches are from Suriname, DR, Bahamas and Trinidad & Tobago.

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[37] Caribbean environment programme, 1998

[38] Caribbean Environment Programme, 1998.

[39] "Annual review and assessment of the world timber situation ", ITTO, 2002.

Although it is region surrounded by sea, the fish captured in the local waters barely covers the local needs. In 2000, exports of fish represented US$210 million and imports US$150 million. One third of the exports came from the Bahamas followed by Guyana and Belize. Dominican Republic, although one of the biggest producers of the region, is one of the main importers. DR and Jamaica are responsible for two-thirds of imports of fish and fish products into the Caribbean region.

However the fragility of the resource and the increasing difficulty of most countries to cover their needs should be highlighted. This is directly related to overexploitation. According to the FAO (1997), 35 per cent of stocks in the region were regarded as overexploited. But the large year-to-year fluctuations in fish abundance and total production are also due to changes in environmental conditions. The region, particularly the western coast of the Americas, seems to be particularly susceptible to the impacts of environmental changes. Particularly noticeable are the impacts of the "El Niño" phenomenon. Changes in the overall distribution and local abundance of squid, tuna, coastal shrimp, hake and a relatively wide variety of species, which are, or could be, related to changes in the "El Niño" Southern Oscillations (ENSO), have been reported on both the Pacific and Atlantic sides of the Americas. In the Caribbean area, tropical climatic events also seem to have an impact on the abundance and production of important fish stocks. For instance, it is reported that hurricane Gilbert, which hit the area in 1988, caused high mortality among juvenile lobsters.

Over-exploitation of marine resources is particularly important for Guyana, Suriname, Dominican Republic, Bahamas, and Trinidad & Tobago, and brings environmental risk and economic risk (loss of tourism attraction and increase in fish imports, for example).

Mining. Some countries in the region rely on mineral extraction such as Jamaica, Guyana and Suriname for bauxite or Trinidad and Tobago for petroleum. They are confronted with environmental problems. The countries producing bauxite/alumina are affected by problems related to mined-out lands and toxic 'red mud' lakes (storage areas in which the residual from processing bauxite into alumina is deposited). Petroleum producing countries (Trinidad & Tobago) experience problems related to oil drilling on land as well as oil spills.

Tourism. Tourism has contributed to degradation of certain natural assets like coral reefs, not only through tourist encroachment on the reefs but also the mining of coral for the production of various craft items. Expansion of the tourist sector has also contributed to the erosion and ultimate destruction of some beaches. Constructions of marinas and hotels on the seaside are responsible of destruction of mangroves and wetlands, beach sand is used to support coastal constructions. It has also increased the pressure on the access to water. The high levels of development in the tourism sector will exacerbate these problems, unless carefully planned. Sewage (Table 13) constitutes the largest sources of tourism pollution, from hotels, resorts, and illegal dumping by cruise ships. The lack of sewage collection and treatment is generalised in almost all countries and territory in the region and most of the sewage is disposed in coastal waters close to shore, without adequate treatment.

Table 13. Sewage pollution

Country	Problems	Degree of treatment
Dominica	High incidence of water borne disease	Raw sewage is disposed in the sea. Virtually no treatment
St Lucia	High bacterial level in some coastal areas	Treatment facility in Rodney Bay. Untreated sewage is usually discharged into ocean and inner harbour
Grenada	Pollution at Grand Anse Bay	Virtually no treatment in some areas
St Vincent & Grenadines	Overflow of absorption field	Kingston has preliminary treatment and outfall
Dominican Republic	25 % of urban population	Sewage discharge into the sea
Haïti	Human waste disposal	80-90 % of sewage and latrine solids dumped into seas and rivers illegally
Jamaica	Coastal waters abiotic	8-10 mgd of inadequately treated sewage is discharged into Kingston Harbour

Source : UNEP 1998, in Singh 2003 (Caribbean environmental situation, presentation to the SIA seminar).

To sum up, natural disasters, climate change, pollution, depletion of natural resources (coastal ,degradation, deforestation, fisheries, freshwater shortage) are the main environmental risks in the region. These issues are underlined by population growth and urbanisation, trade and lack of institutional capacities.

3.1.3.4 Policies responses to environmental challenges

Caribbean countries are very involved in international environmental negotiations. Most of them have ratified the Convention on biodiversity, CITES, Basel Convention on transboundary movements of hazardous wastes, Convention on climate change and the Convention to combat desertification (Table 14). They have also signed regional agreements such as the Cartagena Convention for the protection and development of the marine environment, and its related Protocol on oils spills and Protocol on protected areas and wildlife (SPAW Protocol). Only Bahamas and Haiti are not members of the Cartagena Convention.

However, policies responses tend to focus mainly on natural disaster management, in particular in Belize, St Kitts, St Lucia and Jamaica. In all the states of the region, a National Disaster Organisation and a National Disaster Coordinator exist. Some regional mechanisms were set up to respond to natural disasters. The Caribbean Disaster Emergency Response Agency (CDERA) has the primary mandate coordinating a regional response. The Special Committee on Natural Disaster of the Association of Caribbean States (ACS) focuses on fostering cooperation between the bodies responsible for disaster planning and response in the region. The Caribbean Planning for Adaptation to Global Climate Change (CPACC) prepares countries to respond to adverse effects of climate change.

All the countries have legislation that requires planning permission for development. Belize, Guyana Jamaica and Trinidad & Tobago have “specialised” environmental legislation and environmental agencies. Dominica, Grenada and St. Vincent have enacted new planning legislation that requires environmental impact assessments.

However, policies responses remain very weak, especially in the fields of land-use planning and integrated waste management. Lack of enforcement of existing laws, harmonised policies and environmental information are relatively common in the Caribbean countries.

Table 14. Signature of Multilateral Agreements on Environment by ACP-CC

Country	CBD	CITES	Basel	Ozone	UNFCCC	CCD	London Dumping Convention
Antigua & Barbuda	X	X	X	X	X	X	X
Bahamas	X	X	X	X	X	X	
Barbados	X	X	X	X	X	X	X
Belize	X		X		X	X	
Dominica	X	X	X	X	X	X	
Dominican Republic	X	X	X	X	X	X	X
Grenada	X	X		X	X	X	
Guyana	X	X	X	X	X	X	
Haiti	X			X	X	X	X
Jamaica	X	X	X	X	X	X	X
St Kitts & Nevis	X	X	X	X	X	X	
St Lucia	X	X	X	X	X	X	X
St Vincent & Grenadines	X	X	X	X	X	X	X
Surinam	X			X		X	X
Trinidad and Tobago	X	X	X	X	X	X	

Source : Singh, Caribbean Environmental Situation, Presentation to the SIA Seminar, November 2003.
Note: CBD: Convention on Biological Diversity; CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora; Basel: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Ozone: Vienna Convention on the Protection of the Ozone Layer; CCD: United Nation Convention to Combat Desertification; London Dumping Convention : Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter.

Box 4 Sustainable use of, protection, and preservation of biodiversity resources

The sustainable use of biodiversity, for profit, is also a priority for the region. It is recommended that trade and environment issues are approached on a regional basis and factored into current trade negotiations. The high volume of chemicals used in agricultural production must be minimised by a return to organic farming, depletion of freshwater resources especially in tourism related activities must be contained by "greening" the tourism product, and threat of desertification due to erosion stemmed by replanting of tree cover. The legislative framework for environmental protection must be improved and the international conventions on the environment upheld instead of being viewed as impediments to trade negotiations. In fact, many of the developed countries with which we negotiate have stronger enforcement measures and a collective and determined stand can safeguard our natural resource base to our well being and that of future generations.

Source: Report of the SIA Seminar, Executive summary, CPDC, November 2003 (extract).

Summary of the Priority Sustainability Issues for the Caribbean Region		
Economic	**Social**	**Environmental**
• Small size of economies and small size of local markets. • Predominance of service sector in the economies. It is mainly tourism that is a highly vulnerable sector. The two other service sectors, transport and commercial services, are less vulnerable. • Little reliance on agriculture except for Guyana, Belize and Haiti. But high specialisation of agriculture on few products in most countries. Therefore, a high vulnerability to changes in import policies of importing countries. • Haiti is the only country classified as a LDC • High density of population in most islands but low density in the countries on the American continent.	**Population** • small countries with low population growth and stabilised population structure • Two exceptions: Haiti (more than 10 million habitant, high population growth rate, 40% population under 15 years of age) and DR (more than 10 million habitant and high growth rate) **Poverty** • One under-developed country (Haiti), one country with a low HDI (Guyana) • Problems of access to health services in Haiti and Guyana • Problems of access to improved water in Haiti but also some difficulties ion Jamaica, Belize, DR and Trinidad & Tobago • High level of alphabetisation and improvement of the situation in Haiti, high level of education • Strong income inequality • Rural poverty directly related to fall of commodity prices and access to land • Urban poverty related to access to training, credit, low wages and discrimination • Strong interaction between urban and rural areas due to small distances • Predominance of the situation of labour market on poverty level. • High importance of remittance from migration in the coping strategies of the poor **Gender** • Relatively equitable access to education • Strong discrimination in access to wealth • Strong discrimination in access to high level decision making positions	• High global environmental vulnerability, especially in the Island due to high population density • Vulnerability to global and regional environmental accident such as the global warming or climatic accident (El Nino, cyclones) **Natural resources** • Pollution linked to the mineral extraction in Jamaica, Guyana • Pollution due to extraction and processing of petrol in Trinidad & Tobago • Overexploitation of forest in the islands with erosion, lost of biodiversity, lack of access to low cost energy for poorest people in Haiti • Importance of forest in economies of the American countries. Risk of over exploitation and mismanagement. • Difficult access to water in most islands with constrains for the development of irrigated agriculture, human consumption **Agriculture and fishery** • Increase of agriculture production in the Islands dependent on the intensification with risks of pollution by inputs, erosion, lack of water resources. • Overexploitation of marine resources in the region with environmental risk and economic risk (lost of attraction for tourism, increase in fish imports) **Tourism** • High development of tourism with impact on coral reefs, increase in water consumption, destruction of beach, disturbing of fragile ecosystems. • Sewage pollution by hotels, resorts and illegal dumping by cruise ships

3.2 Major Trade flows

3.2.1 Overview

Trade in services. Since services make a large contribution to GDP, most ACP Caribbean countries are services economies with a major stake in international commerce and trends in world services trade[40]. The Caribbean region has fared rather well in expanding its service exports, which have about tripled during the 1980-1999 period. In 1999, services accounted for 46.3% of Caribbean exports. It has to be highlighted that most developing countries, unlike those in the Caribbean, have deficits in services trade. It has to be highlighted that most developing countries, unlike those in the Caribbean, have deficits in services trade. Some, like St Lucia, Barbados, Antigua & Barbuda are doing well. Jamaica's performance is modest given that services exports have to cover the deficit in the merchandise account.

Yet, the share of the Caribbean in world exports of services has slightly declined from 0.75% in 1980 to 0.6% in 1999, perhaps suggesting that the competitiveness of Caribbean services could be improved[41]. Indeed, export growth in the region averages between 3% and 5% a year, in contrast to 10% to 15% in Thailand and Malaysia[42].

Travel and tourism services are the main contributors, although financial and insurance services are gaining in importance as well. However, diversification in non-tourism exports is slow. CARICOM countries are net importers of non-tourism services. Diversification in areas other than tourism is largely in financial services (Barbados and the OECS countries), information services (Barbados and Jamaica), and entertainment services (mainly Jamaica). Caribbean exports in services are not characterised by skill intensity and technology, since they are based on the movement of persons and goods and not on the movement of knowledge and information.

Dependence on consumption abroad is relatively high. Other modes of supply, such as foreign investment, cross-border and the movement of natural persons, are insufficiently used. The interdependence and combination of the four modes, and the identification of the lead mode, need to be exploited further as a means of penetrating foreign markets[43].

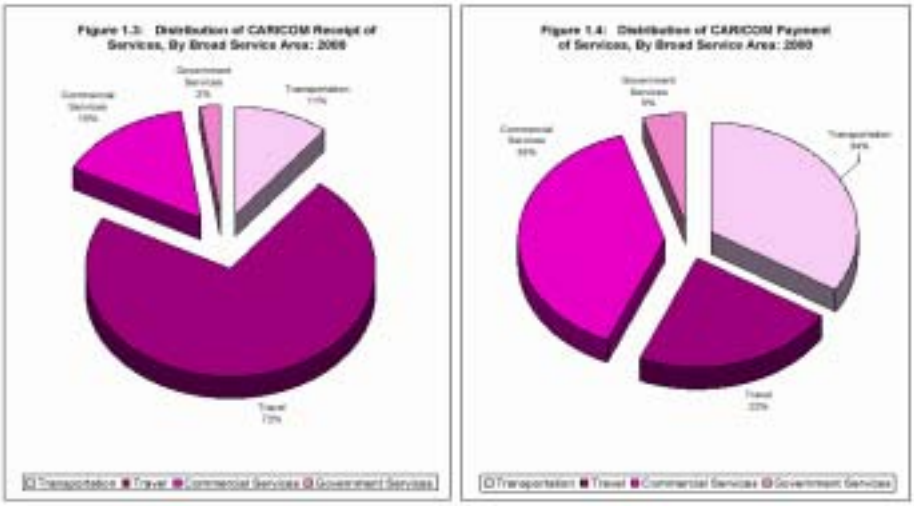
[40] Caricom Report, 2002.

[41] Source: Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations: Towards an Enhanced Partnership, Lodge J. 2003. Presentation at the SIA Caribbean seminar. Trinidad. November.

[42] Caricom Report, 2002.

[43] Caricom Report, 2002.

Figure 4.



Source: Caribbean Community (Caricom) Secretariat (2002), Caricom's Trade in Services, Guyana.

In terms of development strategies, services are particularly interesting since they are typically economic activities that can produce high value added (without too important capital investment), in so far as the main source of competitive advantage in many services is human capital, the key factors of labour-intensive services sectors being the productivity of workers and the availability of sufficiently qualified technicians and professionals for knowledge-intensive sectors. The Caribbean countries benefit from important advantages in this respect – in comparison with other ACP countries where the level of education/professional qualifications is much lower – with a relatively educated labour force. This region also benefit from the geographical proximity of North America, with which it also share language and cultural affinity.[44]

Trade in goods. Trade flows in goods in the ACP Caribbean countries reflects the diversity of the economic situations in the region. Therefore, they should be looked at the regional level but also at small homogeneous group levels to better identify strategic products for some of the economies of the region.

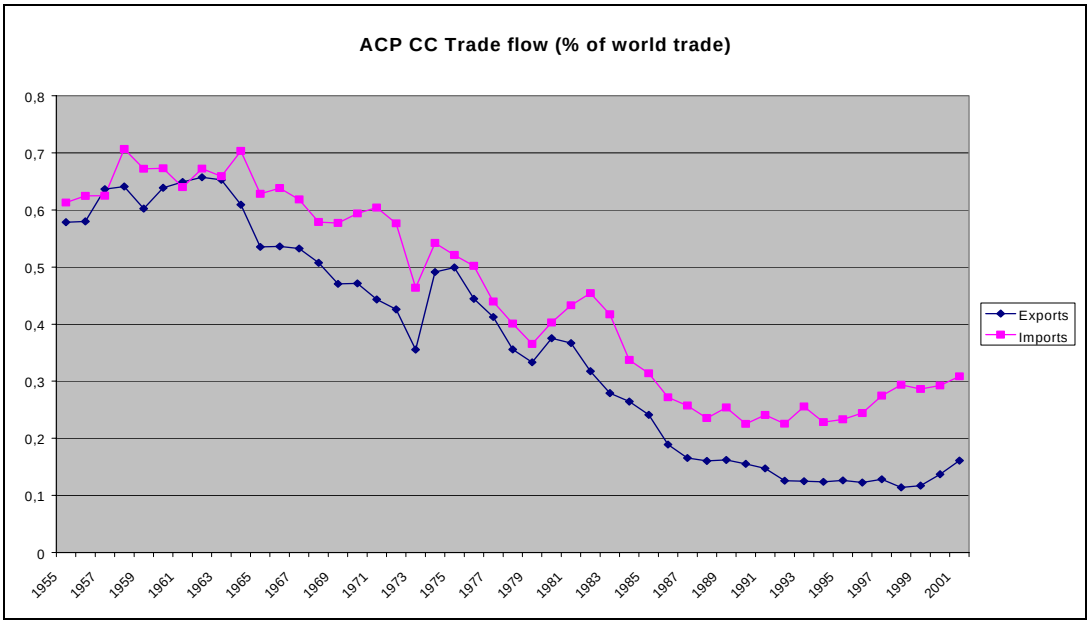
As expected from a region composed of many small islands, trade plays a dominant role in the Caribbean economies, accounting for 80% of the Caribbean GDP in 1999. However, the ACP Caribbean countries make up only between 0.2% and 0.7% of global trade flows in goods and these percentages have been decreasing steadily for the last thirty years. This is largely due to the small size of the Caribbean economies and to the shift of these economies to services.

Over the last decades, the Caribbean has experienced a **sharp fall in its share of world trade**. Its share of world merchandise exports has dropped from 1.7% in 1950 to 0.2% in 2000 (Figure 5). The relative decline in participation to world trade is a common feature of many developing countries and the Caribbean is the ACP region that has experienced the sharpest decline.[45]

[44] WTO (2002), Symposium on assessment of trade in services, 14-15 March, Geneva (http://www.wto.org/english/tratop_e/serv_e/symp_assessment_serv_march02_e.htm).

[45]Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations: Towards an Enhanced Partnership, Lodge J. 2003. Presentation at the SIA Caribbean seminar. Trinidad. November.

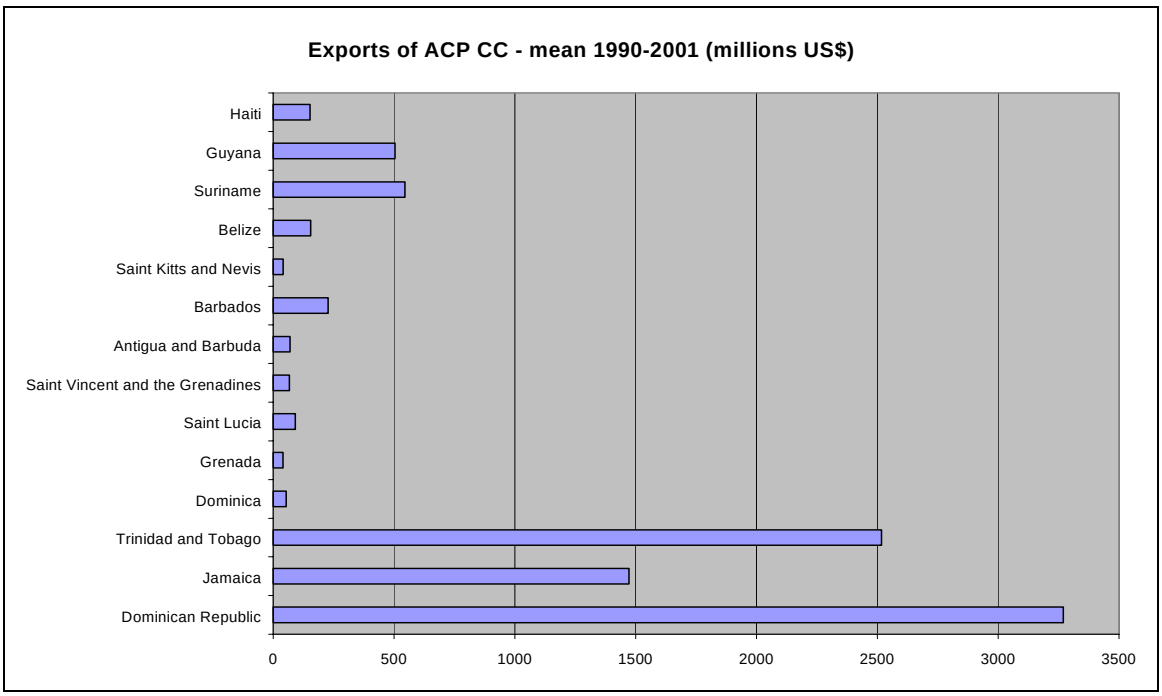
Figure 5.



Source: UNCTAD.

The volume of Caribbean exports has been cut by almost one-half over the last 20 years. In value terms, the Caribbean's merchandise exports have barely grown by an annual rate of 0.05% on average. But in comparison, exports grew by 1.6% over the same period in the Pacific ACP and 3.4% in the African ACP, still far below the world average of 7.0% for the same period. Moreover, levels of imports have been increasing faster than the exports, contributing to a trade deficit in the region. The main exporters in the Caribbean are the three largest economies in the region—the Dominican Republic, Jamaica and Trinidad & Tobago. They are followed, at a distance, by the mainland, Caribbean ACP countries (Figure 6).

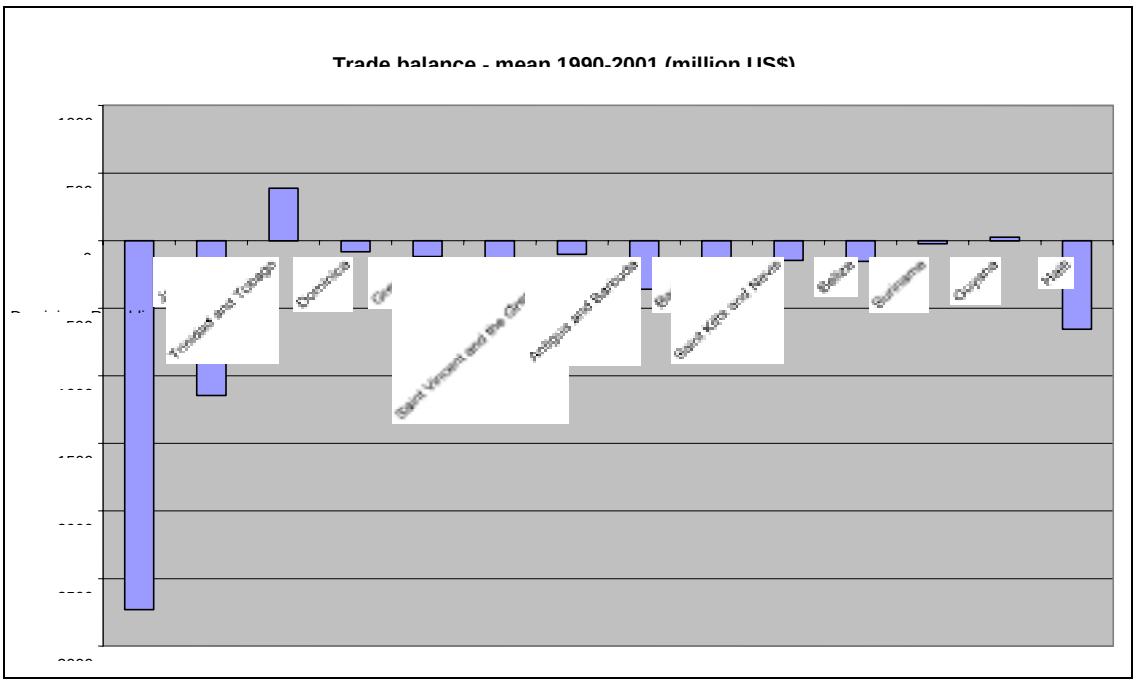
Figure 6.



Source: UNCTAD.

