

CARIBBEAN ECONOMIES IN THE FTAA NEGOTIATIONS

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Abstract. This chapter discusses the issue of special and differential treatment for small states, focusing on Caribbean economies in the context of the ongoing negotiations for the creation of a Free Trade Area of the Americas (FTAA). It discusses the threats and opportunities to small economies posed by their high dependence on international trade, referring to concerns regarding the Caribbean region's banana industry. The author argues that the threats to small states arising from liberalisation are extraordinary and therefore special and differential treatment for such states is justified, and explains the different forms in which such treatment can be realised. He suggests that CARICOM should make the case for asymmetric phased-in implementation of commitments under the FTAA and moreover, it should seek exemptions from tariff liberalisation for certain commodities.

1. Introduction

Caribbean economies, like many other Small Island Developing States (SIDS), tend to be very economically vulnerable. In fact, a recent report prepared by the University of the West Indies (UWI) for the United Nations Development Programme (UNDP), suggests that SIDS are becoming increasingly vulnerable (University of the West Indies, 2002). Vulnerability, defined simply, means that such states are prone to harm or damage originating from external forces.¹ It appears that this concept is becoming mainstreamed in international policy circles. For example, explicit reference has been made to it at the Summit of Heads of State and Government of the European Union and Latin America and the Caribbean in Guadalajara, Mexico, May 28-29 2004. The declaration welcomed "ongoing initiatives to study the feasibility of establishing bi-regional initiatives aimed at the reduction of the vulnerability of the countries of Latin America" (para.96).²

¹ See Briguglio (1995); Crowards (1999); ECLAC (2000); and Atkins et al. (2000) for general discussions on definitions of vulnerability.

² EU-LAC Summit (2004) "Declaration of Guadalajara", Guadalajara, Mexico, 178/04 (May 28).

This chapter addresses economic vulnerability with a focus on the Caribbean economies in the context of ongoing negotiations for creation of a Free Trade Area of the Americas (FTAA) within the Western Hemisphere. Economic vulnerability places emphasis on the influence of external events on a local economy. Yet, despite the fact that international trade is one of the most important instruments through which such external influence is actually exercised, expressions of concern about economic vulnerability in policy circles do not explicitly address international trading arrangements.

International trade poses both threats and opportunities to small economies and so the fact that many small economies continue to express reservations about liberalisation is understandable. The small Caribbean island of St Lucia provides an excellent example of both good and bad experiences with trade liberalisation. Its bad experience has been the colossal loss in foreign exchange and increased structural unemployment that has taken place since the commencement of the reform of the European Union's market for banana imports in 1992 (Preville, 2003).³ Moreover, there are legitimate concerns that the region's banana industry is likely to be eliminated altogether should the European Commission implement a tariff-only system for banana imports, as has been proposed for 2006.

Yet, an important success story of trade liberalisation in St Lucia has been the liberalisation of the mobile telecommunications sector, which has brought about considerable efficiency gains to consumers. It is estimated that mobile phone consumers now pay approximately one quarter to one third of what they previously paid, for mobile phone calls, while employment in the sector has approximately doubled within the first year of liberalisation.⁴

Both the above examples illustrate the concept of vulnerability, i.e., the proneness of a small open economy to external influences. In the bananas case, changes in trade policy in European capitals have resulted in a major adverse impact on St Lucia's economy, while in the telecommunications case, foreign investment behaviour of foreign transnational corporations (TNCs), in response to changes in domestic

³ It is estimated that over the 1992-2002 period, St Lucia's foreign exchange from banana exports declined by 68 percent, while the number of persons employed in the banana industry contracted by approximately 86 percent (See Preville (2003)).

⁴ A mobile phone call now costs as little as 12-15 US cents per minute, with per second billing, compared with rates of approximately 50-60 US cents per minute, before liberalisation. At such rates, St Lucia's mobile services are competitive at world standards.

policy, have had a significant positive impact on St Lucia's economy. Yet, economists like Collier and Dollar (2001: 15-16) have argued that the recipe for successful development is the same for large and small states, a proposition which the present writer has some difficulty in accepting. While the general approach to development of large and small states might be the same, in the case of small vulnerable economies a case for safeguards needs to be made.

The remainder of this chapter is structured as follows. First, it discusses the relationship between international trade and vulnerability of small economies. Next, it discusses the process of negotiating the FTAA and the peculiar position of the Caribbean economies. The argument for special and differential treatment of Caribbean economies in these negotiations is then developed, followed by a brief discussion of how SIDS may improve their resilience. Finally, a few conclusions and recommendations are put forward.

