



**5<sup>th</sup> Working Group on Trade and Manufacturing  
Rules of Origin for the ACP-EU Economic Partnership Agreement  
10<sup>th</sup> June 2005**

**BACKGROUND**

The Barbados Private Sector Trade Team in conjunction with the Barbados Manufacturers' Association convened a Technical Working Group on June 10, 2005. The purpose of the Working Group was to gather information that would help in the development of a regional Rules of Origin position for the CARIFORUM/EU negotiations. Of the twenty (20) businesses approached, six (6) attended, three (3) had previous engagements, two (2) confirmed but were no shows, (1) expressed disinterest while the remainder did not respond at all.

**STRATEGIC PRINCIPLES FOR RULES OF ORIGIN NEGOTIATIONS**

- When considering rules of origin negotiations, all companies interviewed appear to favour retaining the status quo. However, in cases where it may become necessary to make modifications, what currently exists should be treated as a minimum starting point.
- With respect to “Goods wholly produced” it was agreed that the overwhelming volume and value of the raw material inputs used in Barbadian manufacturing are sourced extra-regionally. *In light therefore of Barbados’ heavy reliance on imported inputs, we should maintain the flexibility offered under the “Protocol concerning the definition of the concept of originating products and methods of administrative cooperation”.*
- One of the means by which “substantial transformation” is validated is through a change in tariff heading between the final product and its constituent components. There are cases when a mere tariff jump may not by itself imply substantial processing. As a result the, *Rules of origin criteria negotiations should be approached on a product by product or tariff line by line basis since each product has its own peculiarities.*
- There are both national and enterprise level costs associated with meeting the food safety (food handling) regulations of the EU which apply before market entry can be achieved ... rules of origin notwithstanding. Therefore *the EPA Negotiations should also consider the resources needed if these criteria are to be met. It is recognized that meeting the EU criteria is critical if Barbados*

*food producers are to benefit from the market access opportunities being negotiated.*

- It was considered that Barbados through the BNSI should adopt a plant certification system to assist in authenticating Barbadian products in export markets. This type of system, already in place in a number of countries, would entail the use of plant numbers that are displayed on product labels. Would The EU consider a national or regional plant certification system to be an acceptable means of verification of standard, quality and manufacturing process on a plant by plant basis? If so, *the negotiations should specify the basic acceptable standards and other qualifying criteria, in order to avoid the uncertainties which our exporters face under the current system.*
- Even when our exporters meet the rules of origin criteria for a product in a particular EU country, it is understood that local authorities can remove the product from sale and ban it from future entry because of stringent EU labelling regulations. *Provision should be made for some convergence between the spirit of the agreement and the actions of regulatory bodies.*

## **SPECIFIC ISSUES BY PRODUCT**

### Rum

West Indies Rum Distillery exports to a number of European countries including France, Spain, Germany, Netherlands and the United Kingdom and has generally had good experiences. On a small number of occasions their certificate of origin was rejected because of questions relating to tariff headings.

With respect to issue of Substantial Transformation, the current rules for rum (under the Cotonou Agreement) should be maintained. It was strongly recommended that the current criteria – i.e. that there is substantial transformation for the product to meet the criteria - be the method used in determining origin status. Any other method, for example added value or value tolerance is unacceptable for local producers.

While molasses constituted 60% of total production costs in 2004, recent price increases have spiralled this percentage to 80-90%. Barbados is only able to supply a small portion of the local requirement; the majority is therefore purchased from Guyana. However after 2008, the possible source markets will be Brazil, Guatemala and Mexico. Therefore the content criteria should allow sourcing from these markets.

### Ice-cream and Dairy Products

BICO Ltd. has been HACCP compliant for the past three years. It purchases all of its inputs from HACCP compliant sources. Some of the company's main inputs are imported from within the EU. Despite this however, when the inputs undergo the manufacturing process in Barbados, the company cannot export its product into the EU market.

Most of the inputs are imported (all except labour and water). The company cannot source dairy products locally or regionally because of supply, cost and quality issues.

Therefore, the origin criteria (no local input criterion for Barbados Companies) should take into consideration this reality.

With respect to additional taxes being imposed on exported products, it was noted that Antigua applies a consumption tax of 25% on ice-cream. In Belize they impose a revenue replacement duty.

Negotiations should approach matters relating to dairy products on the basis of reciprocity. CARICOM negotiators should address the barriers that local and regional dairy products face when entering the EU Market.

The group was also reminded of the heavy subsidies which extra-regional farmers enjoy and it was suggested that Barbados' government should provide similar opportunities for its farmers.

### Fish

Barbados fish processors have difficulty exporting to the EU markets. As with Dairy and Meat products, Barbados is not registered to export its fish products to the EU. This includes the French DOMs (Martinique and Guadeloupe). Government should pass laws that require certification for food handlers. This issue of the lack of legislation has been ongoing for the past ten (10) years.

The majority of operators (vendors) in Barbados are not HACCP compliant. Guyana (which exports shrimp) and St. Vincent (which exports fish) have managed to achieve this certification and subsequently benefit from two-way trade with Martinique and Guadeloupe.

Negotiations should address the difficulty that local producers experience in entering the European markets.

### Biscuits

WIBISCO has exported sweetened and unsweetened biscuits to the U.K. for the past six (6) years without having any significant problems concerning certificate of origin. Under the current regime, no import duties are charged to WIBISCO which allows this company to be competitive in the European market. ***Negotiators are urged to maintain this arrangement.***

The only additional charge presently incurred is the EEC **variable levy charge**. The information submitted on this variable levy is as follows:

*This variable levy affects certain products even though such products are exempted from import duty. For example:*

*Whole wheat Crackers 24 x 50oz £0.33p per case levy  
Whole wheat Crackers 14 x 10oz £0.39p per case levy*

*(Levy is £9.685 per 100kg net)*

*These figures are based upon starch/glucose content and are influenced by the following factors:*

- *Starch/glucose % by weight*
- *Sucrose/invert sugar/isoglucose % by weight*
- *Milk fat % by weight*
- *Milk protein % by weight*

WIBISCO also noted the following:

*Products will be refused entry if they contain:*

- *Banned additives or colourings e.g. Tartrazine or RED # 40; or*
- *Excess amount of permitted additives e.g. sodium benzoate*

With respect to labelling the following was noted:

*Whilst incorrect labelling may not prohibit initial entry of the products they can be removed from sale and banned from future entry by Local Authority Trading Standards Officers throughout the country. Expiry dates, local contact details, correct product description, metric only stated weights and correctly formatted nutritional panels are required by EU authorities.*

## **APPENDIX #1**

The Working Group was attended by:

- ❖ Dr. Lawson Nurse – Chair
- ❖ Mr. Adrian Padmore - The West India Biscuit Company
- ❖ Ms. Joanne Pooler – The West Indies Rum Distillery Ltd
- ❖ Mr. Joel Brooks- The Rhaj Paul Project
- ❖ Mr. Edwin Thirwell- Bico Ltd
- ❖ Mr. Ralph Holder- HIPAC Ltd
- ❖ Mr. William Ince- Ocean Fisheries
- ❖ Sen. Sandra Husbands-Nurubakari – SBA
- ❖ Ms. Veronica Smith – BWU
- ❖ Mr. Wendell Callender – BMA
- ❖ Mr. Carlos Wharton – PSTT
- ❖ Ms. Lisa Clarke – PSTT

The PSTT also conducted a telephone interview with Mr. Patrick Mayers – West Indies Rum and Spirits Association