

Economic Partnership Agreement
Barbados Private Sector Trade Team

The Economic Partnership Agreement (EPA) that was recently initialled between the CARIFORUM group of States and the European Commission will set the conditions for doing business between these two Regions in the coming years and as such, it is important that all local business persons familiarise themselves with the new regime that will take effect in 2008. This article will briefly examine some of the implications of the EPA on the manufacturing sector.

The EPA replaces the Cotonou and Lome Agreements that governed trade in goods between African, Caribbean and Pacific (ACP) Countries and the European Union and is substantially different from its predecessor. For instance, the scope and coverage of the Agreement under Lome only covered trade in goods. In contrast, the EPA includes rules on trade in goods, services, investment, competition policy, transparency in government procurement, intellectual property and innovation. The Agreement is also more reciprocal in nature in that CARIFORUM countries, for the first time, have taken commitments to remove discriminatory barriers affecting trade in goods and services originating in the EC.

With respect to the manufacturing sector, the initialling of the EPA is significant in a number of ways. First, the conclusion of the EPA has guaranteed that local exports to the EC will continue to benefit from duty-free access. Some local products would have been exposed to higher rates of duty had the EPA negotiations miss the WTO deadline for the dismantlement of the one-way preferential regime between the EC and ACP States and had the EC imposed its Generalised System of Preferences (GSP) on CARIFORUM exports. The conclusion of the EPA therefore guarantees that these products will not face increased duties in the European market and offers the predictability required to make long term business decisions.

Another aspect of the EPA that will have positive implications for the manufacturing sector is that related to the rules of origin – i.e. the production criteria used to determine the origin of a product. The specific rules on flour and some flour based products (e.g. biscuits, pastries and cakes etc) have been made more flexible and guarantees improved access to the EC market. In addition, the negotiators have agreed to a further review of the rules of origin within five years and this will allow an additional opportunity for our manufacturers to influence any revision of these rules.

In the area of Investment, the EPA provides opportunities to potential European and CARIFORUM Investors seeking to invest in the manufacturing sector in the Caribbean and Europe respectively.

Finally, the introduction of the EPA will pose challenges to some local businesses. Although a significant number of locally produced items have been excluded from the EPA and will not be subject to tariff reduction, a number of local producers could face competition from the reduction of tariffs on substitute products. In addition, those

products that were not excluded from trade liberalisation could face increased competition in the domestic market as tariffs are reduced. Furthermore, the EPA also guarantees the Dominican Republic similar concessions that the CARICOM countries have offered to the European Community – thereby enhancing the existing CARICOM-Dominican Republic Free Trade Agreement. This could result in an increased number of products originating from the Dominican Republic benefiting from duty free status in CARICOM.

The Private Sector will continue to address the Economic Partnership Agreement in subsequent publications.