2. Trade and the Vulnerability of Small Economies

In 2002, world merchandise exports were valued at US\$6,240 billion, while world exports of commercial services were valued at US\$ 1,540 billion (World Trade Report, 2003: 10). In terms of the regional distribution of world merchandise exports, Western Europe accounted for the world's largest share, approximately 42 percent,⁵ followed by Asia, approximately 26 percent,⁶ and North America, approximately 15 percent.

Additionally, the regional distribution of world exports of commercial services followed a somewhat similar pattern to that of merchandise exports: Western Europe accounted for the world's largest share, approximately 48 percent,⁷ followed by Asia with approximately 21 percent,⁸ and North America, with approximately 20 percent.

⁵ EU-15 accounted for approximately 39 percent of world merchandise export trade in 2002.

⁶ Although Japan alone accounted for over one quarter of Asia's export trade, most of the activity has been within developing Asia, amounting to approximately 69 percent of Asian export trade in 2002.

⁷ As was the case with merchandise exports, the EU-15 has been the main driver of Western Europe's services exports, accounting for 44 percent of world's services exports in 2002.

⁸ Within Asia, the main drivers of services exports have been developing Asia, other than China, which accounted for only two percent of world services exports in 2002.

In contrast, CARICOM's shares of the world's merchandise and services exports are so insignificant, that neither of these are identified as a separate category in the WTO's *World Trade Report 2003*. CARICOM's merchandise exports were valued at less than one hundredth that of North America for the same period. What might be the implications of this? Below we shall argue that due to the insignificant share of CARICOM's exports in world exports, that region's economic vulnerability is extremely high relative to other regions. The basis for the high vulnerability of CARICOM members lies in the size of the regional economy relative to that of major trading partners and the inherent characteristics associated with smallness.

The differences in size translate in differences in power and so the FTAA negotiations process cannot be seen as one in which there is a level playing field. Large members can and do exercise disproportionately greater power over the process when compared to small members. The intractable positions of MERCOSUR and the United States on the treatment of agricultural subsidies in the FTAA negotiations have largely been responsible for the breakdown of trade talks since February 2004. Consequently, there is a need for differences in size and level of development to be taken into account, if the benefits and obligations to be realised from the agreement are to be distributed in a fair and equitable manner, among members. Ultimately, since it is through the negotiations process that the final text of the trade agreement will be developed, Caribbean states need to ensure that their positions and concerns are adequately and meaningfully reflected in the agreement.

Due to these inherent characteristics, small CARICOM economies suffer several disadvantages. First, small economies tend to be characterised by a high degree of openness,⁹ whereby their external trade and transactions are large, relative to the size of their domestic economies. Many small economies of the CARICOM have an openness ratio in excess of 100 percent. This is typically the case of CARICOM within the Western Hemisphere, where ten out of twelve of the countries with openness ratios in excess of 100 percent are from the Caribbean, while the remaining two are from Central America.¹⁰ At the same time, the largest economies of the Western Hemisphere are relatively closed (Bernal, 1998; 1999). Second, small Caribbean

⁹ Openness can be measured as the ratio of the average exports and imports of goods and services to GDP, i.e., $(X+M)/(2*GDP)$, where X is exports, M is imports and GDP is the gross domestic product of the country in question.

¹⁰ When non-factor services are included in the above equation the openness for several of these countries exceeds 150 percent.

economies also tend to be characterised by limitations in their economic diversity and export concentration tends to be high.¹¹ Additional constraints faced by small economies relate to this high dependence on trade taxes as a percent of government revenue¹² and the small size of firms.¹³ As a result, small economies are considerably disadvantaged relative to the largest economies in negotiating the FTAA.

3. The Process of FTAA Negotiations

In order to appreciate why the small CARICOM economies are particularly disadvantaged in negotiating the FTAA and hence the need for special and differential treatment, it is important to understand the origin and process of FTAA negotiations. The FTAA process has its origins in the First Summit of the Americas in December 1994 in Miami, Florida.¹⁴ At that summit, Heads of State and Government of the thirty-four democratic countries of the Western Hemisphere¹⁵ agreed to construct a free trade area. Barriers to international trade and investment within the Western Hemisphere were to be progressively eliminated, although the pace and modalities were to depend, at least in part, on the size and level of economic development of participating members. Negotiations for the agreement

¹¹ UNCTAD's *Handbook of Statistics* (online) indicates that nine CARICOM members have export concentration indices in excess of 25 percent, four of which are in excess of 55 percent. As Bernal (1999) argues, in extreme cases, one primary product accounts for over fifty percent of total exports of some of the small countries.

¹² Essentially, "countries that are small in population, land, and GDP, and which depend heavily on external trade, also rely heavily on external trade taxes for government revenue." (Bernal, 1999). Taxes on international trade and transactions in the Eastern Caribbean range from 45-60 percent, and exceeds 50 percent on the average.