Since the size of the ACP Caribbean countries are so different comparisons are difficult. A common characteristic is a **deficit in the trade balance**. The most important deficit exists in the Dominican Republic, and it has been increasing in recent years. Surinam, Haiti and Barbados show the same trend although the deficits are not as big as in the Dominican Republic (Figure 7).

Figure 7.



Source: UNCTAD.

These deficits, when related to the level of exports and more globally the capacity of the countries to control the deficit, show a different picture. Haiti is in the most difficult situation with increasing import needs that are far beyond what can be covered by exports (Figure 8).

Figure 8.

Source: UNCTAD.

The high level of deficits for trade in goods in Antigua & Barbuda, Barbados and St. Kitts & Nevis are related to the development of services in these countries, which generate the income to finance the deficit in trade in goods.

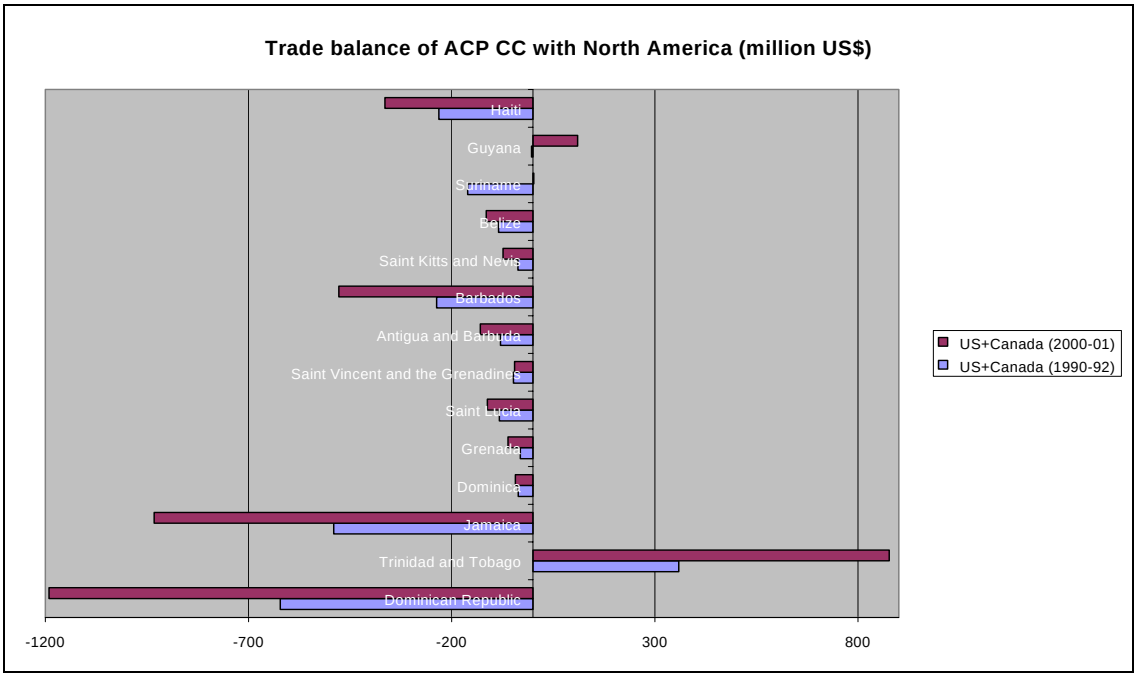
3.2.2 Major trading partners

The main trading partner of the region is North America, particularly the United States, followed by the European Union although trade with the EU is well behind that with the United States.

Trade with North America has increased rapidly since the mid 1990s, driven mainly by the Dominican Republic and, to a lesser extent by Trinidad & Tobago. The dependence on the US market increased from 43.1% to 52.0% of the share of CARICOM imports, between 1990 and 1999. This dramatically increased the trade deficit for the region, vis-à-vis the United States, which grew by 8.7% to over US$3 billion in 1999, which corresponds to an exports/ imports ratio of 41% compared to 84% in 1990.[46] The main deficit was with the Dominican Republic and Jamaica and, to a lesser extent Barbados and Haiti. The only country not to have a trade deficit with the United States is Trinidad & Tobago (Figure 9).

[46] Bilal S., Lodge J. and Szepesi S. 2003. *The Caribbean-EU Relations: Towards an Enhanced Partnership*; Lodge J. 2003. Presentation at the SIA Caribbean seminar. Trinidad. November.

Figure 9.

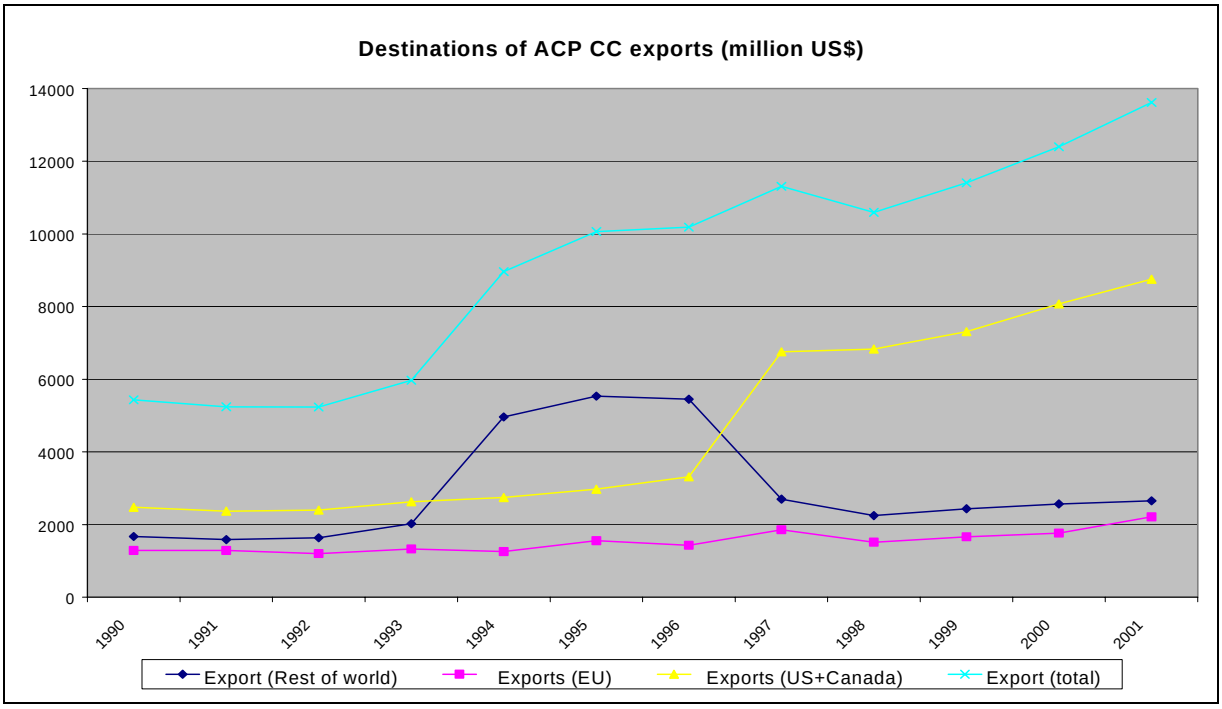


Source: UNCTAD.

The second most important trading partner for the Caribbean region is the EU. However, the EU has increased levels of trade with the region very slowly and is becoming less important overall for ACP Caribbean trade flows (Figure 10). Stakeholders in the SIA Trinidad Seminar have noted that trade with the EU involves more mature agriculture based industries related to historical ties, while trade with the United States is in the more dynamic new areas such as garments, as a direct result of the Caribbean Basin Initiative[47].

[47] This program, enacted by the United States, provides tariff exemptions or reductions for most products from 24 participating countries in Central America and the Caribbean region.

Figure 10.

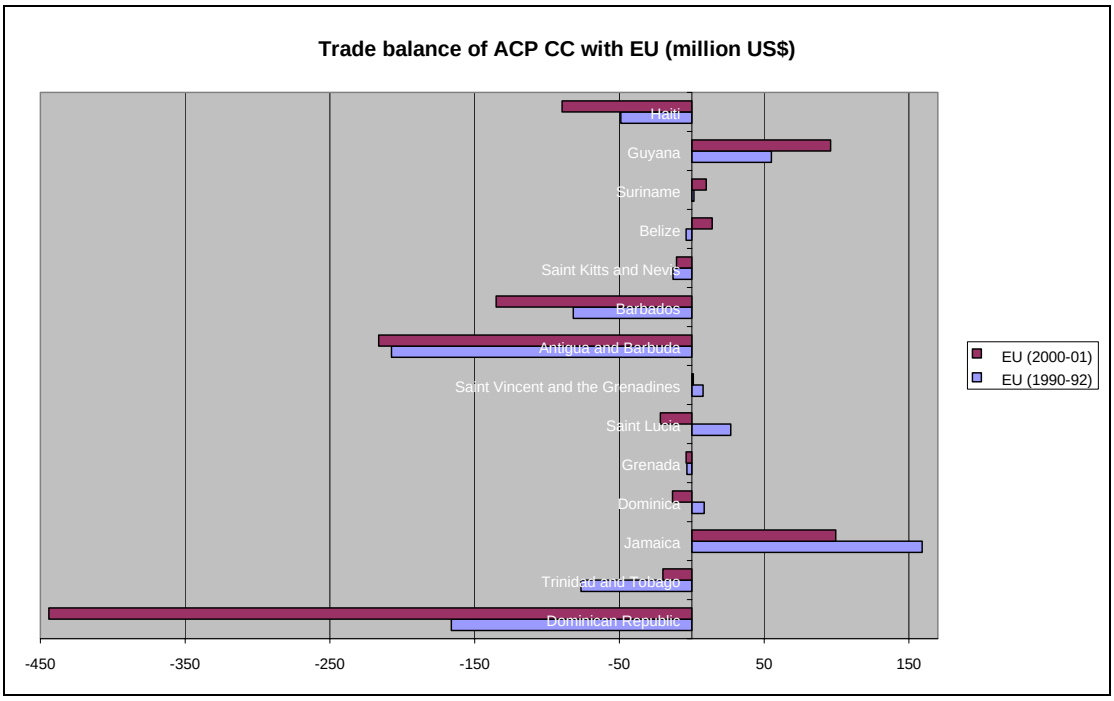


Source: UNCTAD.

Most ACP Caribbean countries run a trade deficit with the EU (Figure 11). From a trade surplus with the EU in 1990, with an export/import ratio of 104%, the CARICOM trade balance has become significantly negative in the 1990s with a ratio of only 76% by 1999.[48] The most important one is with Antigua & Barbuda as the Dominican Republic has reduced its deficit since the beginning of the 1990s. Barbados has the third deficit in US$ but it is to be compared with the small place of trade in goods in the national economy. On the contrary, the deficit of Haiti, although it is improving, is still very important. In general, the erosion of preferences can partly explain the decline of CARICOM agricultural products, from almost 60% of total exports to the EU from the region in 1991, to 32% in 2001. Yet, a major factor is probably the transformation of the economies of most Caribbean countries, whose dependence on agriculture has been reduced.

[48] Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations: Towards an Enhanced Partnership, Lodge J. 2003. Presentation at the SIA Caribbean seminar. Trinidad. November.

Figure 11.



Source: UNCTAD.

The regional market has also become increasingly important for Caribbean products, whose intra-regional exports have jumped from 11.8% in 1990 to 19.3% in 1999 of CARICOM total exports.

3.2.3 Exports from ACP CC to the EU

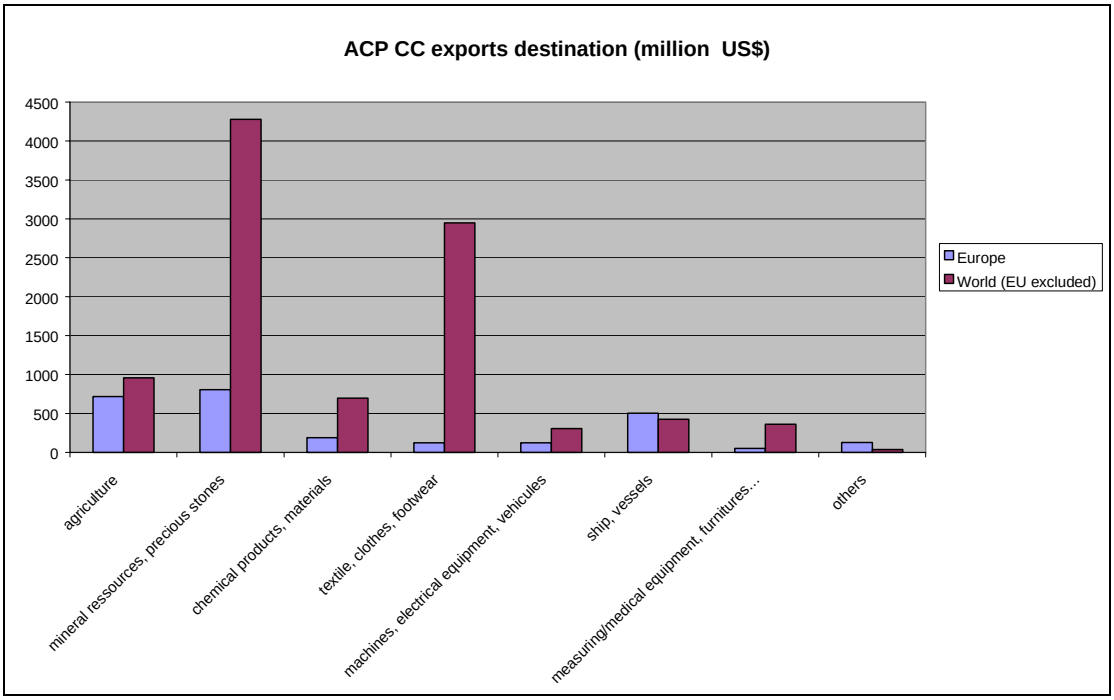
The main goods exported to the EU are different from those exported to the rest of the world (Table 15).

Table 15. ACP CC Exports

ACP CC exports	Europe	World (EU excluded)
* agriculture	27%	10%
* mineral resources and products,precious stones	31%	43%
* chemical products, fertilizers, leather, wood, paper,brick, ceramic, glass, iron, steel, aluminium	7%	7%
* textile, clothes, footwear	5%	29%
* machines, electrical equipment, trucks, vehicules	5%	3%
* ship, vessels	19%	4%
* optical, measuring/medical equipment, furnitures, toys, clocks, paintings	2%	4%
* others	5%	0%

Source: UNCTAD, Eurostat (2001).

Figure 12.



Source: UNCTAD, Eurostat (2001).

Exports to the EU are dominated by exports of mineral resources, and especially petroleum from Trinidad & Tobago. If Trinidad & Tobago is excluded from the aggregate, mineral resources represents only 22% of ACP Caribbean countries' exports.

However, for the ACP Caribbean countries as a whole, agriculture plays the most important part in their exports to the EU—nearly half of agricultural exports from the region go to the EU (Table 15). The percentage of agricultural products in Caribbean exports to the EU increases from 27% to 38% if Antigua & Barbuda and Trinidad & Tobago are excluded because of the specialisation of their exports (exports of petroleum for Trinidad & Tobago and “ships” for Antigua & Barbuda).

On the contrary, only 4% of the ACP CC exports of textiles, clothing and footwear go to the EU. These items represents nearly 40% of the regions exports but only 6% of the exports to the EU.

Table 16: Top 5 Exports from CARICOM (+DR) countries to the EU, 2000

Country	Product group	Value (€)	Volume (t)	Share in total country export (%)
Barbados	Sugars and sugar confectionery	28,030	54,775	40.5
	Ships, boats and floating structures	19,641	793	28.4
	Beverages, spirits and vinegar	5,335	3,806	7.7
	Electrical machinery and equipment	3,456	16	5.0
	Optical, photographic instruments	2,886	1	4.2
Dominican Republic	Iron and steel	109,653	23,273	34.3
	Edible fruits and nuts	40,053	71,269	12.5
	Tobacco and manufactured tobacco substitutes	25,608	2,269	8.0

Country	Product group	Value (€)	Volume (t)	Share in total country export (%)
	Electrical machinery and equipment	25,130	899	7.9
	Optical, photographic instruments	21,252	218	6.6
Jamaica	Inorganic chemical products	272,116	1,172,746	52.9
	Sugars and sugar confectionery	82,736	162,038	16.1
	Articles of apparel and clothing accessories	81,905	2,958	15.9
	Edible fruits and nuts	37,537	47,505	7.3
	Beverages, spirits and vinegar	12,281	7,885	2.4
Trinidad & Tobago	Mineral fuels, mineral oils and products	306,925	1,454,430	60.0
	Organic chemical products	109,222	728,325	21.4
	Sugars and sugar confectionery	32,214	64,215	6.3
	Iron and steel	16,866	94,081	3.3
Antigua and Barbuda	Ships, boats and floating structures	478,794	92,552	98.8
St. Kitts and Nevis	Edible fruits and nuts	8,929	17,244	67.3
	Vehicles other than railway (cars)	1,679	15	12.7
	Nuclear reactors, boilers, machinery and mechanical appliances	774	116	5.8
	Natural or cultured pearls, precious or semi-precious stones	772	0	5.8
	Clocks and watches and parts	416	0	3.1
Bahamas	Beverages, spirits and vinegar	318,879	29,788	50.3
	Ships, boats and floating structures	253,035	38,176	39.9
	Fish and crustaceans, molluscs and other aquatic invertebrates	32,276	863	5.1
	Mineral fuels, mineral oils and products	9,318	69,856	1.5
Dominica	Edible fruits and nuts	19,942	29,135	59.1
	Iron and steel	5,814	1,180	17.2
	Salt	1,531	168,812	4.5
	Miscellaneous edible preparations	1,449	1,394	4.3
	Electrical machinery and equipment	660	33	2.0
Grenada	Coffee, tea, mate and spices	11,073	1,384	74.3
	Cocoa and cocoa products	1,025	574	6.9
	Edible fruits and nuts	607	821	4.1
	Essential oils and resinoids	556	14	3.7
	Fish and crustaceans, molluscs and other aquatic invertebrates	535	121	3.6
St. Lucia	Edible fruits and oils	51,693	72,629	92.3
	Vehicles other than railway (cars)	805	74	1.4
	Edible vegetables and certain roots and tubers	801	860	1.4
St. Vincent & Grenadines	Ships, boats and floating structures	108,124	58,669	76.1
	Edible fruits and nuts	30,230	42,925	21.3
	Fish and crustaceans, molluscs and other aquatic invertebrates	1,409	461	1.0
Belize	Fish and crustaceans, molluscs and other aquatic invertebrates	52,699	37,929	37.0

Country	Product group	Value (€)	Volume (t)	Share in total country export (%)
	Edible fruits and nuts	42,498	71,320	29.8
	Sugars and sugar confectionery	25,547	55,690	17.9
	Prepared vegetables, fruit, nuts	12,106	13,735	8.5
	Natural or cultured pearls, precious or semi-precious stones	4,412	0	3.1
Guyana	Sugars and sugar confectionery	118,906	244,523	67.7
	Natural or cultured pearls, precious or semi-precious stones	22,994	0	13.1
	Wood and wood products	8,766	15,808	5.0
	Beverages, spirits and vinegar	7,915	8,829	4.5
	Miscellaneous chemical products	6,292	35,415	3.6
Suriname	Inorganic chemical products	86,122	405,707	49.6
	Edible fruits and nuts	30,147	34,295	17.3
	Cereals	13,693	38,487	7.9
	Fish and crustaceans, molluscs and other aquatic invertebrates	13,367	3,085	7.7
	Natural or cultured pearls, precious or semi-precious stones	12,500	2	7.2
Haiti	Coffee, tea, mate and spices	8,268	4,023	51.0
	Essential oils and resinoids	3,195	60	19.7
	Cocoa and cocoa products	1,277	1,496	7.9
	Articles of apparel and clothing accessories	907	56	5.6
	Oilseeds and oleaginous fruits	400	224	2.5
	Inorganic chemical products	11,553	66,276	2.3

3.2.4 Imports from EU to ACP CC

Although ACP CC export a lot of agricultural products to the EU, they import only a small part of their food needs from the EU (around 14%) and these products do not have an important place in the EU-ACP CC trade flows (Table 17).

Table 17.

ACP CC Imports	Europe	World (Europe excluded)
* Agriculture	14%	13%
* Mineral ressources, precious stones	4%	31%
* Chemical products, fertilizers	9%	9%
* Textile, clothes, footwear	3%	1%
* Building and industrial materials	11%	1%
* Machines, electrical equipment, vehicules, ship/aircrafts	47%	29%
* Others	11%	16%

Source: UNCTAD, Eurostat (2001).

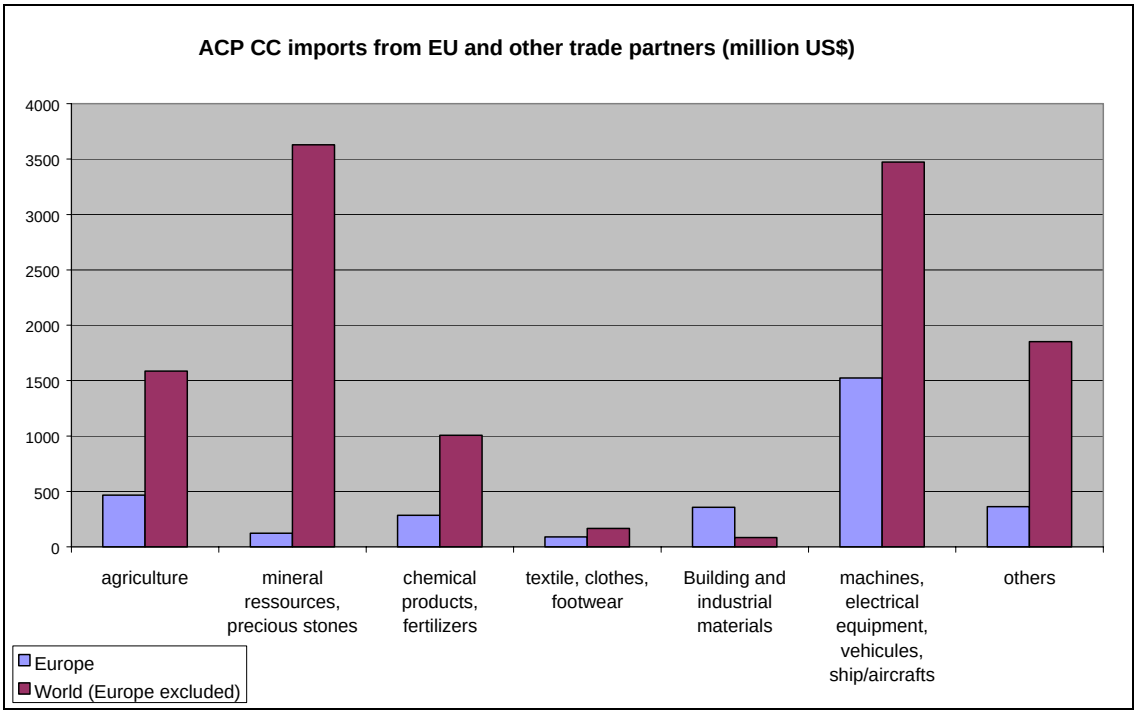
Nevertheless, some agricultural products are important. For example, milk and cream were the most important item imported by 9 countries in the region in 2001 (Antigua & Barbuda,

Trinidad & Tobago, Jamaica, Dominican Republic, Belize, Guyana, Surinam, Dominica, Grenada); and second in two other countries (Haiti and St. Lucia).

