



Caribbean Regional Negotiating Machinery

CRNM or RNM

Established 1997 by CARICOM
Heads of Government

Background

- when it became evident that the region would be involved simultaneously in three major negotiations (FTAA, WTO and post-Lomé)

Members

- all CARICOM member states, Cuba and Dominican Republic, i.e. the Caribbean ACP States or CARIFORUM
- Cuba, although an ACP member is not involved in negotiating EPAs and is not an FTAA participant
- Dominican Republic coordinates positions only in relation to EPAs

Mandate

- develop, coordinate and execute an overall negotiating strategy for various external trade negotiations in which the Region is involved.
- Responsible for developing and maintaining a cohesive and effective framework for the coordination and management of the Caribbean Region's external trade negotiating resources and expertise
- Providing sound, high quality advice, facilitating the generation of national positions, coordinating the formulation of a unified strategy for the Region and undertaking/leading negotiations where appropriate
- provides trade negotiating services to its members, prepares technical documentation, advises on common regional positions and, when its mandate has allowed, leads negotiations.
- training workshops and other exercises on various subjects of trade negotiations, as well as on techniques of negotiations, and also implements a professional trainers programme lasting 10 months. Finally, the CRNM performs a communications function through regular negotiation updates and its ongoing interface with non-state actors

Location

- Jamaica (Director General and some technical staff); Barbados (majority of technical staff), Trinidad & Tobago and Guyana (Agricultural Trade Negotiating Unit); St. Lucia (OECS), other staff in Guyana, Trinidad & Tobago, Brussels.

Organization of Work

- Negotiating Forum-specific (WTO, FTAA, EU/ACP) and
- Negotiating Disciplines (Agriculture, Services, Intellectual Property, Government Procurement)
- OECS-specific support
- Additional skills in trade law, private sector liaison
- Communications – web site (www.crnw.org), regular newsletter, press releases etc.

Reporting

- Prime Ministerial Sub-committee on External Negotiations
- CARICOM Council for Trade & Economic Development (COTED)
- Individual Ministers with responsibility for external negotiations
- Regular reports also made to Heads of Government

Collaboration

- Technical Working Groups
- Reflections Groups
- Seminars
- Technical papers

Financing

- Member states make contributions to core budget
- International and bilateral agencies (including CDB) support specific projects

Agricultural Trade Negotiating Unit (ATNU)

- Two staff members based in Guyana and Trinidad & Tobago
- Provides CARICOM Lead Negotiator for FTAA
- Provides Support to all negotiations though written advice / analysis and participation where feasible

The Negotiations –State of Play

- **FTAA** – on hold for the time being. End-2004 deadline will not be met. Main disagreements on agriculture. Recent WTO “framework” agreement may provide some momentum but not certain. US presidential election outcome will be important
- **WTO** – Original deadlines missed. 2005 deadline for new round will not be met. Some controversial “Singapore” issues dropped and July 2004 “framework agreement” will re-energize the talks. Many details remain to be resolved.
- **EU/ACP EPAs** – Due to conclude in 2007. First “all-ACP” phase unsatisfactory. Caribbean has launched its 2nd phase in April 2004 and has prepared negotiating guidelines. EPA will be first reciprocal trading arrangement between Caribbean and EU.

Negotiating Issues

- **Market Access** – Uruguay Round eliminated quantitative restrictions but allowed tariff rate quotas (TRQs). WTO negotiations proceed from “bound” tariffs, which are maximum tariffs that **may** be applied but “applied” tariffs may be lower. Objective is to **reduce** tariffs through negotiation
- Free trade agreements (FTAs) (e.g. FTAA, EPAs) aim to **eliminate** tariffs on “essentially all trade” among the parties. GATT / WTO does not give flexibility for developing countries.
- Special & differential treatment means that developing countries have longer time frames and longer transition periods in reducing or eliminating tariffs. While this is accepted principle in WTO, in FTAs even the principle has to be negotiated.

Approaches to Tariff Reduction / Elimination

- There is no arrangement in which **all** tariffs are eliminated **immediately** by all countries – parties agree on approaches leading to set objectives.
- Formula Approaches – These involve setting a general formula and applying it to all participants. S&D may be part of the formula.
- In Uruguay Round, developed countries required to reduce bound tariffs by 36% on average with minimum cut per tariff line of 15% over 6 years. Developing countries required to make average cut of 24% with minimum cut per line of 10% over 10 years.

Approaches to Tariff Reduction / Elimination (cont'd)

- Harmonizing formulas - effect deeper cuts on higher tariffs. This is because some are concerned that average cuts allow countries to retain high tariffs on some 'sensitive' products – “tariff peaks”.
- Blended formulas – these combine several approaches, i.e. some tariffs would be subject to average cuts, others to a harmonizing formula, others would be reduced to applied levels while others may be eliminated immediately.