Although ACP CC export very little textile/clothing and footwear to the EU, they import over 30% of their needs in this category from the EU. But this market is marginal in terms of EU exports to the region.

EU exports the vast majority of building and industrial materials (iron, steel, aluminium, brick, ceramic, glass, stone products, leather, wood, and paper) to the Caribbean – over 80% of the needs of the region come from EU. But, as in the case of clothing, these trade flows represent a marginal proportion of total EU exports to the region.

Figure 13.



Source: UNCTAD, Eurostat (2001).

The main EU market in the region remains machines, electrical equipment and vehicles. Imports of machine and electrical equipment represents 67% of EU exports in this category in the region. The second type of imports in this category are trucks and vehicles (around 20%).

3.2.5 Major trade flows by country groupings

Even thought the EU is not the most important trading partner for the Caribbean region, it is very important for some countries, particularly the smallest and most vulnerable ones. The different groupings identified to characterise the economies can be used in this analysis (Table 18).

Table 18. ACP Caribbean countries exports to the EU (% of total exports)

		1990-1994	2000-2001
LDC	Haiti	17	5
Big four	Dominican Republic	17	7
	Jamaica	28	31
	Trinidad & Tobago	8	12
	Barbados	22	16
OECS	Antigua & Barbuda	41	78
	St Kitts & Nevis	32	20
	Dominica	59	30
	Grenada	43	34
	St Lucia	62	52
	St Vincent & Grenadines	48	59
Mainland Countries	Belize	33	34
	Surinam	36	27
	Guyana	40	26

Source: UNCTAD.

The composition of trade with the EU is very different among country groupings.

3.2.5.1 The LDC Haiti

Haiti is oriented towards the United States, and the EU is a marginal trading partner. The characteristics of trade flows are different between Haiti and its different trading partners. Haiti's principal export into the global market is clothing and footwear. However, Haiti's primary exports to the EU are agricultural products, particularly coffee (80% of coffee exported by Haiti), cocoa (60% of cocoa exports to the EU) and vegetables and fruits, primarily fruits and nuts (one-third to the EU). Over 10% of Haiti's agricultural exports are fish and crustacean nearly all of which goes to the EU.

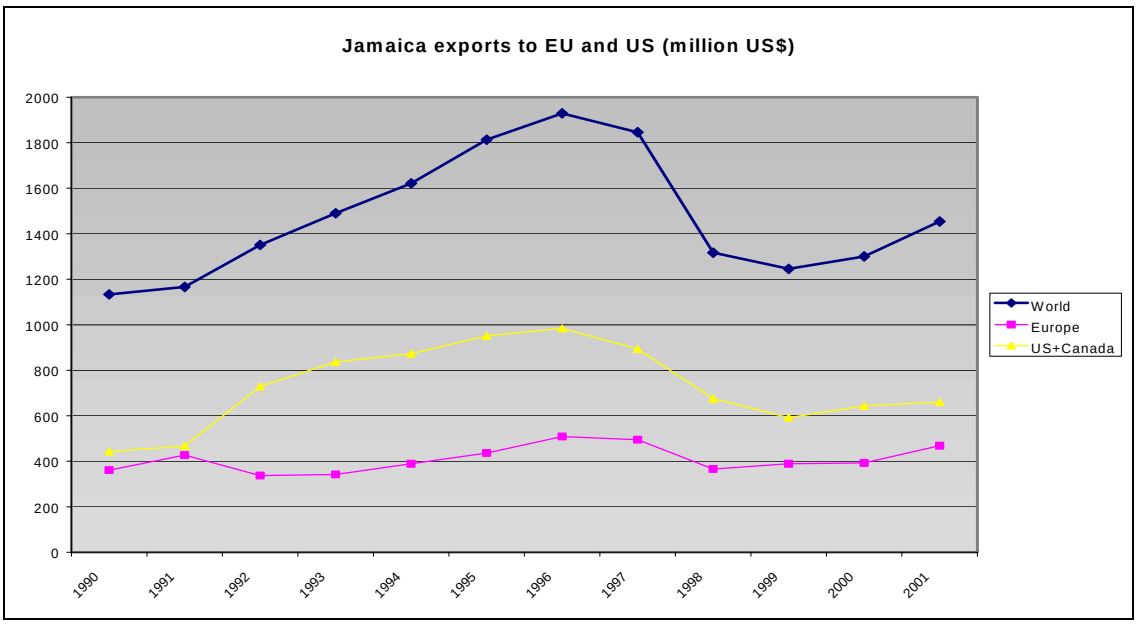
Haiti's global imports are focused on food products. Agricultural imports represent 50% of total imports and 40% of imports from EU. Imports of food at a global level are comprised of almost 40% cereals and flour (mainly rice), but only a small portion of this comes from EU. Forty per cent of food imports from EU are dairy products, which covers nearly all import needs. Haiti also imports vegetable oil and seeds and sugar from the world market but only marginally from the EU.

An important part of Haiti's imports are clothes (essentially T-shirts) but Europe is not the main provider. The EU does provide Haiti with the majority of its imports of fertilisers, and a third of its "machine and other equipment" needs. Four per cent of Haitian imports from EU are medicaments (which represent less than 2% of imports from the world market).

3.2.5.2 The "Big four"

The **four biggest economies** of the region trading mainly with the United States. The increasing proportion of Jamaica's exports to the EU reflect a decrease in Jamaican exports rather than a real increase in exports to the EU. Barbados is an exception. The EU is a small market for Barbados, but exports are slowly increasing (although still at a rate lower than global exports).

Figure 14.



Source: UNCTAD, Eurostat (2001).

The main exports of this group are mineral resources, essentially petroleum and gas from Trinidad & Tobago and, to a lesser extent aluminium from Jamaica. Although less than 10% of petroleum and gas from Trinidad & Tobago goes to the EU, one third of Jamaican aluminium production goes to the EU. The second most important export in this group is clothing and footwear, especially from the Dominican Republic (underwear and T-shirts) and, to a lesser extent, from Jamaica (mainly pullovers). Less than 5% of these items go to the EU.

Agricultural products represent 20% of the exports to the EU from this group of countries (if 30% of petroleum from Antigua & Barbuda is excluded) but less than 10% of total exports. The main exports to EU are vegetables and fruits (essentially bananas from Jamaica and the Dominican Republic) and sugar (from Jamaica). These two products account for one third each of agricultural exports to EU but only 15% of agricultural exports to the world market, which are dominated by tobacco and cigars from the Dominican Republic. Nearly 20% of agricultural exports are beverages (rum) but less than 15% is exported to the EU even though it used to be covered by a specific protocol. For Barbados, exports are dominated by sugar, followed by beverages (mainly rum).

Most of the imports for these countries are machines and vehicles as well as energy and mineral resources. Nearly a quarter of the machines and vehicles imported come from the EU. The other important European export to these countries is material for industry. Agricultural exports from the EU are small (only 12% of total imports into the countries), and it is concentrated in exports of dairy products that represent more than 40% of agricultural imports into the region from the EU. The rest is mainly oil seeds and vegetable oil. Imports of medicaments represent nearly 2% of total imports from the EU for these countries.

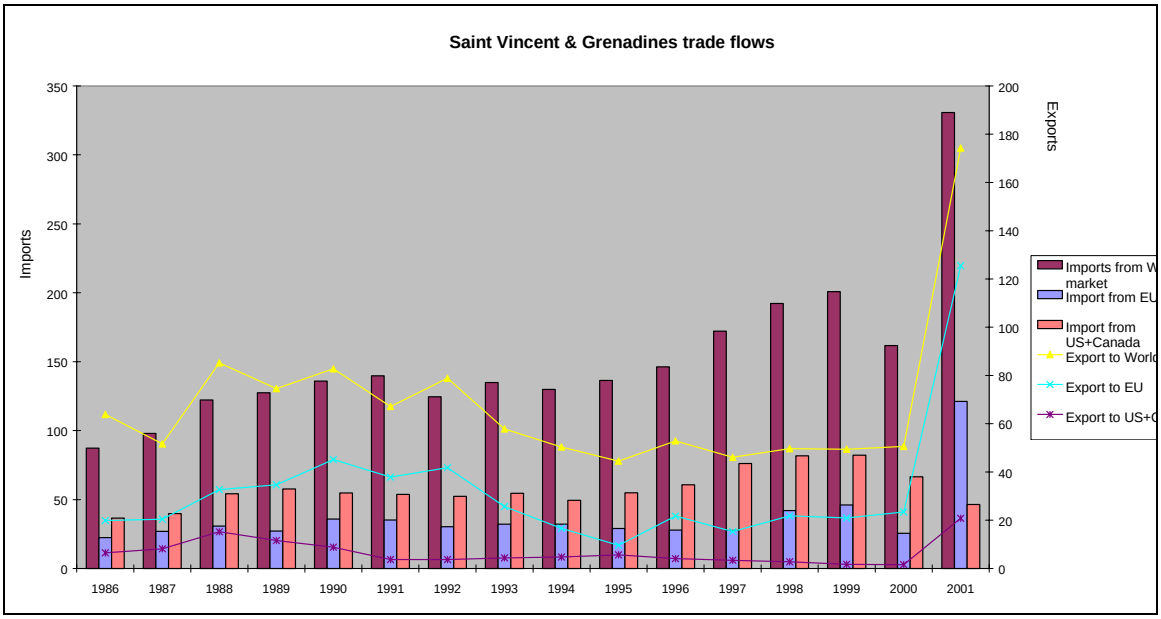
3.2.5.3 OECS

The Windward Islands. The EU is an essential trade partner for this group of small islands. Even though the countries have been able to diminish this dependency (exports to EU have been decreasing for all countries of the group for 15 years with the exception of Grenada), 30% to 50% of exports still go to the EU. With the exception of Grenada, the shift of trade

partners benefits mainly the regional Caribbean market. North America is the destination for only 20% of the exports of the group (compared to 15% at the beginning of the 1990s).

In this group, 2001 data for St. Vincent & Grenadines present an important change that can be analysed as a change in the ship and vessel legislation and the adoption of the same type of regulation as in Antigua & Barbuda. Therefore, 2001 data will be analysed without the imports and exports of vessels and ships in this specific country.

Figure 15.



Source: UNCTAD, Eurostat (2001).

Most exports from the Windward Islands are agricultural products. The main exports are fruits with nearly 90% being bananas. Nearly all exports of bananas go to the EU and are imported under the Banana Protocol. They constitute nearly 80% of EU agricultural imports from the Windward Islands. The second most important product exported is nutmeg from Grenada where 80% is exported to the EU and which represents 15% of EU agricultural imports from this group. Fish and fish products are also important exports (20% of total), but only 6% go to the EU. Other important export products are soap and essential oils.

Nearly one-quarter of imports to the Windward Islands is petroleum, making it the most important import, by value. The second most important import, by value is machines. The EU is an important trading partner in this sector, exporting spare parts for machines, telephony equipment and elevation machines to the Windward Islands.

Agricultural imports are also important for these countries, representing over 20% of total imports. The main imports are dairy products (20% of total agricultural imports but 50% of agricultural imports from the EU). Nearly 90% of dairy products imported come from the EU. An additional 20% of food imports is meat, but less than 15% is imported from the EU. The same is true for cereals that represent almost 20% of total agricultural imports but less than 10% comes from the EU. Imports of sugar represent 6% of total agricultural imports and 40% comes from the EU.

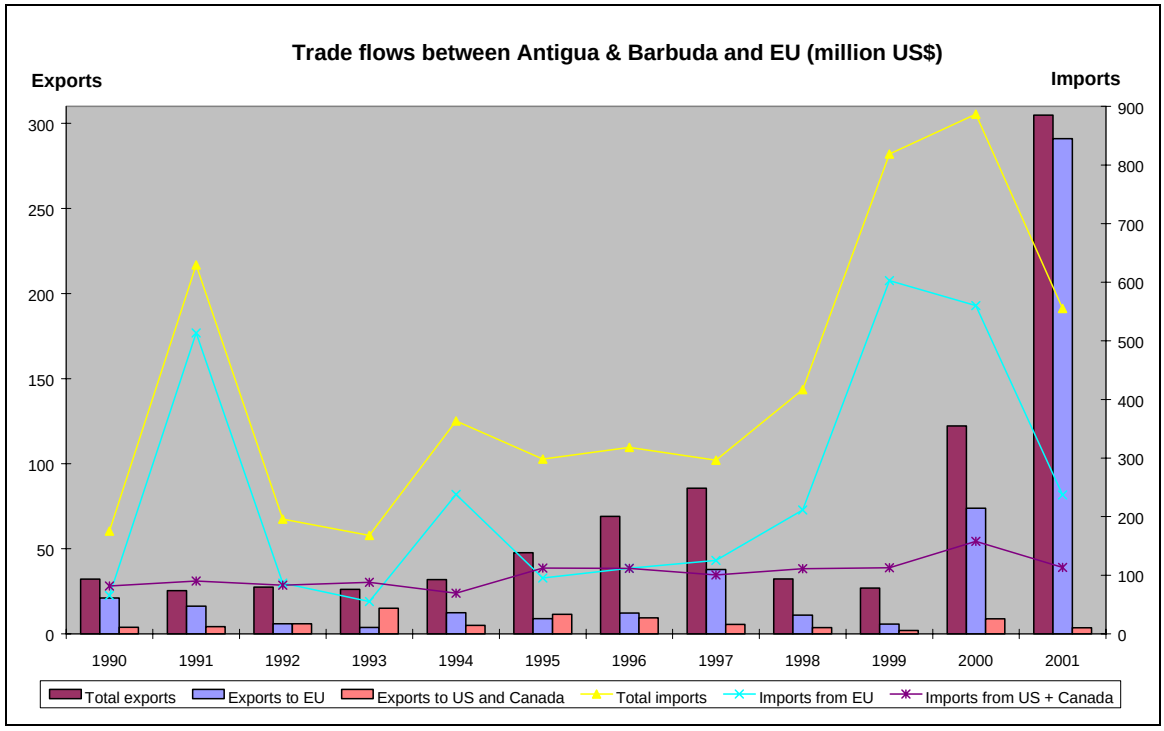
The "Small Economies". Among the richest economies, only **Antigua & Barbuda** have registered important trade flows with the EU. In the late 1990s, the EU was virtually the exclusive destination for exports from Antigua & Barbuda. However, this trade is “ships and vessels” and does not represent a real flow of trade in goods. Excluding this, Antigua & Barbuda trades very little with the EU.

Table 19. Trade flows between Antigua & Barbuda and EU in 2001

	Imports from EU	Exports to EU
Cruise ships, Ferry boats, Cargo ship	21,50	202,699
Yachts, other pleasure and sport vessels	160,95	138,717
% of total trade	**79%**	**97%**

Source: Eurostat .

Figure 16.



Source: UNCTAD.

For St Kitts & Nevis, the EU is a small market and exports are more or less stable.

Once the exports of ships and vessels are excluded, the group appears to export mainly agricultural products. These exports are less important in the export flows to the EU that are dominated by exports of machines and electrical equipment.

Agricultural exports to the EU from this group of countries are more or less the same as exports to the world market. Exports are dominated by sugar, essentially from St. Kitts & Nevis. Most of the fruits and vegetables exported go to the EU, as well as most of the tea produced in Antigua & Barbuda. On the contrary, only a small part of the oil seeds and vegetable produced by the region are exported to the EU.

The imports from the EU are dominated by imports of machines and vehicles, machines and electrical equipment (70% of imports of this classification from EU). Imports of agricultural products represent 15% of the imports from EU. Beverages represent nearly half of these types of imports and dairy products represent 20%. However, over 55% of dairy products imported into the region come from the EU.

3.2.5.4 Mainland countries

For Mainland countries the EU is an important trading partner since nearly half of the countries' exports goes to Europe. But this tends to change with the diversification of trade partners and the development of exports to the United States, especially in Surinam and Guyana. Over the past 15 years, exports to the EU from Belize and Guyana have more or less been stable in US$ and exports from Surinam have dropped significantly.

Major exports from this group are mineral resources (aluminium from Guyana and Surinam) but only 20% of these are exported to the EU. Although these countries have important forest resources, few wood products are exported (only 3% of total exports) and nearly one-quarter goes to the EU. Agricultural products dominate exports to the EU (over 60% of exports to the EU but only 40% of total exports from the group). The EU mainly imports sugar (46% of EU agricultural imports from this group) and absorbs over 90% of the sugar exports from this group. The sugar exports to the EU are principally from Guyana and, to a lesser extent, from Belize.

The other important exports to EU are fruits, and especially bananas from Belize and Surinam. Like sugar, the banana is exported to Europe under a specific protocol. Rum is still exported to the EU – with nearly 80% of exports going to Europe. The main agricultural export from this grouping is fish, although only 13% goes to the EU.

Machine and vehicles dominate imports by this group and it is even more important within the trade flows from EU. Most imports from EU in this sector are machines, vehicles representing one quarter. Ship and vessels imported essentially by Belize do not originate in the EU. Nearly half of these countries' needs in chemical products (essentially tires) come from the EU. Nearly 80% of material for industry comes from the EU. Agricultural imports from the EU represent one-quarter of EU exports to this group. Nearly 60% of the food needs of these countries come from the EU, (although 15% are cereals, only 6% of these needs come from the EU). Eighty-six percent of dairy products imports comes from the EU. These products are an important expense since they represent nearly one-quarter of total agricultural imports. The next most important expense is "beverages" with over 80% coming from the EU. Medicament expenses represent 2% of the imports but more than 60% coming from Europe.

4 Setting Priorities

4.1 Trade Measures

This section concentrates on products that are important for EU-Caribbean trade.

4.1.1 Market access for goods

4.1.1.1 Access to the EU for ACP Caribbean countries

4.1.1.1.1 Tariffs

In 2002, the **average tariff** on non-agricultural products (excluding petroleum) was 4.1%. It came down from 4.5% in 1999. The lowering concerned specifically products such as paper, chemical, **textile**, iron and steel, and toys. On agricultural products, the average tariff fell from 17.3% in 1999 to 16.1% in 2002.

But ACP CC, as ACP countries, benefit from a **specific regime**. Most exports enter the EU market duty free. This is the case for manufactured and processed products. To benefit from these preferences, the Caribbean ACP countries must conform to rules of origin that set out the degree of processing required (raw materials not originating from the ACP CC countries cannot represent more than 15% of the good's price).

For agricultural products, all **tropical products** (for example, coffee, cocoa, coconut oil) that do not compete with European products enter the EU duty free. But this preference begins to narrow with the lowering and reduction of some tariffs under the Most Favoured Nation (MFN) regime of the WTO. For **exports that compete** with EU production, specific import measures are implemented including high import duties and tariff quotas.

The main tariff levels are for meat and meat preparations, dairy products, cereals and cereals preparations and products, vegetables and fruit preparations, sugar.

Four products benefit from specific commodity **protocols** (sugar, beef and veal meat, banana and Rum).[49] Three of these commodities are of high importance for the Caribbean region (*see general presentation of commodity protocols in the All-ACP report*).[50]

Bananas: The preferential trading regime for bananas has been challenged by Latin America banana exporting countries. Several rulings by WTO Dispute Settlement Body found that the regime was inconsistent with Europe's obligations under the GATT (Box 5). By January 2006, the quota regime with a distribution of quotas between ACP countries and other exporters will be replaced by a tariff only regime for dollar bananas (with no quotas or licences). The Banana Protocol is still part of the Cotonou Agreement (Protocol n°5) but it focuses only on support to production, transport and marketing of ACP bananas. It non longer deals with market access: no references to quotas or specific access to European market.

Sugar: The Cotonou Agreement reaffirms the principles of the sugar protocol with tariff quotas for the ACP sugar. The main beneficiary countries in the Caribbean region are Guyana and Jamaica. Smaller exporters are concerned such as Trinidad & Tobago, Belize, Barbados, St Kitts & Nevis and Surinam. The reduction of EU tariffs and, therefore, the lowering of EU prices weaken the pursuit of this protocol.

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[49] ECDPM, "The Future of Lomé's Commodity Protocols: Fiddling while Rum Burns?", Lomé Negotiation Brief n°6, 06/99.

[50] ACP sugar trade: www.acpsugar.org/ - BananaLink : http://www.bananalink.org.uk/.

Rum: The Rum protocol measures have been phasing out since 1997 and has become a rum declaration. In 2003, ACP Rum exporters have to be competitive to maintain their exports to the EU market. Although no countries were identified in the protocol, imports only originated from six countries in the Caribbean region: Bahamas, Barbados, Dominican Republic, Guyana, Jamaica, and Trinidad & Tobago. The Rum protocol is not part of the Cotonou Agreement.

Haiti benefits from a specific regime since March 2001 under the initiative **"Everything but Arms"** *(see the presentation of EBA in the All-ACP report)*. However, none of the three agricultural products benefiting from some specific delays (that is banana, rice and sugar) are of great interest for Haiti.

4.1.1.1.2 Non-tariff barriers

Customs procedures: There is a uniform custom code for all exports and imports in the CARICOM. The procedures are being simplified, especially for the duty-free zones as well as for internal transit. Documents needed for custom clearance are invoices or other documents for custom valuation purposes, certificates of origin for the application of preferential tariff arrangements, licences, and certificates of conformity.

Prohibitions, restrictions, surveillance: The EU applies quantitative restrictions on imports of clothing products and textiles although it is in a liberalisation process. However, no ACP country is subject to these restrictions.

Import quotas: Some import quotas are still applied for sensitive products. For example, some reduced-rate import quotas for milk and dairy products allow access to the market under preferential conditions. These quantitative import quotas are constituted of the traditional flows existing before the Marrakech Agreement (identical quantities each year, allocated to certain countries) plus the minimum access level agreed in Marrakech (yearly increasing quantities, undifferentiated origin, quarterly management).[51]

Licensing requirements: Import licences are required for products subject to quantitative restrictions and safeguards measures. Moreover, some licences are needed for imports of cereals, rice, beef and sheep meats, milk sugar, fruits and vegetables, oils and fats, seeds and wine for statistical purpose (the licence is given automatically).

In addition to these non-tariff barriers essentially linked to import procedures, other measures in some cases become *de facto* non-tariff barriers and are important for trade. These include standards, rules of origin, geographic indications.

4.1.1.1.3 Production and export policies

The production and export of some European products benefit from subsidies that have distorting effects on the competitiveness on the international or local markets of products from other countries, especially the developing countries that cannot afford such policies. This is particularly evident for agricultural products.

Of course, the on-going negotiations on the WTO Agreement on Agriculture, the last CAP reform in 2003, and the reform of others CMOs in the next years has to be taken into account in the analysis. But the WTO negotiations are in a deadlock since the failure of the Cancun Ministerial Conference in 2003. The deadlines of the Doha Development Agenda will probably not be respected. And the Article 13 of the Doha Declaration (see box 5) dealing with agriculture, because of the indication “without prejudging the outcome of the negotiations” does not show clearly the possible new Agreement.

[51] The CMO for milk and milk products: http://www.agriculture.gouv.fr/euro/euro/pac/pac2_gb.htm.

Regarding the CAP reform, it is too early to have a good estimation on the effects of the new CAP on the EU trade for agricultural products. One of the objectives of the reform was to make EU farmers more competitive, and the chosen mean was to untied subsidies and production, in cereals and beef sectors. The impact on the level of EU export will depend on the farmers' behaviour and the Member States policies.

Box 5 : Doha declaration Article 13

"We recognise the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture."

Source : WT/MIN(01)/DEC/1

Two products that receive significant amounts of subsidies are of importance for the Caribbean region. One is sugar, since it is an important export for many Caribbean ACP countries. European sugar production benefits from a protected market with high price that has benefited ACP sugar producers. But the European sugar policy is under pressure and the benefits for the ACP countries are uncertain (Box 6). Subsidies to EU producers will support European sugar production that will compete with ACP production.

Box 6. EU Sugar policy

European sugar production, imports and exports are managed through the sugar common market organisation. Its essential features are a price guarantee (631 euros per ton of white sugar, and 46.72 or 32.42 euros per ton of sugar beet), which is applicable only within production quota, export refunds covering the difference between European price and world market price (around 280 euros per ton in 2001-02), and preferential arrangement (Sugar Protocol) allowing 19 ACP countries to export a certain quota of sugar to European market and to benefit from the high internal price.

But the sugar CMO is under pressure and is accused to provoke important surpluses depressing sugar world prices. Brazil has requested the establishment of a panel at WTO on EU export policy. Moreover, the EU has launched the "Everything but Arms" initiative: it will totally abolish in 2009 quotas and tariffs on entry to the European market for sugar exported by LDCs. All this justifies for the EC a radical reform of the sugar regime, which is planned for 2006.

Three options are envisaged: extension of the present regime, reduction in the EU internal price, and complete liberalisation of the regime. The second solution is in line with the general process of CAP reform; it may be preferred by the EU. For ACP countries that benefit from the preferential regime and which are not able to compete with the very competitive export countries (e.g. Brazil), this option could make the European market much less attractive, and reduce their exports and production.

Another product of high interest for the Caribbean region is **milk** and dairy products since they represent a high portion of imports from EU (Box 7).

Box 7. EU Policy on Dairy products

Milk production in Europe is controlled by a common market organization (CMO). As for other products, the milk and dairy products' CMO sets an intervention price for butter and skimmed milk powder and introduces protection measures at the border and refunds exports. Since 1984, fresh milk production is subject to production quotas shared between European countries. The decrease of subsidies following the Marrakech agreement has increased prices on world market. EU exports assure half of the import needs of the CARICOM.

Moreover, important export subsidies are given to exports of milk (78% to 87% of total EU price in 1999), butter (129 % of EU price) and cheese (65%) (Eurostep, in Solagral & CTA 2002).

The 1999 CAP reform did not affect this sector, as the quota system was extended until 2005. The reduction of intervention prices compensated by direct aid is only scheduled for the 2005-2007 period. Some countries have even seen their production quotas rise (Italy, Spain, Greece, Ireland) to meet the rise in domestic demand. The European Union has become the leading global producer of milk and number one exporter. Its milk production is 10% higher than consumption. Approximately 15 million tonnes of milk are exported every year, which is the equivalent of approximately half the global market of dairy products. To reach this level of exports, in 1997 Europe spent 1.7 billion euros to subsidise exports in the sector.

The CAP reform adopted in 2003 includes price cuts in dairy sector, which will induce a decrease of export subsidies for this sector, but because the objective was to increase EU farmers competitiveness, this will induce nor a cut in the volume of dairy export, neither an increase of the price of exported dairy products.

4.1.1.2 Market access for EU products to ACP Caribbean countries

4.1.1.2.1 Tariffs

The situations and practices in the different ACP CC are very diverse although the regional integration within CARICOM and OECS has harmonised some practices.[52] Average tariff barriers (except for Haiti and the Mainland countries) are less than 9% (Dominican Republic) and 16% (Barbados). High tariffs are applied essentially on agricultural products that are of interest for the EU trade.

The lowest tariffs of agricultural products are applied in Dominican Republic and St. Kitts & Nevis, at around 12%. In contrast, Barbados applies an average tariff of 37%, but most countries are around 20%. Some products are considered strategic. These include fish, fruits and vegetables, tobacco, beverages and spirits, edible oils in the Windward Islands, sugar in Trinidad and Tobago and Jamaica. The highest protections are applied by Barbados (73% on animal products and beverages and spirits), Trinidad and Tobago (75% on sugar in 2001), Jamaica (40% on meat, maize, vegetables, coffee and tea) and Dominica on beverages and spirits (70%).

Dairy products are treated differently according to the country. In the Windward Islands, the tariffs are around 7% but it jumps to 50% in Barbados or 40% in Jamaica. For the other countries, it is between 15 and 20%.

Most countries have declared at the WTO bound tariff and cannot use tariff peaks. One exception is fish in Barbados. Tariffs on industrial products are very low, usually around 8% with the exceptions of Antigua & Barbuda and Barbados with average tariffs of 13%. Tariff peaks are very scarce and are relevant mainly for clothing and footwear with tariff peaks of

[52] *See Annex*

around 20% in Jamaica, Trinidad & Tobago, and the Dominican Republic. Jamaica is the only country to apply a 35% tariff rate on imports of petroleum. Tariff escalation is related to the local industry. For example, in the Dominican Republic, raw materials are charged duty at a rate of 1.8%, semi-processed goods at 2.0%, and fully processed goods at 17.3%.

4.1.1.2.2 Non-tariff barriers

Customs procedures: In most countries, the same documents are required: tax compliance certificate, import declaration, invoice, valuation form, certificate of origin, permits. Some countries ask for bill of lading, bill of sight, and import permit or licence (when required).

Prohibitions, restrictions, surveillance: Usually, import prohibitions concern, as in the EU, only dangerous products for health, security and environmental reasons or arms. However, in Grenada, import restrictions are applied to poultry and eggs. In St. Kitts & Nevis, quantitative restrictions are in place until 2005 for beverages, beer and pasta. Other restrictions exist for eggs, sugar and some vegetable during the production season.

Import quotas: The quotas legislation varies from one country to an other. For example, the Dominican Republic maintains tariff-rate quotas on a number of agricultural products (chicken meat, onions, garlic, dry beans, rice, corn, sugar and milk). Trinidad & Tobago has import quotas defined every year for live poultry. St. Vincent & the Grenadines requires licensing with quotas for imports from countries outside OECS and Belize for wheat flour, pasta, margarine, curry powder, beer, furniture, paper products. Licensing is also required for imports from non-CARICOM countries with quotas for meat, fish, milk and dairy products, vegetables & fruits, sugar, rice, vegetable oils, plastic bags and pipes, furniture, and toilet products.

Export control: Some ACP Caribbean countries apply export controls through licensing. In St. Vincent & the Grenadines, a licence is required to export lobsters, sheep and goats, and coconuts. Moreover, only the Banana Growers Association can export bananas. Standards for banana exports are defined at the level of the Windward Islands by the regional Banana Growers Association.

Licensing requirements: In Jamaica, licences were still required in 1997 for imports of motor vehicles, refined sugar, milk products, plants, gum, vegetable extracts, certain chemicals, all imports of fruit and vegetables. In the Dominican Republic import licences are needed for various food products, cement, and petroleum.

4.1.2 Rules of origin

Rules of origin *(see the All-ACP report)*: even in those sectors where tariffs are low, the current rules of origin requirements for ACP exporter seeking to export to the EU market can be an obstacle to trade. This kind of problem applies mainly to manufactured goods and concerns essentially Dominican Republic and Jamaica in the Caribbean region.

4.1.3 Trade defence measures

In most ACP CC, anti-dumping legislation exists but is rarely, if ever, implemented. There were complains for dairy products and rice in Jamaica but without any follow-up. For dairy products, the recommendation for a duty was not applied because it was not consistent with WTO rules. In St. Vincent & the Grenadines, anti-dumping legislation was applied once in 1999 on flour imported from Grenada. Most countries do not have safeguard measures, but some countries reserves the right to apply transitional safeguard measure, as in the case of Jamaica for textiles and clothing.

Safeguard measures: There are two safeguard regimes. One is related to the article XIX of the GATT: No safeguard measures were used for ACP exports recently. The other one is

related to the WTO agriculture agreement. The EU applied some "snap-back" tariffs in 1999 and 2000 to compensate the fall of sugar and poultry prices and to react to the raise of import volumes of some vegetables and fruits (but no tropical products, especially no banana).

Anti-dumping measures have been concentrated on iron and steel products, consumer electronics and chemical. Therefore, it concerns mainly products exported by China, Chinese Taipei and Thailand.

4.1.4 Intellectual Property Rights

Intellectual Property Rights (IPRs) are an issue for ACP CC in terms of sustainability. The WTO Agreement on Trade Related Intellectual Property Rights (TRIPS), requires all Members to provide minimum standards of protection for a wide range of IPRs including copyright, patents, trademarks, industrial designs and geographical indications. Provisions on IPRs in the Cotonou Agreement are based on the TRIPs agreement. TRIPs has large implications that go well beyond trade aspects. Issues raised by this agreement concern technology transfers, health, agriculture and genetic resources, biodiversity, protection of traditional knowledge, as well as software and the Internet.

Implications related to the implementation of IPRs systems are large in Caribbean countries, in particular for biodiversity, traditional knowledge, geographical indications and services. There are indeed many local plants and animals in the Caribbean region which due to its unique ecosystem probably represent the material for most of the future medicines. Indigenous people are also the guardian of some crucial plants for the pharmacopoeia (therapeutic and medicinal plants).

Complementary to this issue, several ACP CC protect their goods by geographical indications: this is the case of bananas, and the case of “Blue Mountain” coffee in Jamaica.

Services, in particular financial services, contribute for a large amount to GDP of the Caribbean countries. Consequently, impacts of protection of software should also be taken into account

4.1.5 Standards and conformity assessment

Two WTO agreements that are addressed in the Cotonou Agreement are concerned (see the All-ACP report): the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the Agreement on Technical Barriers to Trade (TBT Agreement). They involve standards aiming to protect the health and lives of people, animals and protect plant life, as well as technical standards such as those on packaging and wrapping for example. Such standards are being increasingly developed, mainly to meet consumers’ needs. Very high standards for banana products appear to be of particular concern for the Windward Islands, which are the major exporters of bananas in the region. Some producers or exporters of fresh fruits will face difficulties to implement the EU regulation on Maximum level of residues of pesticides (e.g.; Jamaican papaya producers, CTA 2003). The increasing of sanitary constraints on fish products may close the EU markets to Antigua & Barbuda, Belize, Suriname or Granada’s fish exports.[53]

The Caribbean countries have notified the WTO of a total of 71 TBT measures since 1 January 2000 – and many very recently. Of these, 22 were notified by the Dominican Republic on 13 March 2003 – most relating to food products. A further 17 were notified by Guyana on 11 November 2003, relating to a range of products from footwear and furniture to animal feeds and rice.

[53] CTA (2003) Study of the consequences of the application of sanitary and phytosanitary measures on ACP countries.

4.1.6 Services

For most of the Caribbean countries, the services sector represent more than the half, or even the two-third of the GDP. The receipt of services growth rate has been of 5.2% for the period 1993-2000. Three sub-sector represent more than 95% of the total services receipts, with travel being the most important (more than 70% of total receipts of services) reflecting the importance of tourism in the Caribbean economies; the second and third largest sub-sectors are respectively commercial services (15%) and transportation (11%).

In the context of the General Agreement on Trade in Services (GATS), most Caribbean countries have committed less than 20 sectors. Four of them however, namely Antigua & Barbuda, the Dominican Republic, Jamaica and Trinidad & Tobago, have made commitments in between 21 and 60 sectors. The largest numbers of commitments are in communication and financial services (above all reinsurance), followed by transport and tourism (mainly hotel and restaurant services). The four countries which committed to open more services markets singled out by opening "business services" such as computer services and research & development services; the other Caribbean countries did not do so.

The remaining of some barriers to trade in services has to be addressed in particular in order to develop the setting up of small business by foreigners, according to a development strategy that need services growth.[54] There are supply constraints in telecommunications, infrastructure (water, lighting, transport) and human capital which frustrate services development[55]. Trade barriers to mode 4 (free movement of natural persons) is a also central issue within a discussion on services. In the ACP CC, this is important because the territory of most countries is limited, the economies are narrow with little opportunities, and the level of qualification is relatively high (except in Haiti). Another potential way to explore notably in professional and entertainment services, is the one provided by e-commerce. However, migration is actually a key option for many inhabitants of the region. In St. Vincent & the Grenadines and Dominica, workers' remittances represented over 6% of GDP in 1990. Workers remittances are of particular importance in Dominican Republic, Jamaica and Haiti (Table 19).

Table 19. Workers remittances for selected countries

	Remittances in 2002 (US$)
Barbados	84,150,000
Dominican Republic	1,935,000,000
Guyana	120,000,000
Haiti	800,000,000
Jamaica	1,200,000,000
Trinidad & Tobago	50,000,000

Source: Orozco, 2003.

Trade measures related to services might also be viewed as a priority trade measure in that there is diversification within the services sector needed, and services are necessary to improve competitiveness. Indeed, most ACP CC tend to rely too heavily on one services sub-sector, namely the tourism sector, which is heavily vulnerable to any reduction of the demand for tourism services. Moreover, the declining trend in the share of Caribbean exports of services at the global level indicates that efforts have to be made to ensure the competitiveness of Caribbean exports of services.

[54] Davenport M., Kirton, N. Plaiser and Huib Poot (2002), *Caribbean Perspectives on Trade, Regional Integration and Strategic Repositioning, Final Report*, ECORYS-NEI, Rotterdam, 15 October.

[55] Caricom Report, 2002.

4.1.7 Investment

Recent years (1997-2001) have seen major, sustained increases in inward FDI flows in virtually all countries in the region, the most attractive of the ACP regions for FDI. In some cases, especially in the largest countries, the increase has been striking, with a fivefold increase in Trinidad and Tobago and a sevenfold increase in Jamaica. In such cases, inward FDI flows have grown strongly as a percentage of gross fixed capital formation, although in most others domestic capital formation has kept pace with the foreign capital inflows. Even more striking has been the longer-term growth in the stock of FDI in virtually all countries in the region, both in absolute terms and as a percentage of GDP.

These trends strongly suggest that CARICOM countries will have a rapidly growing capacity to meet higher standards and engage in international-level standardisation, take advantage of new export opportunities, and replace older production facilities and technology with newer ones. These trends are likely to be environmentally and socially enhancing, although the overall scale of production could have negative environmental effects on stressed or finite ecosystems at the expanding production sites. Further work in this area will be done to better understand the potential impacts of liberalisation and identify priority sectors.

Table 20: FDI Flows – CARICOM

	FDI Flows (millions of dollars)				As a percentage of gross fixed capital formation			
	1985-1995 (Annual average)	1997	1999	2001	1985-1995 (Annual average)	1997	1999	2000
Barbados								
Inward	10	15	17	18	4,2	4.4	3.6	4.1
Outward	2	1	1	1	0.8	0.4	0.3	0.2
Jamaica								
Inward	94	203	524	722	8.1	9.4	27.8	22.3
Outward	28	57	95	89	4.0	2.6	5.0	3.5
Trinidad and Tobago								
Inward	168	1,000	643	835	21.8	65.2	44.7	47.4
Outward	2	-18	264	150	0.1	-1.2	18.3	1.9
Antigua and Barbuda								
Inward	33	23	37	54	25.0	10.1	12.4	10.4
Outward	-	-3	-1	-	0.9	-1.3	-0.3	0.3
St. Kitts and Nevis								
Inward	20	20	96	83	31.3	16.3	53.1	63.3
Outward	-	-	-	-	..	0.3	0.2	-0.1
Dominica								
Inward	17	21	18	14	32.7	27.5	24.3	12.9
Outward	..	..	..	..	..	..	..	..
Grenada								
Inward	14	34	42	34	20.3	29.1	27.5	21.2
Outward	-	1	-	-	-	0.4	-.3	-0.2
St. Lucia								
Inward	31	48	49	51	30.6	30.9	44.8	27.8
Outward	-	-	-	-	,,	0.1	-	-
St. Vincent								
Inward	16	93	56	36	25.8	106.2	52.4	32.0
Outward	-	..	..	..	..	..	..	..
Belize								

Inward	13	12	56	34	13.7	8.2	27.5	10.7
Outward	1	4	10	8	1.2	2.7	4.8	3.8
Guyana								
Inward	38	53	48	56	16.9	15.9	29.0	42.3
Outward	-	-	-2	-	-	-0.1	-1.2	1.3
Suriname No information available								
Haiti								
Inward	4	4	30	3	0.9	0.5	2.6	1.3
Outward	-3	1	-1	-	-2.9	0.1	-0.1	0.1

Source: UNCTAD. World Investment Report 2002: Transnational Corporations and Export Competitiveness. Notes: (..) indicate that data are not available or are not separately recorded.

The four largest economies attract the greatest proportion of FDI in the Caribbean region. Unlike the Dominican Republic and Trinidad & Tobago, FDI represent a high share of the Jamaican GDP (over 8% in 2000).[56] Other financial resources destined to Jamaica, such as private transfers, are higher in value than those received by any other Caribbean country, and increased in the past few years.[57] Jamaica is then highly dependent on external financial resources.

The small economies rely in part on external financial resources. FDI and private transfers represent a medium share of GDP (from 2% to 5% in recent years)[58] except in St. Kitts & Nevis where FDI accounted for a much higher share with more than 13% in 1999. St. Kitts & Nevis is thus the most highly dependent country in the grouping on FDI, although levels have been fluctuating in the past decade. Antigua & Barbuda recorded four years of consecutive GDP growth, at an average pace of 3% annually in real terms over the last decade.[59] By contrast, growth rates in St Kitts & Nevis fluctuate more but remain above 1.0%.[60] The economy of St. Kitts & Nevis is thus more unstable than the other two – due partly to its dependence on FDI.

The economies of the Windward Islands are highly dependent on FDI, which accounted for between 8% and 11% of GDP in 2001 and has increased slightly in the past few years, except in Grenada where FDI has decreased. This financial supply has boosted different economic sectors, especially construction in St. Lucia, where construction's share of GDP increased from 5% to 9% between 1980 and 1999. Private transfers have grown slightly in recent years and represented between 3% and 5% of GDP in 2001. By contrast, Haiti and the mainland countries are not attractive destinations for FDI.

Table 21. FDI Stocks – CARICOM

	FDI stocks (millions of dollars)				As a percentage of gross domestic product			
	1980	1990	1995	2001	1980	1990	1995	2000
Barbados								
Inward	102	170	225	323	11.8	9.9	12.1	11.8
Outward	5	23	32	41	0.6	1.3	1.7	1.5
Jamaica								
Inward	564	791	1,568	4,040	21.3	18.7	32.3	44.8
Outward	5	42	308	798	0.2	1.0	6.3	9.6

[56] Source: IMF Report.

[57] Data available in IMF reports cover the 1996-2000 period.

[58] The period covered corresponds to 1994-1998 in Antigua & Barbuda and 1997-2001 in Barbados. Source: IMF Reports.

[59] The figures available cover the 1996-1999 period for Antigua & Barbuda. Sources: CARICOM's selected indicators for Antigua & Barbuda and WT for Barbados.

[60] These data cover the 1995-1999 period. Source: WT.

	FDI stocks (millions of dollars)				As a percentage of gross domestic product			
Trinidad and Tobago								
Inward	976	2,093	3,597	7,825	15.7	41.3	67.5	95.6
Outward	..	22	24	447	..	0.4	0.5	4.1
Antigua and Barbuda								
Inward	23	292	438	631	21.3	74.5	88.6	83.8
Outward	..	..	..	..	..	..	..	..
St. Kitts and Nevis								
Inward	1	160	244	567	2.1	100.6	105.7	154.2
Outward	..	-	-	-	..	0.1	-	-
Dominica								
Inward	-	71	197	285	0.1	42.9	87.9	100.4
Outward	..	..	..	-	..	..	..	-
Grenada								
Inward	1	70	168	378	1.5	31.7	60.6	83.8
Outward	..	-	-	1	..	0.1	-	0.2
St. Lucia								
Inward	94	319	517	849	70.1	104.2	92.1	112.9
Outward	..	-	1	-	..	..	0.2	0.1
St. Vincent								
Inward	1	48	179	523	2.0	24.3	67.9	146.5
Outward	..	1	1	1	..	0.3	0.2	0.2
Belize								
Inward	12	73	153	318	6.4	18.2	25.8	34.6
Outward	..	..	12	55	..	..	2.0	5.7
Guyana								
Inward	-	-	357	720	-	-	57.4	93.3
Outward	..	..	2	-	..	..	0.3	-
Suriname No information available								
Haiti								
Inward	79	149	153	218	5.4	5.0	5.8	5.3
Outward	..	..	1	4	..	..	-	0.1

Source: UNCTAD. World Investment Report 2002: Transnational Corporations and Export Competitiveness. Notes: (..) indicate that data are not available or are not separately recorded.

The number of foreign affiliates operating in CARICOM countries is relatively small, with the exception of Jamaica which, within the region, host by far the largest number of foreign TNCs. This is followed by the other relatively large economy in the region, Trinidad and Tobago, although with roughly one third the number compared with Jamaica.

Table 22. Number of parent corporations and foreign affiliates in CARICOM, latest available year

Country	Year	Parent corporations based in economy	Foreign affiliates located in economy
Barbados	2001	..	83
Jamaica	1998	..	177
Trinidad and Tobago	1999	..	65
Antigua and Barbuda	2001	..	7
St. Kitts and Nevis	2001	..	3
Dominica	2001	..	2
Grenada	2001	..	8
Saint Lucia	2001	..	13
St. Vincent and the Grenadines	2001	..	6

Country	Year	Parent corporations based in economy	Foreign affiliates located in economy
Belize	2001	..	6
Guyana	2000	4	59
Suriname	2001	..	10
Haiti	2001	3	7

Source: UNCTAD. World Investment Report 2002. Annex table A.1.3.

Historically, FDI inflows in CARICOM countries have been directed at the primary and tertiary sectors, specifically mining (bauxite and precious metals), energy (petroleum), agriculture, forestry and tourism services. Over time, however, some flows have gone to labor-intensive areas in garment manufacturing. FDI inflows begun to shift towards a concentration in the services sector, mainly financial services[61].

Remaining trade barriers in terms of FDI are problems related to work permits, uncertainty, time periods, alien landholding acts involving high taxes and fees, complaints about licensing and accreditation problems, labor market inflexibility and bureacracy[62].

4.1.8 Public procurement

All the members of CARICOM are also members of the WTO, with the exception of Montserrat. However, none of the members of CARICOM are signatories to the WTO's Agreement on Government Procurement, and government procurement is not included in the scope of the CARICOM Agreement.

The countries of CARICOM tend to have relatively open procurement markets (Table 23). With the exception of St. Kitts and Nevis and Trinidad and Tobago there are no obvious preferences given to local suppliers. However, there may be other obstacles to procurement markets, such as rules requiring companies to be on specific lists and associated procedures, or simply a lack of clear and transparent rules.

Table 23. Overview of procurement preferences in CARICOM countries

Antigua and Barbuda	Normally no national or regional preference but no clear system and rules.
The Bahamas	Not available
Barbados	Suppliers only on an official list, no preference margin for local suppliers
Belize	Not available
Dominica	Open and no preference
Grenada	No national preference
Guyana	Not available
Jamaica	No preference is given to local suppliers
St. Kitts-Nevis-Anguilla	Local and regional suppliers only
St. Lucia	No national preference
St. Vincent & the Grenadines	No national preference
Suriname	Not available
Trinidad & Tobago	10% preferential margin for local suppliers
Dominican Republic	No preference for national suppliers

[61] Caricom Report, 2002.

[62] Caricom Report, 2002.