Approaches to Tariff Reduction / Elimination (cont'd)

- Banded formulas – these divide the tariff into several bands according to the level of the tariff (e.g. $>15\%$ - $<25\%$ etc) and applying different approaches to each band. Both the blended and banded approaches are meant to be compromises between the extremes

Approaches to Tariff Reduction / Elimination - FTAA

- In FTAA, participants have agreed to a “basket” approach, which would see tariffs **eliminated** in the following phases – immediate, up to 5 years, up to 10 years, and longer.
- Tariff elimination to take place from “applied” levels
- CARICOM, however, obtained facility to start from “bound” levels for a “limited list of agricultural products.
- CARICOM has presented the most defensive tariff “offer” in the FTAA indicating that all its “sensitive” products should be excluded from reduction or elimination.
- CARICOM has also agreed to make a “two-tier” improved offer – LDCs as a group and MDCs as a group, the understanding being that LDCs need not improve their current offer.

Market Access – “July Framework”

- “substantial improvements” in market access with S&D provisions
- “single approach – a tiered formula” for tariff reductions – higher tariffs to be cut more than lower tariffs
- Reductions from “bound” levels
- Number of bands / thresholds / reductions in each band to be negotiated – tariff caps possible

Market Access – “July Framework” – cont’d

- “sensitive products” (“appropriate number”) can be designated – to be subject to less stringent cuts
- Main focus for “sensitive products” to be on TRQs, and expected that where there is limited tariff reduction, there will be expanded “in-quota” access
- Special Agricultural Safeguard (SSG) – future to be negotiated but expected to remain in place

Market Access – “July Framework” – cont’d

- “Long-standing preferences” – preference-giving countries will be allowed to make lower and later tariff reductions on affected products, e.g. sugar
- “Special Products” (SP) – developing countries able to designate “appropriate” number based on food security, livelihood, rural and development needs (e.g. poultry)
- SP will be excluded from general tariff reduction commitments but exact selection criteria and treatment to be negotiated
- Special Safeguard Mechanism (SSM) for developing countries to be put in place – conditions to be negotiated

Market Access – EPA Guidelines

- Asymmetry – relating to product coverage, transition periods, exclusions and base rates/base years
- Fragility and smallness of regional / domestic market must be major consideration in offering increased market access to EU
- Differences in levels of development among members

Market Access – EPA Guidelines

- Preference for “basket” approach as in FTAA
- Bound tariffs should be used as basis for tariff reduction/elimination
- Given that most products already enter the EU market duty free, focus to be on remaining tariffs / tariff peaks
- Negative list to be developed based on protection and revenue considerations – fiscal reform necessary to recover lost revenue

Market Access – EPA Guidelines – cont'd

- “Special Products” list and special safeguard mechanism for agri products
- Article XXIV of GATT – need for more flexibility to allow asymmetry in tariff reduction / elimination

Market Access – EPA Guidelines – cont'd

- Need overhaul of EU SPS / TBT measures; rules of origin regime (EU has indicated intention re rules of origin)
- Rules of Origin “cumulation” should apply to all EU’s preferential trading partners, neighbouring countries, in addition to all ACP countries
- Safeguards – need for simplicity and asymmetry
- Development dimensions of EPAs must include the transformation of Caribbean agriculture, supporting diversification into higher value added production.

Market Access – EPA Guidelines – cont'd

- Need assistance in overcoming technical barriers
- Need to explore anti-dumping / countervailing measures in EPA context

Market Access – EPA Guidelines – cont'd

- Impact of EU subsidies must be addressed
- Possibility of compensation mechanism to cater for losses resulting from liberalization

Subsidies – July Framework

- **Domestic Support** – “harmonization” approach to cutting “trade-distorting subsidies (*amber, blue & de minimis*); from bound levels; 20% “down payment”; product-specific caps; blue box cap at 5% of production; green box “to be reviewed”
- **Export Subsidies** – agreement on “credible end date” for “parallel elimination” of “all forms of export subsidies”

Subsidies – July Framework

- Export credits to be limited to 180 days repayment period and additional disciplines to be negotiated
- Food aid and export state trading enterprises (STEs) to be subject to further disciplines – developing countries to be given special concessions on STEs.

Subsidies - FTAA

- **Export subsidies** – countries agree to eliminate but disagree on definition – US and Canada want export credits and food aid dealt with only in WTO. US and Canada disagree on STEs.
- Third country export subsidies – most countries want this to be addressed but disagree on method – US wants ability to “re-introduce” export subsidies to counteract effects of third country subsidies. Others want to use countervailing measures or consultative mechanisms. CARICOM objects to issue being dealt with at all.

Subsidies - FTAA

- **“Other Practices”** – (domestic support, import state trading) – US and Canada object to having domestic support negotiated in FTAA. All other countries either want to have the issues negotiated or to have them taken into account in market access negotiations.

Subsidies - EPAs

- Emphasize negative effects of EU subsidies on domestic production and thus have these taken into account in market access negotiations – safeguards would be crucial

SPS

- Emphasize need for technical and other assistance in overcoming SPS and other technical barriers – most unlikely that negotiating partners will adjust their SPS measures; no momentum in WTO to renegotiate SPS Agreement.

Role of Industry Groups

- Remain engaged in technical issues and provide specific advice to negotiators
- Become familiar with the issues and language of the negotiations
- Provide technical data
- Support in tangible ways the participation of negotiators and industry representatives in the talks