4.2 Priority Sectors/Commodities

The identification of the priority sectors is based on the following criteria:

- The sector is significant from an economic, environmental and social perspective;
- The sector is significant in terms of trade flows in both volume and financial terms;
- The sector may be impacted by changes in the trade measures included in a future EPA or measures that exist as a core component of the Cotonou Agreement;
- The sector is one where one might expect, *a priori*, there may be important sustainability impacts at the ACP/regional/national levels or for some specific actors or areas, particularly the most vulnerable and fragile.

Four priority sectors have been thus identified:

- Two Commodity Protocol products: sugar and bananas;
- Dairy products (mainly because of competition by cheaper imports from the EU with the local production);
- Rice as a major food staple and for the issue of food security, rather than as a potential opportunity for exports to the EU;
- Tourism, which is the most developed activity in services sector and will probably continue to be in the short term for all ACP CC, but which poses the issue of diversification and alternatives opportunities in other services sector for the long term.

The following table identifies sustainability issues at stake in sectors of agriculture (banana, sugar, milk and dairy products) and of services.

AGRICULTURE

SUGAR

General Context:

- Sugar is produced from both cane and beet. Sugar cane is a perennial crop grown in tropical and sub-tropical areas. Sugar mills generally crush and convert the juice extract to raw sugar for exports and further processing by refineries. Sugar beet is an annual crop grown in temperate areas and can be directly processed into refined sugar. Both raw sugar and refined sugar are trade internationally, each representing 50% of total sugar export.
- The EU is one of the world's largest sugar producers and consumers; consumption has been growing steadily for the past 30 years. It is also a major importer and exporter of sugar. The ACP countries rely heavily on sugar as a source of export earnings. A significant share of the global trade in sugar takes place under preferential terms, including of the EU Sugar Protocol. Under the EBA initiative full liberalisation for sugar will be phased in between 2006 and 2009 by gradually decreasing the full EC tariff to zero.
- European sugar production, imports and exports are managed through the sugar common market organisation. Its essential features are a price guarantee (631 euros per ton of white sugar, and 46,72 or 32,42 euros per ton of sugar beet), which is applicable only within production quota, export refunds covering the difference between European price and world market price (around 280 euros per ton in 2001-02), and preferential arrangement (Sugar Protocol) allowing 19 ACP countries to export a certain quota of sugar to European market and to benefit from the high internal price.
- Sugar CMO is under pressure and is accused to provoke important surpluses depressing sugar world prices. Brazil has requested the establishment of a panel at WTO on EU export policy. This, added to the EBA Initiative, justifies for the EC a radical reform of the sugar regime, which is planned for 2006. Three options are envisaged: extension of the present regime, reduction in the EU internal price, and complete liberalisation of the regime. The second solution is in line with the general process of CAP reform; it may be preferred by the EU. For ACP countries that benefit from the preferential regime and which are not able to compete with the very competitive export countries (e.g. Brazil), this option could make the European market much less attractive, and reduce their exports and production.
-

Economic	Social	Environmental	Trade Flows	Trade Measures
Sugar plantations are industrial activities and require important investments for processing. Sector likely to contract in Caribbean producers countries	The sector is important for rural development. Harvesting is labour intensive and provides revenues for the poorest segments of the population, notably for seasonal work. Sugar sector contributes to development of rural infrastructure and provides social amenities	Small-scale sugar cane production in the Caribbean is relatively benign. It even contributes to permanent tree cover, preventing erosion and has strong resistance to climactic shocks. On some islands such as Barbados and St. Kitts, traditional manual cutting of sugarcane has	Sugar is a key export item for virtually all the countries in the Caribbean region including Barbados (36%), Belize (38.2%), Guyana (49.8%), St. Kitts (77.9%), Trinidad and Tobago (5.6%) and Jamaica (14.2%). *Imports from EU:* Dominica (1.4%) Grenada (2.3%) Guyana (2.2%) St. Lucia (1.2%)	The removal of the EU Sugar Protocol is expected to disproportionately impact these countries with very high reliance on sugar as an export to the EU. Under the EBA full liberalisation will be phased in between 1 July 2006 and 1 July 2009 by gradually reducing the EU tariff to zero. But Haiti, the only LDC of the region is not a producer and exporter country. EU applies mega-tariffs on ex-quota imports. Duties on sugar in EU will be phased out by 1 July 2009. Amber box intervention price support is applied in EU sugar policy. Blue box applies to EU direct aid payments.

because of phase-out of commodity protocol	(such as hospitals, schools, electricity, and transportation).	been replaced by large-scale mechanisation. The field enlargement may induce erosion. Sugarcane production produces wastes with high biological oxygen demand (BOD) concentrations, known to stress fish nurseries occurring within coastal mangrove systems.	St. Kitts and Nevis (1.0%) Suriname (1.0%)	EU committed to reduction in export subsidies – among largest reduction commitments for subsidised sugar exports. SPS measures not so important for raw sugar exports, which is most of the trade. The Cotonou Agreement reaffirms the principles of the sugar protocol with tariff quotas for ACP sugar. Caribbean producers will be increasingly exposed to non-ACP developing countries, notably in Latin America (Brazil) and increased competition from other ACP countries such as Fiji. Brazil and Fiji are more competitive than Caribbean countries. Tariffs on sugar in Caribbean countries are rather high, from 90 % (Surinam) to 292 % (Barbados), except for Dominican republic (40 %) and Haiti (56 %). The impact of the removal of the Sugar Protocol will depend on the ability of individual producers to access resources and adapt to the changing market.

BANANAS

***General Context*:**

- Bananas are a perennial crop that grow quickly and can be harvested all year round in tropical regions. They are the world's most exported fruit in terms of volume, rank second (to pineapples) in terms of value and are a significant source of income and employment for several ACP countries. Bananas are not grown in the EU *per se*, but are grown in some of the EU's Overseas Territories.
- Global production of bananas has been rising steadily for the past three decades due to increased area planted (60%) and increased yields (30%). Likewise, world exports have also increased steadily, rising by 97% between 1969/1971 and 1998/2000. More than 8 out of 10 bananas exported globally are shipped from Latin America (FAO 2003). In recent years exports have increased in all regions but the Caribbean. Nevertheless, the economies of some Caribbean countries remain highly dependent on banana exports.
- Demand is relatively inelastic as bananas are among the cheapest fruits in developed countries. Prices fluctuate; prices in the EU are slightly higher than in other major markets due to restricted access.
- World banana trade is dominated by a very small number of vertically integrated companies. The 5 largest banana firms in the world account for some 80% of world exports. They own and operate large-scale plantations world-wide directly or through capital participation in local firms. These American companies and some of the major Latin American exporting countries have been at the origin of several attacks on the Banana Protocol, and beyond, the Common Market Organisation (CMO) for banana, resulting in the so-called banana dispute. By January 2006, the quota regime with a distribution of quotas between ACP countries and other exporters will be replaced by a tariff only regime for dollar banana (no more quotas or licences). Opening of EU market from 2006 might lead to further weakening of prices in Europe, putting increased pressure on small producers.
- There is currently a production surplus due to a lag in production response to declining prices due to high capital investments in plantations/shipping in Latin American countries and this global oversupply in banana production is not the fact of Caribbean countries. Indeed, despite efforts to rationalise banana production, under the Banana Recovery Plan (BRP) for the Windward Islands, efficiency and quality have not improved sufficiently, and production levels are still too low to fill duty-free quotas to the European Union. In December 2001, the EU import regime for bananas was modified according to the understanding reached with the USA and Ecuador in July 2001. This involved transferring 100,000 tons of bananas from the 'C' quota (reserved for ACP bananas) to the 'B' quota (all suppliers), thus reducing the 'C' quota to 750,000 tons.
- One response to declining prices has been the emergence of new niche markets for organic, eco-friendly and fair-trade bananas (FAO 2003). Since 1997, the Fair trade Labelling Organisation (FLO) has launched the fair-trade bananas, which is the most developed fair-trade product in Switzerland under the label Max Havelaar. It has to be noticed that the market share of the fair-trade bananas in the total conventional market (around 20% in 2000) of Switzerland is the most important market share among all the fair-trade products in Europe (before the famous fair-trade coffee). However, fair trade remains a very marginal experience in the global trade mainly due to the limited demand for these products and the costs of developing labelling on a broader scale.

Economic	Social	Environmental	Trade Flows	Trade Measures
The Windward Islands in the Caribbean are almost entirely dependent on bananas. Most bananas are produced on farms of less than 1ha.	Banana exports generate cash income for small farmers in rural areas and provide direct and indirect jobs (e.g. packing houses, input suppliers and transportation).	Small farmers in the Caribbean tend to employ environmentally sound production practices. Practices that are damaging and are	Banana is a major export item from ACP CC to EU. St. Lucia (91.0%) Dominica (45.4%) Belize (33.5%) Dominican Republic (17.5%)	*Removal of the Banana Protocol.* Potential to negatively affect small producers, unable to compete effectively with the large plantations in Latin America (of up to 5,000 hectares) due to limited and mountainous land area in a liberalised market where costs of production are much lower and that benefit from FDI to support intensive patterns of production.

High cost of production in Caribbean, compared to non-ACP producers. Dominica US$515 per ton Grenada US$ 503 per ton St. Lucia US$ 463 per ton St. Vincent US$ 461 per ton Jamaica US$ 391 per ton Non-ACP Colombia US$ 200 per ton Costa Rica US$ 179 per ton Ecuador US$ 162 per ton	The banana industry contributes significantly to employment in some Caribbean countries: St Lucia (30%), St. Vincent (35%) and Dominica (36%).	sometimes associated with banana production include excessive use of agrochemicals (particularly pesticides), with negative impacts on soil and water. Both land and freshwater are at a premium on the small Caribbean islands. Environmental impacts can also occur at the growing and packaging phase, particularly through the use of plastic bags, which protect the plants from birds and insects.	St. Vincent (13.1%) Jamaica (5.9%) Suriname (3.5%) Grenada (2.8%). Caribbean exports have particularly suffered from the evolution of the CMO through the banana dispute. Exports from Jamaica and Windward Islands (Dominica, Grenada, St. Lucia, St. Vincent & the Grenadines) have experienced a drastic fall both in volume and value since 1992.	Support in EU: 18% of their banana consumption produced within the EC's overseas territories. This support has grown almost five-fold since 1992 (with continuing increases in production) (FAO 2003). SPS standards: stringent in the EU and traceability programs required by some supermarkets are burdensome for smaller producers. Sector likely to contract in Caribbean Region because of phase-out of commodity protocol. Larger Caribbean countries and less dependent on bananas may be in a best position to adapt to losses in EU market share. But it depends also on the capacities to develop diversification and to offer new economic opportunities to producers. Impacts will vary among producers and depend on their available resources and options. In smallest Caribbean countries such as St. Lucia, Dominica and Belize (over 20% of exports are made up of bananas) the adjustment will be also very difficult. Contraction in the banana sector could have spill-over effects into other sectors and contribute to increasing poverty outside agriculture.

MILK AND DAIRY PRODUCTS

General Context:

- Consumption of dairy products is growing most rapidly in Caribbean countries due to rising personal incomes and diversification of diets, and demand from tourists. The production has decreased in the 20 past years, and the gap of demand is fill by imports, which growth on a rate of 12% between 1995 and 2000. Imports come from the EU and the US.
- As a result of domestic policies to limit milk production and commitments on the use of export subsidies, participation of the EU as an exporter of dairy products has been steadily declining. International dairy companies, many of which have their headquarters in Europe, are making substantial investments in areas of the world where milk consumption is increasing or where supplies of low-priced milk are available.

Economic	Social	Environmental	Trade Flows	Trade Measures
Main producers are DR, Jamaica, Haiti, Guyana, T&T. The self sufficiency index of dairy products has decreased between 1985 to 2000. Increasing demand through retails chain and tourism. Dairy processing industries are significant in DR, T&T and Jamaica.	Most of dairy farmers are small scale farmers, with a few number of cows. Women are particularly involved in milk production on farms. Source of income for farmers near urban areas.	Impacts depend largely on the system of production, very various. Low intensive system with pastures are beneficial for environment. High intensive systems generate over grazing and wastes.	EU exports milk and milk products, with detrimental effects on local production (e.g. Jamaica). "Milk and cream" represented 5.4% of total exports from the EU to the Caribbean in 2002 – most important for Haiti, Grenada, Dominican Republic, Dominica, Belize and Trinidad & Tobago. Of relatively less importance to Antigua & Barbuda Barbados, St. Lucia, St. Vincent, Suriname and Jamaica. "Cheese and curd" is another important dairy product exported from the EU to the ACP Caribbean region. Most important in Belize, St. Lucia, Dominica and Haiti. Also important for Antigua & Barbuda, Dominican Republic, St. Kitts and Nevis, Suriname and Trinidad & Tobago.	High tariffs generally in developed countries Amber box support to dairy producers in Europe viewed by low-cost exporting countries as limiting access to these markets and providing a surplus which must rely on the use of subsidies to be exported. Domestic support in most ACP countries non-existent. Export subsidies used in EU– historically high internal prices for milk have meant that have had to rely on subsidies to export dairy products; Domestic support not based on direct aid but on a production quota system supported by subsidised storage, processing incentives and export subsidies. Geographical indications important for European cheese. In most Caribbean countries, tariffs on dairy products are high. However, still have difficulty competing with cheaper imports from the EU, despite high tariffs. This sector is likely to contract in the Caribbean as a result of any reduction in ACP tariffs, which could lead to a rise in EU exports to Caribbean countries (and other ACP countries). In addition, the persistence of the CAP in the EU will maintain protections in this sector, which will keep the prices of EU exports low. The prospect of increasing levels of cheap imports from the EU will tend to harm to producers producing for the domestic markets.

RICE

General Context:

- Rice is a major food staple and a mainstay for the rural population and for household food security. It is a source of convenient, low-cost calories for urban populations.
- Globally, rice is mainly cultivated by small farmers on holdings of <1ha. Global rice production in the 1990s has been expanding at a rate of 1.8% per year, marginally above population growth.
- Developing countries account for 95% of the total production (Chine and India alone are responsible for over half the world output). Most gains in production in the 1990s were sustained by productivity gains rather than land expansion.
- Global trade in rice has expanded on average by 7% per year in the 1990s.
- The international rice market is segmented into a large number of varieties and qualities, which are not easily interchangeable because of relatively strong consumer preferences.
- Rice is traditionally one of the world's most protected commodities because of its importance to food security, income generation and political stability.
- International prices have been falling in recent years as a result of expansionary production policies in a large number of countries.

Economic	Social	Environmental	Trade Flows	Trade Measures
Rice is mainly produced in Guyana and Suriname	Mainly produced on small-scale farms in Guyana Health issues related to excessive use of agro-chemicals. It plays and important role as a "wage" commodity for workers in the cash crop or non-agricultural sectors.	Rice production sites (low-land wetlands) are often the habitat of a wide variety of birds and plants. Water management in rice lands also ensure a soil desalination process essential to the maintenance of land fertility. High levels of agrochemicals use among ACP producers.	Guyana and Suriname are the only ACP countries that exports rice to the EU , which represents a significant portion of their total exports to the EU in 2002 (respectively 15.2% and 11.0%).	Erosion of preference benefits may become an issue for small number of traditional suppliers to the EU. EU has made export subsidy reduction commitments. ACP countries could provide more support in this sector under *de minimis* provision which are not used. EU uses blue box support in rice (de-coupled production limiting payments). Better access to EU market may offer an opportunity to Caribbean rice producers such as Surinam and Guyana. But they will face to high competitive rice, from Asia.

FISHERIES

General Context:

- Fish and fish products may represent an interesting economic opportunity for number of developing countries allowing them to reduce their dependency towards agricultural exports. They may also be interesting substitution products of agricultural products when these latter are less exported under pressure of increased competition.
- However, the sustainable development of such an opportunity is strongly linked to the fishing practices. Fisheries are renewable resources and as such are fragile resources since their sustainable economic exploitation has to be done in the respect of the biological growth of the population stocks. The sustainable development of fishing activities is therefore intrinsincally limited.

Economic	Social	Environmental	Trade Flows	Trade Measures
Fisheries not as important to the economies in this region as one might expect. It represents 0.1% to 2% of GDP in all countries, except in Belize and Guyana where it represents 6% and 7.8% of GDP, respectively. Belize has diversified its economy notably in shrimp farming in the past few years. In the Windward Islands, fish and fish products accounted for over 1% of GDP in 2000, higher than many other Caribbean countries. The fisheries sector in St. Lucia has been increasing steadily in importance since 1994 and contributed 1.2% of GDP in 2000. In Grenada, the production of bananas has been substituted by fish. Fish and fish products are also important exports for this four countries (20% of total), but only 6% go to the EU. Therefore, with an exclusive 200 mile economic zone around ACP Caribbean countries, more can be do in fisheries production than it is currently doing.	Although it is region surrounded by sea, the fish captured in the local waters barely covers the local needs. There is even an increasing difficulty of most countries to cover their needs.	The Caribbean region has developed a wide variety of fishing activities, going from the industrial and traditional fishing activity to the recreational fishing for tourism. Main fisheries within the area are for small and large pelagic finfish, reef fishes, coastal demersal finfish, crustaceans and molluscs. The captures in the region are around 120,000 tons per year, one third being caught in the waters off Guyana. The other main catches are from Suriname, DR, Bahamas and Trinidad & Tobago. Over-exploitation of marine resources is an important problem, particularly for Guyana, Suriname, Dominican Republic, Bahamas, and Trinidad & Tobago. This brings environmental risk and economic risk (loss of tourism attraction and increase in fish imports, for example). 35 per cent of stocks in the region could be regarded as overexploited (FAO, 1997). But the large year-to-year fluctuations in fish abundance and total production are also due to changes in environmental conditions, such as the "El Niño" phenomenon or tropical climatic events. Particular efforts are made notably by the Caribbean fishery Management Council to promote Caribbean-wide management for all coral reef ecosystem species. These efforts can lead to embargo of imports such as on queen conch imports from Haiti and the DR, by the CITES.	In 2000, exports of fish represented US$210 million and imports US$150 million. One third of the exports came from the Bahamas followed by Guyana and Belize. Dominican Republic, although one of the biggest producers of the region, is one of the main importers. DR and Jamaica are responsible for two-thirds of imports of fish and fish products into the Caribbean region.	SPS measures: onerous traceability and SPS measures in place. High tariffs both in ACP Caribbean countries and in the EU: fish and fish products are generally considered as strategic products in ACP Caribbean countries are subject to high protection.

MANUFACTURING

General context:

- This sector is important in the Caribbean region, not really for its current (relatively weak)economic importance, but rather as an opportunity of potential development. It constitute notably a mean of diversifying economy in other sectors than in tourism, as well as to offset the likely reduction of agricultural exports (in bananas and sugar) due to an increased competitive environment.
- It is recognized that agro-industrial development, even at the small and cottage industry levels, is critically important to the expansion and diversification of the agricultural sector in the Caribbean community. Agro-industrial activities can expand the markets for primary agricultural products, add value by vertically integrating primary production and food processing systems, minimize post harvest losses and add foreign exchange receipts. However, the agro-industrial sector remains rudimentary, underdeveloped and largely without significant institutional, technical and financial support.

Economic	Social	Environmental	Trade Flows	Trade Measures
Manufacturing often constitute the main industrial activities of ACP Caribbean countries (besides the particular case of Trinidad & Tobago relying strongly on petroleum industry). In St Kitts & Nevis for instance, manufacturing accounts for the largest share of GDP inside the secondary sector representing 20% to 30% of GDP. In St Vincent & Grenadines, manufacturing is one of activities (with tourism, off-shore financial services, and computers) that has replaced banana production. However, industrial and manufacturing activity experienced decline in Guyana and Suriname during the 1990s and was essentially stagnant in Belize. In Haiti, manufacturing activity remained constant during the 1990s, accounting for around 20% of GDP. Major manufactured goods (in share of GDP) are food products, although clothing is the major export. The main sub-sectors of manufacturing are: - Light manufacturing or agro-processing like beverages (beer, malt, rum, soft drinks). They are for domestic market (the DR, St Kitts & Nevis) - The production of electronic goods or assembly of electric and electronic components for export (respectively in the DR and St Kitts & Nevis) - The production of textile for export, which represents a major sub-sector, notably in the DR, Jamaica and Haiti	Agro-processing activities allow to reduce seasonality of consumption of a range processed foods, increase the viability, profitability and sustainability of production systems through their impact on increasing farm incomes, rural employment. They may create direct jobs, but also indirect jobs due to their strong backward and forward linkages with agriculture and tourism. They also have a potential for import substitution.		The main goods exported by the ACP Caribbean countries to the EU are different from those exported to the rest of the world. Textiles, clothing and footwear represent nearly 40% of the Caribbean region exports but only 6% of the exports go to the EU. Although ACP CC exports very little textile/clothing and footwear to the EU, they import over 30% of their needs in this category from the EU. But this market is marginal in terms of EU exports to the region. EU exports the vast majority of building and industrial materials (iron, steel, aluminium, brick, ceramic, glass, stone products, leather, wood, and paper) to the Caribbean. But, as in the case of clothing, these trade flows represent a marginal proportion of total EU exports to the region. The main EU market in the region remains machines, electrical equipment and vehicles. Haiti's principal export into the global market is clothing and footwear, but an important part of Haiti's imports are also clothes (essentially T-shirts). However, Europe is not the destination for exports, neither the main	In 2002, the average tariff on non-agricultural products (excluding petroleum) was 4.1%. It came down from 4.5% in 1999. The lowering concerned specifically products such as paper, chemical, textile, iron and steel, and toys. ACP CC, as ACP countries, benefit from a specific regime. Most exports enter the EU market duty free. This is the case for manufactured and processed products. To benefit from these preferences, the Caribbean ACP countries must conform to rules of origin that set out the degree of processing required (raw materials not originating from the ACP CC countries cannot represent more than 15% of the good's price).

			provider. In the “big four”, the second most important export is clothing and footwear, especially from the Dominican Republic (underwear and T-shirts) and, to a lesser extent, from Jamaica (mainly pullovers). Less than 5% of these items go to the EU. The export flows from the “Small economies” to the EU are dominated by exports of machines and electrical equipment. The imports from the EU are dominated by imports of machines and vehicles, machines and electrical equipment (70% of imports of this classification from EU).	

SERVICES

- Services are typically economic activities that can produce high value added (without too important capital investment), in so far as the main source of competitive advantage in many services is human capital, the key factors of labour-intensive services sectors being the productivity of workers and the availability of sufficiently qualified technicians and professionals for knowledge-intensive sectors.
- Tourism is by far the largest service export in the Caribbean. However, the main other sub-sectors are financial services(Trinidad & Tobago, Jamaica), wholesale and retail trade (Barbados, DR, Windward Islands), construction (Barbados, DR), and government services (the Dominican Republic, Barbados, Guyana, Haiti), transport and communication (Jamaica, Barbados, Mainland countries, Windward Islands), banking and insurance (Barbados, Windward Islands).

Economic	Social	Environmental	Trade Flows	Trade Measures
Tourism contributes a third to a half of GDP for most Caribbean countries. This could be explain by the proximity of the region to central/southern America countries and above all to the United States (particularly Florida), the unique environment of the region and the political will to diversify the economies from agriculture to services and notably tourism. However, this strong predominance of one specific sector in the economy of ACP CC, which is particularly known to be fragile due to the high volatility of demand for tourism (in response to international events, political shocks, climatic change, etc.), poses the problem of vulnerability of the whole economy and the need for more diversification in services. There is a general consensus that for the medium-term, the industry has considerable growth potential. Such potential is estimated for the next 10 years in 4-5% range. Investment and services further liberalisation with EU may lead to increase development of tourism infrastructure.	The tourism sector is a major employer in the Caribbean region. There are less poor people depending on services, than those depending on agriculture. However, there are increasingly poor people in services (underemployment or "working poor").	Tourism has contributed to degradation of certain natural assets like coral reefs, not only through tourist encroachment on the reefs but also the mining of coral for the production of various craft items. Expansion of the tourist sector has also contributed to the erosion and ultimate destruction of some beaches. It has also increased the pressure on the access to water. Other areas of services than tourism can be less detrimental for the environment, such as entertainment services (CD…) for instance	The Caribbean region has fared rather well in expanding its service exports, which have about tripled during the 1980-1999 period. Travel and tourism services are the main contributors, although financial and insurance services are gaining in importance as well. Yet, the share of the Caribbean in world exports of services has slightly declined, suggesting that the competitiveness of Caribbean services could be improved.	Trade barriers to mode 4 (free movement of natural persons) is a central issue with respect to liberalisation and growth in services.

4.2.1 Independent sustainability challenges

Some of the sustainability priorities identified in section 3 are less related to trade than others. However, despite their minimal trade-related impacts, they appear to be crucial sustainability issues for ACP CC and might be considered for policy intervention within the scope of an EPA. This section presents a selection of these independent economic, social and environmental challenges based on the identification of sustainability priorities.

Perhaps the first non-trade related sustainability challenges for ACP CC is the problem of their very specific physical characteristic, that is their insularity and their smallness. Such a physical characteristic represents constraints in the extent of possibilities of economic opportunities to promote and develop, as well as a strong factor of economic and environmental vulnerability. The sustainability challenge in terms of physical characteristic is particularly crucial with respect to the climate change and the rise in sea level and the proneness to natural disasters such as hurricanes.

The linkages between the physical characteristic of Caribbean countries and trade are mainly up-stream since the physical characteristic impacts on the ability to produce and export and on the nature of exports. Trade may impact indirectly on the physical characteristic in worsening the vulnerability of the economies to external economic shocks. In this perspective, the concept of SIDS appears to be a particularly relevant attempt to deal with this sustainability challenge. In highlighting the unique limitations and vulnerabilities of small islands, it justifies a distinctive treatment for these countries when trade issues or more generally development issues are discussed and negotiated.

Another important sustainability challenge is the problem of HIV/AIDS. The Caribbean region represents the second highest HIV prevalence rate in the world after sub-Saharan Africa. There is no direct impact of trade on this sustainability challenge. However, it seems that in many countries of the Caribbean region, except some of them such as Haiti, the HIV prevalence rate and its increase are particularly high in tourist areas, which relates it to the further development of the tourism sector. It means that in the perspective of the expected growth of the sector, notably fostered by further liberalisation in services and investment, particular attention should be paid to this sustainability challenge for Caribbean countries. Actions to implement should not only concern the improvement of health conditions and notably health expenditure but should also be directed to prevention and particularly toward the tourist population in promoting a responsible behaviour.

Specific vulnerability of Caribbean countries and HIV/AIDS should be considered in EPAs as cross-cutting issue in all sectors.

5 Selecting Indicators

This section deals with indicators that might be the most relevant for the EU-ACP SIA and followed-up concerning specifically Caribbean region. The selection of these indicators has been based, as the previous section, on the sustainability priorities identified in section 3.1. For some of the selected indicators, observations have been made that reflect the discussions during the Seminar in Trinidad.

With the exception of the three mainland countries, all the countries in the Caribbean region are classified as SIDS – a classification, based on vulnerability, that has been recognised by the United Nations, since the early 1990s. This particular status was reiterated during the Millennium Summit of World Leaders: "We urge the international community to ensure that, in the development of the vulnerability index, the special needs of SIDS are taken into account."[63]

The definition of the vulnerability index has been an on-going process since the 1990s. The next step will occur at the "Barbados + 10" meeting in Mauritius in September 2004.[64] Typically "vulnerability" refers to proneness to damage by external forces.[65] Economic vulnerability is characterised by volatility in GDP and exports. Environment vulnerability is concerned with the risk of degradation of natural resources. Finally, social vulnerability is shown by, *inter alia*, increased growth in criminal activities, high impact of HIV/AIDS, and migration of skilled professionals.

When this index is defined, it will be included in the indicators that follow. For the moment, one has to give a particular attention to the indicators showing economic, social or environmental vulnerability. Those indicators are underlined in the following lists.

5.1 Economic Indicators

Issue	Indicator	Observations
Gross Domestic Product	Total GDP (US$) Per capita GDP (US$) Average annual growth rate (%) Sectoral composition of GDP in terms of production and value-added Annual variation of GDP	GDP for agriculture doesn't reflect its real contribution in the development
Income	Income (level and changes) Wages (level and changes)	
Investment	FDI Flows, inward and outward (US$ million/%) As a % of gross fixed capital formation FDI Stocks, inward and outward (US$ million/%) As a % of GDP	

[63] Declaration of the Millennium Summit, para 17.

[64] Referring to the Global Conference on the Sustainable Development of SIDS, held in Barbados in may 1994.

[65] UNDP, 2002.

Issue	Indicator	Observations
Government expenditure and revenues	Government expenditure (level and changes)	
	Total debt service (% of GDP)	
	Public expenditure on environmental issues	
	Government revenues (level and changes)	
	Composition of government revenues (tariff revenues, income taxes, indirect taxes, etc) (level and changes)	
	Government deficits (level and changes)	
Debt Sustainability	Debt service as a % of exports of goods and services* (MDG8)	

5.2 Social / Development Indicators

Issue	Indicator	
Levels of human development	Human Development Index	HDI masks realities and underestimates the reality of poverty. Need to develop Caribbean social statistics in order to have the base allowing to plan efficient social policies.
Population levels Urban population Ageing index Youth index	Total population (millions) Annual population growth rate (%) Total fertility rate Urban population (as % of total) Population ages 65+ (as % of total) Population ages 0-14 (as % of total)	strong interaction between urban and rural areas due to the smallness of Islands, urban population has to be used with cautious
Poverty	Population living below $1 per day (%) (MDG1) Population living below $2 per day (%) Population living below national poverty line (%) Poverty gap ration (incidence x depth of poverty) (MDG1) Workers remittances (receipt / year) Workers remittances (as % of GDP) Population migrating per year Education level of migrants	Problem of definition in determining what is an acceptable standard of living for CC, which has to be considered in analysing poverty. A more accurate definition has also to include how the poor see and define themselves.
Crime and violence	Number of crimes / year Level of prison population Average age of prison population	
Inequality	Gini Coefficient Share of poorest quintile in national consumption	

Issue	Indicator
Health	Life expectancy (years) Infant mortality rate (MDG4) Under 5 mortality rate (MDG4) Underweight children under age 5 (%) (MDG 1)
Access to basic services	Proportion of population with sustainable access to an improved water source (urban and rural) (MDG 7) Proportion of population with access to affordable essential drugs on a regular basis (MDG 8) Proportion of the urban population with access to improved sanitation (MDG 7)
HIV/AIDS	People living with HIV/AIDS, adults (age 15-49) People living with HIV/AIDS, women (age 15-49) People living with HIV/AIDS, children (age 0-14) HIV prevalence among pregnant women aged 15-24 (%) in major urban areas (MDG 6) HIV prevalence among pregnant women 15-24 (%), outside major urban areas (MDG 6)
Food Security	Average daily per capita calorie supply 1999 (kilocalories)
Food consumption	Average daily per capita calories from animal products, 1999 (kilocalories) Per capita food supply from fish and fishery products (kg/person) (2000) Fish protein as a % of total protein supply
Nutritional status	Percent of children that are underweight Undernourished people (as a % of total population) Proportion of population below minimum level of dietary energy consumption
Food dependency	Share of imports products in domestic food consumption
Public spending on health care	Total expenditure on health as % of GDP Per capita health expenditure

Issue	Indicator
Levels of gender development	Gender Development Index (GDI)
Education	Female adult literacy rate (% age 15-24) (relative to men) (MDG 3) Female youth literacy rate (%) (and compared to male) Female combined primary, secondary and tertiary gross enrolment ration (%) (and compared to male) (MDG 3) Female estimated earned income (PPP US$) (and compared to male)
Economic and Political Activity	Seats in parliament held by women (as % of total) (MDG 3) Female legislators, senior officials and managers (%of total) Female professional and technical workers (% of total) Ration of estimated female to male earned income Female economic activity rate (% for age 15+) Female economic activity rate (as % of male rate)
Gender	Female employment in agriculture (% of female labour force) Share of women in wage employment in the non-agricultural sector (MDG 3) Female employment in industry (% of female labour force) Female employment in services (% of female labour force) Maternal mortality ratio (MDG 4)
Literacy	Number of illiterate adults Adult illiteracy rates (%) Literacy rate of 15-24 year olds (MDG 2)
Enrolment	Net enrolment ratio (MDG 2) Proportion of pupils starting grade 1 who reach grade 5 (MDG 2) Enrolment in pre-primary education Enrolment in primary education Enrolment in secondary education Enrolment in tertiary education
Public spending on education	Public education expenditure (as % of GNP) Public education expenditure (as % of total government expenditure, at primary, secondary, tertiary levels)

Issue	Indicator
Labour Force	Total labour force
	Annual growth rate (%)
	Labour force participation rate in economic activity (%) for males and females
Unemployment	People employed in fishing and agriculture, 2000 (number)
	Number of unemployed (age 15-24, each sex and total
Underemploy-ment	Unemployment rate (%)
	Level of wages in each economic activity

5.3 Environmental Indicators

Media	Issue	Indicator
Coastal and Marine Zones	Concentration of population in coastal zones	% of population within 100 km of the coast
		Sea level
Freshwater	Freshwater quantity	Renewable water resources (per capita)
		Annual water withdrawals (per capita) in m^3
Pressures include:		Water balance (per capita)
		Withdrawals by sector (as a % of total) for agriculture, industry and domestic use
Discharges of pollutants by major activity	Freshwater quality	
	Quality of surface water (eutrophisation, toxic contamination, acidification)	BOD/dissolved oxygen (DO) in inland water
Human settlements	Quality of groundwater	Concentration of nitrates and phosphates in inland waters
	Drinking water	
	Wastewater treatment	Concentration of heavy metals
Water abstractions	(response)	Exceedance of critical loads of pH in water
		Sewage treatment connection rates
Agricultural inputs and practices		
Land	Soil quantity (erosion)	Cultivated area (1,000 ha)
		Cultivated area per capita (ha)
Pressures include:		Land area (1000 ha)
		Percentage forest to land area (MDG 7)
		Annual change rate (%)
Cultivation of marginal land	Soil quality	
		Rates of erosion
		Nutrient quality of the soil
		Levels of salinisation
Intensive /modern agricultural practices	Use of inputs	
		Average annual fertiliser use, 1999
		Total (000 metric tons)
		Intensity (kg/ha cropland)
		Pesticide use, 1994-1996 (kg/ha cropland)

Media	Issue	Indicator
Air	Air Quality	
	sulphur oxide (SO_x)	SOx per unit of GDP (kg/1,000 US$)
Pressures include:	nitrogen oxide (NO_x)	NOx per unit of GDP (kg/1,000 US$)
		SO_2 concentrations in selected cities
Economic growth		NO_2 concentrations in selected cities
	Urban Air Quality	
		Expenditure on air abatement pollution control
Population growth		Atmospheric ODS concentrations
		Ground-level UV-B radiation
	Ozone	Stratospheric ozone levels in selected cities
	Production/consumption of	
Energy supply	CFCs, halons and other ODS	Emissions of ozone depleting substances* (MDG7)
		Existing CFC recovery rates
Fossil fuel supply	Climate Change	
	CO_2 emissions*	
	CH_4 emissions	Levels of CO_2 emissions (million metric tons or
Road traffic	N_2O emissions	carbon equivalent)
Biodiversity	Species	Number of threatened or extinct species compared to
	Threatened or extinct species	the number of known species
Pressures include:		Number of protected species
		% area of key ecosystems/habitats
Land use changes	Habitat	Ratio of area protected to maintain biological
	Habitat alteration	diversity to surface area (MDG 7)
Transportation infrastructure	Land cover conversion	Land areas under management categories I to IV of the IUCN classification
	Protected Areas	Total protected area as % of national territory
		Intensity of fish catches expressed as a % of world
Fish consumption	Marine biodiversity	captures and as amounts per capita
	Fish resources	Size of spawning stocks
		Over-fished areas
Exports of fish and fish products	Other marine resources	Regulation of stocks
		Protection of fragile marine ecosystems, such as coral reefs
Waste	Waste Generation (pressure)	Municipal waste per capita
	Trends and intensities of waste	Industrial waste
Pressures include:	generation	
Consumption levels and patterns	Hazardous Waste	Intensity of generation of hazardous waste
		Movements of hazardous waste
Production levels	Waste minimisation (response)	
And patterns		Recycling rates
Energy Resources		Energy production (quadrillion btu)
		Energy consumption
		Electricity consumption per capita (kwh)
		Energy use (kg oil equivalent) per 1$ GDP (PPP) (MDG 7)
		CO_2 emissions per capita
		Levels of CO_2 emissions (million metric tons or carbon equivalent)
		Share of world total CO_2 emissions

5.4 Institutional Indicators

	Indicator
Political Participation	Participation of parliamentary institutions in government policy making and implementing Number of civil society groups Number of professional associations Number of trade unions Percentage of elected leaders
International Cooperation	Status of ratification of major international conventions on human rights Status of ratification of major international conventions on environment (Cartagena Protocol on Biosafety, FCCC, Kyoto Protocol to the FCCC,CBD) Effective participation in trade negotiations

6 Analysing Trade-Related Sustainability Impacts

6.1 Trade-related scenarios

Based on the previous section, three scenarios for liberalisation that appear to be relevant for the Caribbean region are:

1. Removal of the Commodity Protocols (loss of preferential quotas)

2. Lower tariffs in ACP countries as a result of liberalisation

3. Increased inflows of FDI notably in the tourism sector.

Using the scenarios for liberalisation, the first step in analysing trade-related sustainability impacts is to explore the expected changes in the flows of goods and services related to the sector considered, and the economic impacts that will come about as changes in trade rules.

6.2 Changes in trade and trade-induced economic impacts

6.2.1 The review of the Commodity Protocols

The review of the commodity protocols, with the modification of the CMO for bananas which implies the end of the quota regime for ACP countries and its replacement with a tariff only system (January 2006), the impact of the full implementation of the EBA Initiative and of the next sugar CMO reform, is likely to have generally negative economic impacts in some of the Caribbean countries which depend heavily on production of the commodities for export and the domestic market. This is the case of St Kitts & Nevis, Guyana and Barbados for sugar, and St Lucia, Dominica and St Vincent & Grenadines for bananas (Table 24). The others countries that benefit from the Protocol system are less dependent on it. Jamaica, Trinidad & Tobago and Belize have more diversified agricultural exports to the EU. Antigua & Barbuda, the Dominican Republic and Haiti do not export products under the Sugar or the Banana Protocols.

Table 24. Percentage of total agricultural export revenues of the Caribbean countries to the EU that rely on the agricultural protocols

% of total agricultural exports revenues	Sugar	Banana
> 70%	St Kitts & Nevis (72)	St Lucia (88) Dominica (73)
50-70%	Guyana (63)	
30-50%	Barbados (48)	St Vincent & Grenadines (41)
10-30%	Belize (28) Jamaica (15)	Belize (25) Jamaica (10)
1-10%	Trinidad & Tobago (5)	Suriname (9)
Other countries	Suriname	Grenada

Source: ECDPM, 1997 "Les protocoles relatifs aux échanges agricoles -- Impact et options",No. 5/InfoKit Lomé, June.

Bananas

The market access section indicates that the review of the banana regime is most likely to impact 7 countries, but with an acute impact for St Lucia, Dominica, and St Vincent & the Grenadines, all part of the Windward Islands sub-group. Agricultural products represent a large share of the exports (Table 25) and bananas the main product in the agricultural exports (Table 23).

Table 25. Agricultural products as a percent of the total exports (in 1999)

St Vincent & the Grenadines	81 %
St Lucia	73 %
Dominica	42 %

Source: WTO, trade policy review.

Exposed to competition for supplying the EU market, it is likely that the impact will be a **negative impact**, leading to a **contraction in the banana sector**, and a general inability of the smallest countries to diversify into other products in the short term, either for sale in the domestic market or for export.

The problem is that ACP CC are unable to compete with other producers – in this case it is Latin American countries that are likely to benefit from the expected increase of consumption (from EU enlargement) at the expense of the ACP countries.

Table 26. Main banana exporter on world market in 1998

	Export in 1998 (thousands of tonnes)	Percentage of world market
Latin America	9,650	71 %
ACP	685	5.1 %
Philippines	1,150	8 %
World	13,500	100 %

Table 27. Banana supply in the EU

	Imports in 2002 (thousands of tonnes)
From EU	790,621
From ACP countries	726,469
From the dollar zone	2,560,957

Source: European Commission, 2003.

On the EU market, Caribbean bananas have to compete with EU bananas, mainly from Canary Islands and French Antilles. Greek and Portuguese production represent together about 4% of the EU domestic production. EU bananas benefit from a direct subsidy on fixed volumes. But their producing pattern is similar to the Caribbean one and producing cost higher. The review of the protocol, with the end of quotas, may provide advantages to the Caribbean production, but they will have to face with non-ACP producers, with a lower cost of production. Most banana plantations in Caribbean islands are less than 5 hectares because of the mountainous surrounding. The production cost is around 500 US $/tonne f.o.b.

Plantations of Latin America are very big (up to 5,000 hectares), benefit from foreign investments and are based on intensive production patterns. The production cost is around 200 US $/tonne f.o.b.

Even if the review of the Banana import regime may facilitate the competition between Caribbean bananas and EU bananas, Caribbean producers will face a lot of difficulties to compete with Latin Americas bananas, and the balance may be negative for Caribbean islands.

To counter-balance this potential negative impact, it has to be highlighted that where producers are able to diversify (i.e., the larger, best funded producers, with most access to land and other resources), there may be **positive economic impacts** to the extent that the products they substitute for bananas have a higher value and a strong demand. This substitution strategy may leads to a lesser dependency of the EU market and a reducing vulnerability. However, it depends on the substitute products that are produced and whether they are high-value, whether there is strong demand, how they interact with other sectors, how they impact on employment and whether production practices are more or less environmentally sound.

Though the trend in banana sector is the reduced production, exportation and so contribution of the economy since the implementation of the Common Market Organisation and the banana dispute, there are still some opportunities to explore in these sectors for ACP CC. Number of Caribbean people have proved their attachment to the banana sector during the SIA Trinidad Seminar. They put an emphasis on the increasing opportunities, although still very weak, in high-value niche markets such as fair trade products, organic products or tropical fruits and vegetables.

Sugar

In the Caribbean, six countries depend on the Sugar Protocol.

Table 28: Quota allocations by country

	Quota (in t)[66]	Quotas as % of output	Quotas as % of exports
Guyana	203,217	73	82
Jamaica	150,068	64	96
Barbados	62,037	100	115
Trinidad & Tobago	55,512	47	83
Belize	51,195	43	49
St Kitts	19,782	89	126

Source: Sweetener analysis, August 1998, in Aumand, Hermelin and Tavernier 2003.

For three countries, sugar represents a large part of agricultural exports: St. Kitts & Nevis, Guyana and Barbados (Table 16). But in St. Kitts, as in Barbados, agriculture is not an important economic sector (3.6% and 6.3% of GDP, see Table 3). By contrast, in Guyana agriculture represents 35% of GDP, and sugar and sugar-based products made up 16% of the country's GDP in 2002.[67] **Guyana** is likely to be **the most affected**. Sugar from Guyana is more competitive in terms of production costs than other major ACP sugar exporters (such as Mauritius) but less than Swaziland, Zimbabwe or Fiji. Furthermore, Guyana, as all ACP

[66] Sum of preferential sugar allocations (i.e. sugar protocol) and special preferential sugar allocation (SPS import quota. The SPS regime is designed to cover the sugar supply needs of four EU member states' refining industries, and concerns only raw sugar destined for refining. Sugar under this regime is sold at 85 % of the Protocol sugar price.

[67] Trade policy review of Guyana, WTO, 2003.

countries, is unable to compete with Brazilian producers.[68] In Trinidad & Tobago, even if sugar exports are less important than in Guyana, the Government had to take the strategic decision to close its sugar production company – CARONI Ltd. The industry proved to be non-performing to adjust quickly enough to new market requirements (SIA Trinidad Seminar, 2003).

6.2.2 Lower tariffs in ACP countries as a result of liberalisation

Reciprocal lowering or even removal of tariffs could have mixed economic effects in ACP Caribbean countries.

On one hand, there may be **negative impacts** since lower tariffs will likely to enhance competition from EU imports for local Caribbean production. This is as a result of lower prices due to lower tariffs. In addition, some of the products that are exported by the EU into the Caribbean region are already relatively inexpensive because they benefit from support in the EU. These imports, which are available more cheaply than they can be produced domestically are already having negative impacts on production in the Caribbean countries (see above discussion on dairy products and rice, for example). Where tariffs are removed, and the imports become even more inexpensive, domestic production is likely to be further damaged and it is possible that certain industries, producing like products, or will simply disappear. For industries that can avoid this fate, ultimately, the prospect of increasing, low-cost imports could act as a catalyst to make domestic production more competitive. For some industries this will not be possible, given supply-side constraints.

On the other hand, **positive impacts** may appear for consumers with the prospect of increasing imports from the EU. Presumably at a general level consumers will have access to a wider range of goods at lower prices. Increasing competition from these imports could also lead domestic producers to lower prices, where that is possible. They might displace higher-cost local production in ACP CC and lead, in the final analysis, to a reduction. The magnitude of these impacts will depend, to a large degree on the extent to which imports from Europe are close or perfect substitutes for domestic production in the Caribbean region. It depends also on the competitiveness of local products (including manufacturing) with EU products.

Generally in the Caribbean, tariffs on agricultural products (from 36.7% to 12.9%) are higher than on non-agricultural products (from 13.1% to 7%). Highest tariffs are in usual applied on agricultural products such as dairy products (in all the "big four"), fruits and vegetables (in all the countries where data are available), vegetable oils (Dominica, St Kitts, St Lucia, St Vincent, and T&T), beverages and spirits (St Lucia, St Kitts, Grenada, and Barbados). Highest tariffs on non agricultural products are applied on fish products (Dominica, Grenada, Jamaica, St Lucia, St Vincent, and T&T), petrol and clothing in Jamaica, clothing in Trinidad & Tobago, and footwear in the Dominican Republic.[69] In Guyana for instance, it seems also that the agro-processing industry has been sustained by a protective tariff regime (see box 3.) and that reduction in tariffs and liberalisation has made the local agro-products less competitive. This suggests that the agricultural sector may be the most affected by increased liberalisation, for instance dairy sector, already facing difficulties due to the import of EU products (Box 8).

Box 8. Impacts of EU Dairy products on Jamaican production

Competition between subsidised EU products and local production in ACP countries is scarcely documented. In the case of Jamaica, there is a small production of milk that in theory covers approximately 20% of consumption. The country has some characteristics that are favourable to milk

[68] Document de travail de la Commission européenne, Vers une réforme de la politique sucrière européenne, 2003

[69] Data on tariffs from WTO (several years), see annex;

production (many pastures, sufficient quantities of available water). The potential production is 25 to 30 thousand tonnes and the consumption is 140 thousand tonnes per year.

Yet despite that, milk producers regularly forced to throw away a part of their production as they cannot find any buyers on the market (500,000 litres of milk thrown in 1998 and 1999). Moreover, processing factories are no longer interested in buying local production: they prefer to transform cheaply imported milk powder rather than collect the small quantities of milk produced by Jamaican producers and sold at a higher price than the imported milk. Sixty per cent of the imports came from the EU and 10% from the United States, despite the fact that the costs of production are higher in these two countries (in 1996, cost of production in US$/litre was 0.39 for EU, 0.3 for US, 0.2 for Australia, 0.16 for New Zealand, 0.2 for Argentina).

The national production has been protected by high import tariff through the creation of the Jamaican Commodity Trading Company that had the monopoly in milk imports, until the structural adjustment programme in the 1990s that eliminated production subsidies and tariff decrease. The liberalisation of imports under the Marrakech Agreements, led also to protection mechanisms being dismantled. At the same time, there was a considerable rise in imports of European milk powder that practically increased two-fold between 1990 and 1998. Production lowered from 31 million in 1990 to 25 million in 1994.

In 1994, the Jamaican Anti-dumping Council decided that the United States and the EU were selling dairy products on the Jamaican markets at prices below production costs (dumping) and that an anti-dumping tax of 137% should be applied. A study conducted by the Commonwealth Secretariat in 1996 recommended the application of a general customs duty of 50% on all imported dairy products. Yet nothing has been done. Jamaica was unable, because of World Bank pressures and of processing factory lobbying, to imply an anti-dumping tax although it was suggested by different organisations.

Source: Eurostep, in Solagral. 2002.

6.2.3 Increased inflows of FDI notably in the tourism sector

The economic impacts of increased inflows of FDI could be both positive and negative. There will be increased competition among Caribbean countries to attract FDI from the EU resulting from EPAs. However, it seems to have a general consensus to assume that, it is in the **tourism** sector that the most significant scale effects will occur, with a considerable growth potential for the medium-term. Such potential is estimated for the next 10 years in 4-5% range.

Tourism is often presented as a main opportunity for the development of the SIDS (small islands developing states)' economy. Natural resources in the Caribbean region represent an important potential for tourism development, and the region is more tourism centred than any other part of the world. Tourism generates in the wider Caribbean region an income of US$2 billion per year. In general, tourism growths faster than the GDP. But in small islands, the new mono-sectoral-based development, former agriculture (sugar or banana) next tourism, leaves countries as vulnerable as before. For instance, tourism represents 60% of the GDP in St. Lucia.[70]

In the whole region, tourism industry is mainly foreign owned (63% of hotel rooms).[71] The travel and tourism industry attract around 40% of the FDI flowing into the region, ranging from 77% in Barbados to 18.2% in Trinidad & Tobago.[72] In the Dominican Republic, tourism was developed primarily using domestic investment. It is estimates that US$12 billion will be needed to invest in the accommodation sector, in order to match the world-wide demand for the Caribbean destinations, in 2005.

Tourism may be divided in several categories, with different spin-off effects on the local economy. Cruise tourism, owned by large non-Caribbean corporations, which has shown the

[70] Bryan, 2001.

[71] Fuller, 1999.

[72] Bryan, 2001.

most important growth in the recent years, generates negligible revenue for local economies, and a weak spin-off effect, due to the on-board duty-free shops, casinos, restaurants, and so on. Cruise tourism does not represent a tax sources for governments. Land-based hotels have better impacts on the local economy providing jobs (direct and indirect), and taxes for state budget. But in this case, enclave-resort tourism has to be distinguished from traditional accommodation, which generates more income for local population (through gift shops and restaurants for instance). Enclave resorts promote high leakage, estimated at 70% for the Caribbean, lost in imports. The problem is more acute in small islands. In less vulnerable economies, the multiplier effect is better. In the Dominican Republic, it is estimated that for each dollar spent by a tourist, $1.20 enters the economy.[73]

6.3 Linking economic impacts to sustainability: Causal Pathways

This SIA methodology adopted presents the following avenues that may be relevant to trade-induced economic impacts on sustainability as a guide for the analysis: changes in overall levels of economic activity (scale, product/ services) and changes in the pattern of economic activity (structure). Impacts can be determined by an assessment of specific variables including production methods (including technology), transportation and other infrastructure.

6.3.1 Review of the Commodity Protocols

The **economic assessment** of the review of the commodity protocols suggest that the banana and sugar sectors will contract, pursing the existing trend. There will be less production and less export. The most important effects are the structural effects that result from the prospective liberalisation under the EPAs and the review of the protocols shifting viable production out of bananas and sugar, and into production where the countries of the Caribbean region are better able to compete. Therefore, at a general level, the environmental and social impacts will come about through those impacts brought about by declining production in sugar and bananas, and consideration of what might replace that production at the impact of substitute activities on economic, environmental and social sustainability.

The importance of banana and sugar sectors in Caribbean is real, but with some differences between the countries, depending on their main production. It was underlined in the Trinidad seminar that, even if agriculture does not weight a lot in the whole economy, it plays a major role as contributor to food sovereignty, food security, management of environment, and maintaining of local value and culture. For instance, sugar is considered as an important issue in St. Kitts & Nevis or Barbados, with a little economic contribution.

Box 9. Agriculture as the centrepiece of sustainable development priorities

Given its role in employment, national food security and sovereignty, its many linkages to other sectors of the economy, its contribution to GDP, its potential to feed niche markets both intra and extra regionally, and its significance for an economic model that can reposition the Caribbean in the global economy. Agriculture is the life-blood of the majority of rural people who maintain a measure of personal autonomy due to the ties to the land. Farmers need to be empowered not further impoverished and this can be done by EPA making provisions to compensate for loss of banana earnings so as to fuel investment and training for up-scaling conventional agriculture to value added processing. Eradication of poverty is inextricably linked to new and improved agricultural production which can harness masses of reserve labour through specialisation in innovative niche areas, research and development, transport and market information to name a few.

[73] Fuller, 1999.

Social impacts will depend in part on availability of paid employment and the ability of different actors to adapt. Alternative employment opportunities can be found either in agricultural sector or in non-agricultural sector such as manufacturing and services. The relatively high level of education in the Caribbean countries, except in Haiti, suggests that transition or adjustment is possible for the vast majority of people. However, poor people are often among the less skilled people and often in the agricultural sector. The higher poverty rate in rural areas than urban areas indicates that any potential social impacts of an EPA would be related to agricultural activities. Therefore, poverty and social exclusion might increase.

The high level of unemployment and underemployment and low wages do not provide opportunities for rural populations that may be affected by the collapse of their productive sector due to higher competitive environment and declining prices. Then, a growth of the informal sector may occur, and cannot be seen as a positive evolution in terms of macro-economy since it means that less fiscal revenues are available. The challenge is also to know how to manage the growth of informal sector.

The banana industry is an important employer in the Caribbean, especially in the Windward Islands where most of the exports are banana products to the EU (88% of total agricultural exports revenues to the EU for Saint Lucia, 73% for Dominica). The decline in earnings faced by the banana industry, due to the fall in prices since 1993 and the over-supply of the European market by dollar bananas, hurts small farmers in particular. Due to the relationship between the banana industry and transport and other sectors, the decline has had a spillover effect into other areas of the economy, inducing poverty beyond the agricultural sector. In the Windward Islands, most of banana production is located on very small farm plantations, with less than one hectare on average. Greater liberalisation in the European banana market, due to the removing of Caribbean bananas preferential access would expose Windward Island producers to increased competition from more efficient Latin American producers and cause a fall in the price received for Windward bananas.

Table 29. Employment in banana industry (percentage of total employment)

Saint Lucia	30%
Dominica	36%
Saint Vincent & the Grenadines	35%

Source: Winfa 1999, data 1995.

In Guyana, more than 26,000 people work in the sugar sector. 21,500 are permanent or temporary workers (6 % of Guyana's labour force) for the sugar industry, and 5,000 people are involved in cane farming. Most of the workers are low-income, and most of the poor in Guyana live in rural areas. Sugar industry play an important role in poverty reduction in rural areas, and the expansion of sugar sector is planned in the national programme to fight poverty.

Environmental impacts of the expected changes in agricultural sectors under the EU protocols will largely depend on the behaviour / strategy producers will adopt vis-à-vis this new context. A distinction between small and large scale farming systems needs to be made.

Some producers with large scale farming systems may choose to intensify their production methods in order to compensate the decrease of their incomes, resulting from the end of preferences, and for the increase of agricultural imports from EU. Further intensification of agricultural practices may extend the agricultural frontier and consequently exacerbate the existing pressures on environmental resources mentioned above (soil erosion due to land clearing, loss of biodiversity, etc.).

Other producers with smaller scale farming systems may not have the choice, because they may not be able to compete with products from other developing countries on the EU market, the end of the protocols may lead to their disappearing. Environmental impacts will depend on the farmers' strategies. They will abandon their agricultural activity, expand the agricultural frontier (cultivation of even more fragile lands, deforestation) or shift their cultivation. Negative effects are likely to be expected on soil and biodiversity. The abandonment of agricultural lands may lead to the soil erosion. Shifting banana plantations that have to some extent, a soil-fixing role to annual crops could expose soil to even greater erosion. Small planters / producers may choose to cultivate more lucrative crops that are less adapted to local environmental conditions, more agrochemical intensive and with a poor genetic diversity.

Indeed, banana or sugar producers, that are in a position to adapt to structural change, may be able to take advantage of increasing opportunities in niche markets such as fair trade products, organic products, or traditional fruits and vegetables. However, demand for these products is not likely to compensate the reduced income and employment producers will have to face in their sector affected by the increased competition with non ACP countries. It is to be underlined too that the access to EU market for new agricultural products may be difficult, due to the increasing of EU SPS measures constraints.

The implementation of national regulations may be needed to mitigate/reduce the environmental effects resulting of either intensification, shift to other cultivation or the abandonment of agricultural activities. Such national regulations may be important to define property rights on lands, to control water pollution and waste emissions.

Box 10. The case of Haiti

Haitian farming systems are essentially small scale and familial-based systems. The end of the EU preferences may strongly affect the sustainability of farming systems and the environment. Small farmers may be forced to abandon their agricultural activity, cultivate more fragile lands or shift their cultivation with the environmental consequences raised above. Conciliation of farming systems and the protection of the environment represent therefore an important challenge for the development of the country. The particular case of Haiti would need to be considered within future EPAs with the EU also for environmental reasons.

6.3.2 Lower tariffs in ACP countries as a result of liberalisation

The economic assessment above suggests that the prospective EPAs could, where coupled with reciprocal decreases in tariffs lead to contraction in industrial and agricultural sectors faced with increased competition from EU producers, particularly where those producers benefit from domestic support measures. Again, this is most likely to have structural impacts on the economies of the Caribbean countries that depend heavily on products that compete with EU production. There may also be impacts associated with the increasing exports from the EU (scale) in products that are inherently dangerous or environmentally damaging. For example, some of the products imported by the Caribbean countries from the EU - chemical products, fertilisers, vehicles - are generally source of damages to the environment (freshwater pollution, waste emissions, etc.). Increasing imports and industrial activity are also closely related to increased solid and liquid waste.

Agriculture

Environmental impacts of an openness of the market to EU agricultural products will depend on the products and on the strategy adopted by the producers. Producers with smaller scale farming systems may not be able to compete with European products imported in the region. In this case, they may be led to disappear, or to shift to new products, for domestic market if it

does exist, or for niche markets in developed countries (or high income consumers in some developing countries).

For instance, the removing of tariffs on dairy products may induce a strong decrease of Caribbean production. This impact may be positive for the environment for dairy production located near the urban areas (avoidance of over-grazing). It may be negative on the floral composition of the pasture. A case by case study may be more relevant.

Regarding to food security, there is a growing concern across the region that if current trends toward liberalisation continue in tandem with the full implementation of the WTO, FTAA and EPAs, the region's dependence on extra-regional sources of food will become a permanent adverse and dependent characteristic of Caribbean economies.

Fisheries

In the case of fisheries, it is generally assumed that trade liberalisation may increase fish captures, with a resulting degradation of fish stocks and marine ecosystems. It is also worth considering whether all fishing systems (traditional fishing/industrial fishing) of the Caribbean countries, will resist the competition resulting from the openness of markets. In particular, it is questionable whether traditional fishing will not disappear and be replaced by industrial fishing. Indeed, if this were to occur, this may be more damaging on the environment as captured fish quantities would be higher.

Manufacturing

The decline in wage competitiveness in the area of export-oriented light manufacturing and assembly operations presents still some concern among the urban poor employed in this sector. The openness of the Caribbean market to EU goods may induce for domestic-oriented manufacturing, for example to tourism sector, an increase competition. The impact on local employment should depend on the relative competitiveness of local products and EU products.

6.3.3 Increased inflows of FDI notably in the services sector

Increasing flows of FDI into services sector, notably the tourism sector, is likely to result in growth in that sector, with associated scale effects on sustainability, which are likely to be mixed.

From a social perspective, one might keep in mind that the tourism sector is a major employer in the Caribbean region and growth in the sector will likely have a positive impact on employment in tourist dependent areas (Table 30).

Table 30. Population employed in tourism

Country	Total employed persons	Total employed in tourism	Employment in tourism sector as percent of total employment	Males in tourism	Females in tourism
Barbados* (1998)	119,600	13,800	11.5 %	6,200	7,600
Dominican Republic (2000)	430,281	n.a.		n.a.	n.a.
Jamaica**(1998)	953,600	205,400	21.5 %	76,600	128,800
Trinidad & Tobago**(1998)	479,300	83,300	17.4 %	38,400	44,900
Antigua & Barbuda* (1991)	27,850	4,750	17.1 %	2,030	2,730
St Kitts & Nevis	n.a.	n.a.		n.a.	n.a.
Dominica*(1997)	25,690	980	3.8 %	240	730

Grenada*(1998)	34,789	1,974	5.7 %	779	1,195
St Lucia* (1999)	59,850	5,710	9.5 %	2,515	3,195
St Vincent & Grenadines *(1991)	33,440	1,350	4.0 %	550	800
Belize*(1999)	77,755	5,490	7.1 %	2,455	3,035
Guyana (1992)	245,490	n.a.		n.a.	n.a.
Suriname **(1998)	88,244	16,473	18.7 %	10,029	6,444
Haiti	n.a.	n.a.		n.a.	n.a.

Source: ILO, and DR Government for DR. * data for hotels and restaurants services; ** data for Wholesale and retail trade, hotels and restaurants.

Moreover, tourism activities generate indirect jobs, such as taxi drivers, water sports operators, workers in bars, restaurants, casinos, souvenirs and retail shops. Workers in tourism sector (hotels and restaurants) are mainly women, and jobs are often low qualified.

Tourism development is a way to reduce poverty, providing jobs to the most vulnerable part of the population (women). Unfortunately, tourism development generates work in the sex trade involving men, women and minors. In the Dominican Republic, an estimated 50,000 people are involved in the sex trade, and the country is linked to Thailand and Philippines for sex industry.[74] Prostitutes can earn far more than hotel housekeepers. HIV/AIDS is closely linked to workers in the sex trade and is concentrated in the tourism areas. Tourism development also generates violence. Serious problems may arise between tourists and local population including harassment by street vendors, robbery, crimes. Caribbean governments have to face this problem, to maintain tourism development in their countries.

From an environmental perspective, increasing growth in the tourism sector may have more negative impacts by increasing the number of operators in the market and putting additional strain on natural resources, particularly fragile coastal zones. While the beaches in the Caribbean region are an important economic resource, and tourist attractive, they are also relatively fragile systems, whose equilibrium can be easily disturbed and whose geomorphology renders them vulnerable.

Increasing tourism development can also put pressure on local infrastructure and increase demands for scarce resources such as clean water. Likewise, municipal capacity to manage increasing amounts of waste generated by increasing numbers of tourists might be inadequate, leading to increased pollution of land and marine resources. Land-based tourism generates difficulties in waste management (wastes are often dump in improper sites), water shortages. Hotels are often concentrated on small areas, near the sea, and they contribute to the increasing of traffic pressure and air pollution. The development of cruise tourism is linked to the degradation of coral reefs in the Caribbean Sea, loss of biodiversity and a reduction in sea-grass beds.

Sustainable development of tourism in Caribbean depends on the good management of natural resources. During the past years, mass tourism was supported for instance in all inclusive resorts. Today, new tourists are older, more interested in authentic and local, and often look for natural tourism (eco-tourism, small hotels).

Trade liberalisation within future EPAs should be done within the framework of tourism policies and standards that take the environment into account. This is especially important since part of the tourism development is directly linked to the capacity of the countries to preserve the environment resource (coral reefs, forests and wildlife). There is a high potential for tourism development in the Caribbean to contribute to environmental degradation in the absence of strong environmental laws and policies. On the other hand, where FDI encourages

[74] Fuller, 1999.

transfer of environmentally sound technologies to support waste management and water related services (sewage), FDI from EU operators might have positive impacts and assist the Caribbean countries to upgrade their infrastructure over the longer term.

Other areas of services can be less detrimental for the environment and might be favoured by further services liberalisation. In this perspective, **entertainment services** such as CD appear as interesting prospects of capitalising. The specific Caribbean geography makes the problem of transport costs particularly accurate as a limiting factor in attempting to develop competitiveness.

Increasing flows of FDI does not involve only negative impacts and notably environmental degradation. FDI are usually seen as a way to implement technology transfers and they might permit for ACP CC access to knowledge and technology from EU. In case of environment, impacts might be positive since European firms apply the same high standards that exist in Europe.

6.4 Fiscal impacts

Of particular concern to ACP CC is the potential significant loss of tariff revenues that may result from the establishment of a two-way preferential agreement between Europe and ACP CC, that is the elimination of trade barriers and therefore, of import duties.

Impacts of this trend depend on the degree of dependence of the various ACP CC on revenues from duties (Table 31). Countries that are highly dependent on customs duties as a source of revenue are likely to be more affected by the reduction in tariffs than countries that are not so dependent. Some studies have noted that a reduction in tariffs tends, *ceteris paribus*, to reduce government revenues and to increase the quantum of imports. This situation eventually worsens the budgetary position. However, the impact on the revenues of the country has to be precise when considering at least the number of tariff line items.

On average, the region is moderately dependent on import tax revenues as a source of total tax revenue. Data may vary from a study to another, depending on the precise variable taken and the date of the study. One study[75] indicates that five of the twelve CARICOM countries (primarily those belonging to the OECS) were highly dependent on revenue from customs duties as a source total tax revenue in 1999. By contrast, the more developed countries of CARICOM (Barbados, Guyana and Trinidad and Tobago) are less dependent on taxes from imports. And among the MDCs, Jamaica is the most dependent on taxes from imports.

Table 31. The fiscal dependence of the CARICOM region on taxes on imports (1999)

	Import duty as a % of	
	Tax revenue	**GDP**
Haiti		
Dominican Republic		
Jamaica	27.6	8.4
Trinidad & Tobago	8.4	1.6
Dominica	48.2	11.7
St Lucia	52.0	12.1
St Vincent & Grenadines	48.2	11.6
Grenada	49	9.2
Guyana	11.1	3.1
Belize		

[75] Shelton Nicholls, Janice Christopher-Nicholls and Philip Colthrust. 2001. Evaluating the fiscal impact of a regional economic partnership agreement between the European Union and CARICOM. Paper presented at GLM Workshop. University of Nottingham.

Suriname		
Antigua & Barbuda	18.9	3.2
Bahamas	52.7	11.8
Barbados	8.9	2.7
St Kitts & Nevis	49	10.9
OECS	43.3	9.1
Caricom	21.7	6.1

Source: Nicholls *et al.* (2001).

The 2001 Annual Report of the Eastern Caribbean Central Bank presents also data concerning the share of border taxes in recurrent fiscal revenues. In six OECS countries data are as follows:

- Antigua: 66.1%
- Dominica: 54.8%
- Grenada: 61.2%
- St. Kitts: 50.7%
- St. Lucia: 55.4%
- St. Vincent: 50.2%

The first study also indicates that the contribution of revenues from customs duties for the region as a whole increased steadily between 1976 and 1999. There are, however, specific trends for some countries, such as Barbados where the contribution of import duties to revenue declined progressively between 1976 (20.2%) and 1999 (8.4%). Over the same period Guyana and Trinidad and Tobago, the contribution of import duties to revenue fluctuated.

The impacts of this loss in fiscal receipts concern all the areas of government. Detrimental effects can be particularly acute in social and environmental areas. This means that less revenue is available for expenditures in key social sectors such as education and health. Government programmes to promote training are particularly crucial to prepare people for the necessary transitions in a new economic context and to permit them to take advantage of the possible new economic opportunities.

It is therefore important to take into account, in case of an EPA between the CARICOM and the European Union, some mechanism for distributing the gains in such a manner so that the negative impact of a fall in government revenues can be alleviated. Moreover, the EPA should also encourage the development of other revenue creating activities such that the dependence on trade taxes as a source of government revenue could be alleviated in the medium to long term.

The policy options facing the loss of a source that accounts for over one-half of all fiscal receipts for many ACP CC are limited. VAT is an option –either introducing it or raising existing rates. However, this potential course of action comes with a hefty political, economic and administrative price tag.[76] Indeed, one concern is for a possible increased tax burden for the citizens to make up for the loss.

The granting of reciprocity is muted by the fact that the EU is not the major source of imports. However, the Caribbean is party to two other processes – one multilateral WTO and the other FTAA – that threaten traditional sources of fiscal revenues. The cost of reciprocity goes far

[76] Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations: Towards an Enhanced Partnership.

beyond the loss of fiscal revenue. Granting the EU increased access to Caribbean markets promotes the displacement of national producers with the attendant loss of jobs, productive capacity and growth potential.

The net welfare effect of granting reciprocity can be exacerbated in an environment where there is a fiscal deficit depriving governments of the means to cushion economic and social shocks[77] or adjustment to the new economic context.

6.5 Regulatory impacts

Without appropriate regulations at the national levels, social and environmental impacts of changes in economic activities, due to a new economic and trading context are not likely to b mitigated. National regulations may include social safety nets, measures to maintain and improve the respect of health and other standards and environmental regulations. The latter is particularly important given the nature and range of environmental challenges confronting the region. Vulnerability reduction can only be successfully tackled by employing a variety of strategies:

- Monitoring: measurement, assessment and prediction.
- Maintaining and improving resilience of system.
- Building technical and institutional capacity to manage dynamic environmental systems. This is largely an internal process, which can be accomplished with external assistance.
- Use of appropriate multilateral environmental agreements.
- International assistance and partnerships.

The previous issue of fiscal impacts may have direct impacts on the ability of governments to implement programs that can reinforce positive potential impacts of liberalisation or otherwise offset the potential negative ones. In particular, government regulation is relevant for sustainability through regulations aiming at protecting the environment and ensuring the respect of social, health and other standards.

Even though all the ACP CC have signed many of the most important UN Conventions, environmental regulations are part of the environmental management strategies. Moreover, international conventions are not complete since they do not address the question of “free riders”.

In this context, assistance will be important in allowing stakeholders access new markets and remain competitive. Regarding access to the EU market, the future of the commodity protocols in an EPA needs to be negotiated in relations to adjustment support measures by the EU.

Moreover, though the regulatory approach is particularly usual in terms of environmental management, an emphasis should also be placed on economic incentives and voluntary approaches.

6.6 Prioritising Impacts

This section identifies the most important sustainability impacts in order to help inform negotiators during trade negotiations and other policy makers where the most important risks are with respect to sustainability, and where there are a range of issues that should be

[77] Bilal S., Lodge J. and Szepesi S. 2003. The Caribbean-EU relations: Towards an Enhanced Partnership.

addressed through appropriate policy responses to support sustainability. This exercise is based on the following criteria:

- "Hot spots" – extent of existing economic, social and environmental stress;
- Potential impacts –order of magnitude, geographic extent, and duration;
- Number of people directly or indirectly affected; and,
- Whether or not the projected impacts are likely to be irreversible.

6.6.1 Impacts on bananas and sugar producers

Even if an assessment of number of people likely to be directly or indirectly affected by changes in the banana and sugar sectors due to EPAs would need further research, the direction, scope and duration of changes seems sufficiently clear to allow to consider these impacts as the first one to retain the attention. Indeed, bananas and sugar are produced and exported by all ACP CC, but some countries depend more on these sectors than others, due to the weak diversification of their economy. It is the case of the Windward Islands for bananas, and sugar exports in Guyana, Barbados, St. Kitts & Nevis.

Due to the competitiveness of non-ACP countries, whether they are located in Latin America or in Europe (EU per se and Overseas Territories), it seems that ACP CC products will be no longer able to benefit from the share they had in the conventional market. Changes seem to be inevitable and irreversible. To avoid collapse of bananas and sugar sectors and in order to maintain their activity, producers have no other choice than seeking new markets, such as niche markets. Therefore, magnitude of the economic and impacts will depend on the behaviour of producers, as well as the nature of the environmental impact will depend on the type of the substituted crops.

6.6.2 Fiscal impacts

The introduction of reciprocity and so elimination of import taxes will inevitably imply negative impacts in terms of loss in fiscal receipts in all ACP CC, of more or less extent depending on whether the country benefits from important trade taxes as a source of revenue. All the areas of governmental intervention are concerned, including certain social or environmental measures that could be implemented to help people face with the new economic and trade context: safety nets, support to take advantage of possible economic opportunities, and harmonisation of environmental regulations.

A crucial element the negotiators have to take into account during the trade negotiations is the implementation of mechanisms to mitigate negative impact of a fall in government revenues and the development of other revenue creating activities in order to be less dependent on trade taxes.

6.6.3 Environmental impacts of potential growth in tourism sector

If loss of fiscal receipts and increased budgetary constraints prevent from countries from applying environmental regulations, another negative impact may appear with the unsustainable growth of tourism sector. Positive impact may however come from FDI and related technology transfers.

6.6.4 Other impacts and opportunities

Potential negative impacts of cheaper EU imports on Caribbean production for milk and milk products appears less significant than the previous ones in terms of number of people directly or indirectly concerned at least in the short term. Producers of milk and milk products are for the moment concentrated in a few ACP Caribbean countries.

Opportunities for exports have been previously mentioned several times with respect to different sectors. These opportunities are of crucial importance to diversify the Caribbean economies and thus reduce their vulnerability, as well as to offset the loss of export earnings in banana and sugar sectors due to the review of the Commodity Protocols. The common challenge for the development of these opportunities is to ensure the competitiveness, or a higher competitiveness, of the local exports, in whatever sector, as the economic and trade context will be more competitive and free with EPAs. Stakeholders during the SIA Trinidad Seminar point that the development of opportunities in one sector may also imply opportunities in other sectors, since linkages are strong between the different sectors and notably between goods and services. Development of tourism means tourism infrastructure and imports of goods supplying the tourism industries.

In the **agricultural sector**, even in traditional sectors such as bananas or sugar, some opportunities exist in niche markets such as fair trade products, organic products, or traditional fruits and vegetables. These opportunities have already been very useful for banana producers affected by the increasing competition with Latin American producers after changes in CMO for banana. The role of Windward Islands Farmers Association (WINFA) has been highlighted during the SIA Trinidad Seminar for its Fair Trade Initiative that was bringing hope to many displaced banana farmers in the Windward Islands. WINFA has been trying to get Caribbean bananas to the North American market in the way they have done in London under the brand of Fair Trade Bananas in 2002 (SIA Trinidad Seminar, 2003).

Box 11. Agri-food niches markets

Niche markets covers a marketing strategy that uses product differentiation to appeal a focused group of consumers. Product differentiation may be based on intangible use criteria, and purchase motivations are not economic. For instance, consumers look at the way of production (organic products), or the identity of producers (small farmers in developing countries, in the case of fair trade). Target groups of consumers are environmentally or ethically sensitive consumers, and with a high purchase power.

Since the beginning of the 1990s, Fair trade products sales increase and still have good potentiality for further development. For instance, since the launch of the first fair trade banana in the EU in 1996, the sales have been multiplied by 5 between 1996 and 2002[78]. Fair trade bananas are already produced in the Caribbean (Dominican Republic and Windward Islands), and it is possible to develop the production under this label. The development of Fair trade sugar may be more difficult in the Caribbean, because this production does not already exist, but it will be a new opportunity for sugar, too.

The EU demand for organic products increase steadily, including in next Member States, and offers interesting opportunities for Caribbean countries. Organic farming already exists in some countries[79], but represents a very small share of all the agricultural area (from 0.02 % in Guyana to 1.30 in Belize, IFOAM 2003). Organic farming is used to produce tropical fruits for export. The Dominican Republic, is the largest exporter of organic bananas and cocoa in the world (60 % of international trade of these products)[80]. Most of the DR organic farmers are small farmers. It is possible to mixed organic and Fair-trade labelling, in order to add the added value. For instance, in 2002, 14,280 tonnes of organic

[78] EFTA Yearbook: Challenges of Fair Trade 2001-2003, European Fair Trade Associaiton, 2002

[79] Belilze, Dominica Republic, Guyana, Jamaica, Surinam – The World of organic agriculture, IFOAM, 2003

[80] UNCTAD TrainForTrade programme,2003

Fair-trade bananas were sold in Europe, and half of them was produced by the Dominican Republic (Fair Trade Labelling Organisation, 2003).
Non labelling niche markets may be target too. Usual niche products are tropical fruit or vegetables, or temperate vegetables supplied when temperate regions are not able to produce. New niche markets, where the geographical origin of the product induces the differentiation, may be more interesting because of the weak competition in it. For instance, ethnic food products face an increasing demand in developed countries, due to the expansion of tourism and the demand of the Caribbean Diaspora. The Jamaican Blue Mountain Coffee is a high quality product, due to the place where it is produced, and sale on gourmet markets, as an brand rather than a commodity.

There might be an increasing demand for these products, notably linked to the development of sustainable tourism which aims especially at making tourists discover traditions, culture and local living conditions. However, this opportunity has to be counter-balanced by the fact that this demand is still very marginal.

In the **services sector**, there may be some opportunities as a result of further liberalisation in the services (mode 4–free movement of people) and in investment (work permits, uncertainty, high taxes and fees…). The development of services sectors other than tourism is of crucial importance for the middle-income economies of the Caribbean region. In order to take advantage of the opportunities, the Caribbean will have to give priority to the strengthening of their comparative advantage in terms of education and professional qualifications, to develop the quality of the service outcome and to assure their reputation in the context of fierce international competition. The liberalisation process is likely to induce reduced costs and improved competitiveness for the Caribbean.

Manufacturing is another sector where opportunities may be explored. This sector is not very developed in ACP CC for the moment, though not insignificant in some of them, and positive impacts may appear if public support or external support (technical and financial) can be negotiated and applied to the development of the sector. There are notably opportunities to the establishment of a potentially profitable agro-processing sector. However, the development of the agro-industrial sector is actually confronted to some constraints and problems such as:

- An inconsistent and insufficient supply of raw material
- Seasonality of crops
- Poor quality of raw material supply and high losses during transport from farm to factory
- Inappropriate or obsolete processing and ancillary equipment
- Poor and inconsistent quality of processed products
- Sub-optimal use of processing facilities and equipment
- Poorly trained personnel and a lack of qualified food technologists
- A lack of proper hygiene and sanitation practices
- Inappropriate packaging materials and high packaging cost
- Weak or non-existent market development
- A lack of technical support for the agro-industrial sector
- Absence of good management of the processing facility once commercialised
- Financial issues

It seems that the success of a sustainable agro/food-processing industry has to be based on:

- Assurances of acceptable quality of raw or primary material and in quantities and a pre-processed form needed by the processors. This requires much greater attention and investment of resources to research into the collection, selection and propagation and pre-processing of suitable cultivars specifically for agro-processing.
- Access to capital, technology, effective management and supporting services such as credit, marketing, research and extension.
- Trained professionals in food science and technology and related disciplines.

- Careful analysis of the domestic, regional and international markets as a basis for policy formulation and future investments in agro-processing. It is important to determine the optimum conditions of the market, particularly if significant funds and long-term investment capital are to be allocated into agro-processing.
- Possible emphasis on product specialisation and product quality with the specific objective of securing niches in the domestic, regional and international markets. This has the potential of stimulating market demand through the novelty of essentially Dominican exotic tropical products of high quality and presentation.
- Stronger and more meaningful linkages between the farming community, the agro-processing sector, Government and financial institutions.

Private sector companies are likely to play a critical role, not only through possible direct investment but also in the marketing of products from the agro-processing sector.

7 Policy Recommendations

The EPAs, not really as such but in relation with impacts of some changes in EU trade regime (CAP reform, EBA Initiative, Doha Development Agreement), will certainly bring an economic and trading environment different from that under the Lomé Conventions. There will be adjustments in the Caribbean ACP countries and a cost of adjustment, notably in terms of the re-orientation of their productive base into less traditional agricultural crops or increasing light manufacturing.

The envisaged scenarios do not have absolute negative or positive impacts—the situation is more complex and each trade measure will most likely have mixed impacts. The real impacts, whether they are positive or negative, will depend to a great extent on the domestic measures that will be implemented to anticipate and mitigate the impacts of change. The challenge is to implement policies that help people adjust to the new economic and trading environment. Some policies are needed to minimise and prevent negative impacts, other to foster the potential positive impacts and to develop opportunities. In order to facilitate this adjustment, a preliminary set of general recommendations is presented. These are based largely on the results of the consultation in November 2003.

7.1 Trade-related policies

This first set of policy recommendations deals with policies that relate directly to the trade negotiations and address specific trade measures, where significant impacts are found to exist. Policy recommendations are also thought with the view that these impacts can be mitigated or avoided by adopting a particular negotiating position with respect to a certain trade measures, or by developing new environmental and social safeguards to include in the agreement.

Special and Differential Treatment

Special and Differential Treatment and preferential markets, even if SIDS status is not recognised in the WTO framework, should be taken into account in the trade negotiations between Caribbean region and the EU. It is viewed as prerequisites by the CSO for the major objective of poverty reduction. The Special Framework of Assistance for the traditional banana suppliers put in place by the EU, with a view to tackling the problems of competitiveness and/ or encouraging diversification in the ACP producers, could be enlarged to other sectors.

Assistance to compensate the costs of adjustment due to the review of the Commodity Protocols

Assistance should be available in particular to compensate for loss of banana export earnings, to encourage investment and training for up-scaling conventional agriculture to value-added processing. Trade assistance programs should also be implemented to re-train displaced workers from banana or sugar companies that are non-performing to adjust quickly enough to new market requirements and forced to close. It is also to transfer them to new activities as well as put in place the infrastructure that would allow them to become own account farmers. New activities may be in manufacturing, services or fisheries for instance.

7.2 Policies to promote sustainability (including capacity building)

Policies here are related to the promotion of sustainability and might be implemented at the domestic level in the ACP, with the cooperation of the EU. In some cases, these are areas where immediate attention is required in order to maximise the opportunities for the ACP offered by liberalisation.

Adapt the policies to the specific context of Caribbean.

Most of Caribbean countries are considered as SIDS (Small Island Developing States), characterised by high vulnerability, high transportation costs, and small economies with a weak level of diversification. The results of the next Global conference on sustainable development of SIDS (Mauritius, 27th September 2004) have to be followed in the EPAs process.

Meaningfully involve non-state actors in the negotiation process.

Non-state actors have a major role to play in the success of future EPAs. The participation of non-state actors has to be ensured at European and regional level.

Support Caribbean efforts to develop productive capacities and take advantage of opportunities

Recommended policies should have the objectives to restructure Caribbean primary sectors, develop capacity building in order to help people to acquire new knowledge and technology, re-skill workers, stimulate domestic entrepreneurship, and seek foreign capital. Capacity building is important not only with respect to the primary sector, but also in the whole population to allow people to take advantage of the likely development of services sector other than tourism activities (financial services, entertainment, etc.). All these efforts in terms of development constitute also adjustment efforts to overcome supply side constraints.

One of the main constraints of benefiting fully from new trade opportunities concerns standards, certification or labelling issues. Farmers have to be assisted to develop the capacity to successfully exploit niche markets for organic farming, fair trade (even if demand is very weak for the moment) and the capacity to comply with procedures required with respect to rules of origin, trade defence measures. Technical assistance in the field of standards and conformity assessment can contribute to ensuring that requirements for product certification are met and help countries conform to the requirements of the EU regulations, such as traceability, maximum level of residues, implementation of HACCP process, for instance. Technical assistance on this field has to deal also with Code of good practices, develop by European retailers.

The importance of this issue of standards and conformity assessment can be seen in the Dominican Republic and Jamaican support of the trade concern raised by Brazil to the attention of the SPS Committee at the WTO (November 2002). Brazil raised concerns regarding EC Directive published on August 2002, which established new maximum levels for dimethoate residues in and on certain products, including fruits and vegetables. Brazil noted that the EC directive would have the effect of banning Brazilian orange juice from the European market and requested that EC to review the directive, taking into account all scientific information available.

In the same perspective, it could recommended that implementation of the EU Decision (2001/4) conformity in assessment in fish imports be postponed to allow comprehensive inspection, needs assessment, design and implementation. The objective would be to prevent some ACP countries becoming excluded from their traditional EU export markets. Priority should also be given to the establishment of ACP regional networks of accreditation

organisations that can be used at reasonable cost by ACP laboratories to acquire fully acceptable accreditation.

The private sector should be one of the privileged stakeholder to benefit from assistance since its efforts to comply with standards including improved process and production methods to meet the terms of references of the standards must be encouraged. Support should be particularly be given to small firms, since they have great difficulty in financing the purchase of even basic monitoring instrumentation and are often excluded from the benefits of larger assistance programmes. More generally, the private sector has a prominent role expected in making the EPAs a success and to fulfil that role. It must gear itself to have competitive advantage and thus enable the shift from trade in foods to trade in services so that competitiveness in services may be emphasised. This is why the private sector has set up a Transition Task Force. We have also seen the important role of civil society organisations to raise awareness on futures changes in the economic and trade environment and their potential impacts, but also to help people directly to adjust (Fair Trade Initiative of WINFA).

Trade facilitation can also be pursued through technical cooperation for implementing common procedures and exchange of information on best practices and other relevant information.

Support Caribbean efforts to develop other revenue creating activities

Civil society organisations call for an assessment of the relationship between over reliance on taxes and duties versus export revenue to determine the levels of technical assistance and foreign direct investment that local firms will need and create entry points for offsetting the burdens of adjustment. The challenge is to think about some mechanism for distributing the gains in such a manner so that the negative impact of a fall in government revenues could be alleviated in the medium to long term. The likely option VAT –either introducing it or raising existing rates– should be considered with cautious due to the possible increased tax burden it implies for citizens.

Support Caribbean efforts to implement effective regulatory framework

Effective government regulations are important to mitigate potential negative social and environmental impacts. This includes social safety nets, measures to maintain and improve the respect of health and other standards. It also includes strong environmental regulations to offset potential negative impacts of tourism development.The legislative framework for environmental protection must be improved and the international conventions on the environment upheld instead of being viewed as impediments to trade negotiations. This includes monitoring, enforcement and support for multilateral environmental agreements. However, most Caribbean states are signatories to these agreements and simply need to improve their national legislative frameworks for enforcement and control. It appears as a pre-requisite in the ACP CC if the will is to ensure that potential growth due to increased inflows of FDI of activities with strong environmental basis, such as tourism, is sustainable.

Trade liberalisation within future EPAs should be done within the framework of tourism policies and standards taking into account the environment. This is especially important since part of the tourism development is directly linked to the capacity of the countries to preserve the environment resources (coral reefs, forests, freshwater and wildlife). In the Caribbean region, practices in the tourism sector have already changed and there is now a high level of awareness of the need to protect environment to ensure a sustainable tourism, in response to strong regulations and very high standards for hotels or golf courses for instance, when they are applied. Efforts, notably in Barbados and St Lucia, to reintroduce organic farming, to discourage use of corals for jewelry and to use wastewater for green golf courses are sustainable ways of managing the environment for example. Incentives measures to encourage sustainable tourism should continue to be reinforced.

Moreover, transfers of environmental sound technologies from the European Union to Caribbean countries are a complementary measure to mitigate potential environmental impacts resulting from liberalisation in the tourism sector. Indeed, trade liberalisation in environmental services may foster transfer of environmental technologies, for example to help Caribbean countries to manage wastes and sewage in a more efficient way.

Support Caribbean efforts to fight against poverty.

The Caribbean present a high level of HDI, compare to other ACP countries. As poverty is mainly due to inequity in the region, potential growth due to EPAs have to be well distributed within the population, focuses on the poorest. This requires strong political will, implying social expenditures. Social expenditures, as well as educational and research expenditures are also necessary to fight, in the long term, against poverty and to re-train workforce.

Economic and development policies have to deal with HIV/AIDS, due to its acute importance in the whole region. The epidemic has to be considered as a transversal issue in all sectors both in prevention and cure.

8 Conclusions

EPAs introduce both challenges and opportunities

Challenges seem particularly strong for small economies such as Caribbean countries. Among them, fiscal impacts of reciprocity appears to be a tremendous challenge.

However, the Cotonou process is also an excellent opportunity to show how trade and development can be fashioned in order to build a sustainable development. For instance, EPAs are an opportunity to put on the table governance issues since they are supposed to be based on democracy, rules of law and human rights.

Preparing successful transition implies:

- to accept and not underestimate the challenges or certain realities
- to prepare civil society to face these challenges

The importance of agriculture

Though Caribbean economies are essentially dominated by services, the main impacts identified and analysed likely to result from EPAs are linked to the agricultural sector. Agriculture emerges as a crucial sector, despite its weak (and declining) weight in the economies according to economic statistics. In fact, the real contribution of agriculture in the development of Caribbean countries is illustrated through the multifunctionnality issue.

The particular case of agricultural sectors under a quota regime

The most obvious impacts of EPAs that have been identified concern those agricultural sector benefited from preferential access to the EU market that is banana and sugar. Both these Caribbean products will face strong difficulties to compete with cheaper non ACP products, and one might expect economic and social impacts. The nature and extent of these impacts, as well as of environmental impacts, will nevertheless depend on the ability of actors to adjust and to take advantage of other opportunities.

Even if Caribbean economies are globally dynamic and people relatively literate, it seems that the development of new opportunities have to be fostered and supported, notably outside tourism sector which tends to be the exclusive way of diversification. These sectors have been selected as priority sectors to follow-up and for which a particular attention should be paid in a possible sectoral analysis.

The more balanced impacts in the other economic sectors

Other sectors have been identified as priority sectors to follow-up in the context of the SIA include: dairy products, rice and, tourism.

Potential challenges or opportunities in these sectors as a result of the EPAs may be less significant than in other priority sectors since trade with the EU is not as well-developed. However, changes can be of large magnitude for people working in these sectors and, especially for tourism sector which is predominant in all ACP Caribbean countries, they may be significant in terms of orientation of the economy.

The particular case of Haiti

The review of sustainability issues, in economic, social or environmental terms, has shown for each of them the specificity of Haiti. It appears clearly that the country should not be compared to the other ACP CC concerning both the gravity of these issues and the capacity to react to the new economic and trade context through the next EPAs.

8.1 Recommendations for further work

8.1.1 Pursuing the in-depth SIA on the Caribbean region is relevant for several reasons:

- There is a need for further research on real contribution of agriculture
- The social importance as well as the macroeconomic significance of agriculture that is the linkages existing between agriculture and other sectors such as tourism, and beyond the linkages between trade of goods and services, have to be highlighted.
- There is a need for further information and research on people
- The analysis of potential impacts of EPAs has to be focused on people: how many people are dependent from export oriented sectors towards the EU, and involved in local production competing with EU imports? What is the social profile of workers in each sector?
- There is a need for further identification of the competitive opportunities for the region and especially for identifying which sector is the most efficient to lead the process of transition

This is a difficult exercise that needs to be thought of as a long term process since it is closely linked to the long-term vision the different stakeholders expect for their region. However, it seems that the issue is not really to promote or to choose one specific economic sector instead of the others, but rather to see how each sector, whatever it is, can be developed in a more sustainable manner. In agriculture for instance, there is a need to explore the potentialities for niche markets and fair trade.

8.1.2 Further work can be done according these following avenues:

8.1.2.1 Implementing country studies

Three case studies appear to be very relevant:

- Haiti, since it is the only least developed country of the region, and stands among the poorest in the world. Such a case study permits to further analyse the poverty issues that all the ACP Caribbean are facing with. The country is dependent on sugarcane which is a globally environmentally benign crop.
- Dominica representing OECS and allowing a focus on the banana sector (lessons learned). Dominica is one of the smallest Caribbean countries heavily dependent on bananas, which can be disproportionately impacted by the removal of export quotas and the competition with other non ACP. It raises the issue of alternatives activities provided to small farmers involved in the banana sector, and potential diversification towards substitution crops or other economic sectors such as tourism and manufacturing sectors.

The complexity of environmental effects of a likely decrease in banana production using a lot of agrochemicals mixed with expansion of other crops or alternative sectors appears interesting to further analyse.

- Trinidad & Tobago: It is an illustrative example of economic diversification from agriculture to services and the secondary sector, especially petroleum industry. This strong shift of the economy poses now environmental threats and even economic vulnerability since the economy is becoming dependent on other resources.

8.1.2.2 Implementing specific products studies

The bananas sector should be analysed inside the country study on Dominica.

The sugar sector represents also a very relevant sector to further analyse given its importance in agricultural production, exports, employment in many of Caribbean countries. The particular trade context of this sector, with the reform of the Common Market Organisation for sugar and the risk of an increased competition of ACP Caribbean countries with non ACP countries constitutes another justification to pay attention of this sector.

8.1.2.3 Implementing an in depth study on tourism sector

In the Caribbean, tourism appears often as a good opportunity for development, but is associated to environmental and social difficulties. Further study on this sector is necessary, to identify and precise the key issues of tourism development, and the way to promote a sustainable tourism.

8.1.2.4 Involving Caribbean consultants

The SIA Caribbean seminar has shown legitimacy for Caribbean Policy Development Centre (CPDC) in the Caribbean region to co-ordinate the mobilisation of the local expertise. This network of NGOs is used to work in strong partnership with experts coming from the fields of research, university, negotiation, civil society and who are involved in all areas of sustainability.

- Continuing comprehensive literature review of studies in the Caribbean region;
- Developing empirical research (e.g. fieldwork) complementary to the use of economic modelling;
- Continuing consultative and participatory process;
- An ad-hoc co-ordination group was appointed (volunteers) to convene a follow-up meeting before March 2004 (subject to availability of resources).

ANNEXES