¹³ Bernal (1999) correctly points out that small "firms are at a disadvantage because they cannot realise economies of scale, are not attractive business partners, and cannot spend significant funds on marketing, market intelligence, and research and development." The largest US employer, Wal-Mart, employs a staff of 675,000, compared to the largest Caribbean employer, Lascelles Demercado of Jamaica, which employs a staff of a mere 6,800.

¹⁴ The Summit of the Americas process has its origins in the Enterprise for the Americas Initiative, the intention of which was to encourage economic growth in Latin and Central America and the Caribbean through market oriented economic reforms. See Caribbean Regional Negotiating Machinery (2003).

¹⁵ Countries involved in negotiating the FTAA are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, Trinidad and Tobago, United States, Uruguay, and Venezuela.

were to commence as soon as possible and it was envisioned that the agreement would be fully negotiated by December 31, 2004 and ratified by national legislatures by December 31, 2005 (FTAA, 2003c).

Yet, even before negotiations for creation of the FTAA could commence, participating members engaged in a comprehensive preparatory process, which sought to establish the guiding principles that would be followed during negotiations as well as how negotiations would be structured and organised. Four meetings of ministers responsible for trade in the Western Hemisphere took place during the preparatory phase of the FTAA process between the 1995 and 1998 period.¹⁶ The fourth preparatory ministerial meeting was the culmination of all preparatory efforts—it gave birth to a Joint Ministerial Declaration, which set out the general principles and objectives to guide the negotiations process (Summit of the Americas, 1998a). It is on the basis of the Joint Ministerial Declaration of San José, which was put before Heads of State and Government of the Western Hemisphere for approval, that negotiations were launched in April 1998, at the Second Summit of the Americas in Santiago, Chile. In launching these negotiations, Heads of State and Government of the Western Hemisphere recognised that while globalisation can offer great opportunities for progress, it can also heighten differences and tensions among countries and within societies if it is not managed properly. It is in this context that Heads of State and Government agreed to “give special attention to the most vulnerable countries and social groups in the Hemisphere” (Summit of the Americas, 1998b: para. 5).

The FTAA negotiations process is rather ambitious. In order to appreciate this point, we need to first examine the structure within which trade negotiations actually take place. Authority to conduct negotiations for the FTAA is vested within the Trade Negotiations Committee (TNC), the entity which was established at the Vice-Ministerial level through the San José Ministerial Declaration for this purpose. However, negotiations actually take place at the level of individual negotiating groups, which deal with specific sectors, and the TNC also has the responsibility for “guiding the work of these negotiating groups and of deciding on the overall architecture of the agreement and institutional issues” (see Summit of the Americas, 1998a: para. 10). The San José Ministerial Declaration also mandates

¹⁶ The first preparatory ministerial meeting took place in Denver, USA, in June 1995; the second preparatory ministerial took place in Cartagena, Colombia, in March 1996; the third took place in Belo Horizonte, Brazil, in May 1997 while the fourth took place in San José, Costa Rica, in March 1998. (See Free Trade Area of the Americas, 2003)

the TNC to ensure the full participation of all countries in the FTAA process, and in particular, the concerns of the smaller economies and those of countries with different levels of development should be dealt with in each negotiating group.

By August 31, 2004, the TNC had held seventeen meetings, three of which have been adjourned and subsequently reconvened. The TNC actually met twice in 1998, the year of its creation after the San José Ministerial Declaration; four times in 1999; twice in 2000; three times in 2001 and 2002;¹⁷ four times in 2003 and once in 2004. Three of these meetings have been held within the territories of smaller economies: Suriname in December 2-3, 1998; Barbados in September 7-8, 2000; and Trinidad and Tobago in September 29 to October 3, 2003 (see FTAA, 2004).

Nine negotiating groups actively undertake the negotiations for creating the FTAA. These are negotiating groups on market access; agriculture; government procurement; investment; competition policy; intellectual property rights; services; dispute settlement and subsidies, anti-dumping and countervailing duties (see FTAA, 2003b). Additionally, four special committees have been created the input of which is normally taken into consideration by, and can influence the decisions of, individual negotiating groups and the TNC. These are (a) the consultative group on smaller economies (CGSE); (b) the committee of government representatives on the participation of civil society; (c) the technical committee on institutional issues; and (d) joint government-private sector committee of experts on electronic commerce (see FTAA, 2003d).

The participation of CARICOM members had an important role in the creation of the FTAA. Although evidence on meaningful participation of smaller economies in the FTAA negotiations is not easily quantifiable. Yet, it would appear, that if the various Summits, Ministerial Declarations and Directives from the TNC are anything to go by, smaller economies are enjoying reasonably meaningful participation in the FTAA negotiations. The Ministerial Declaration which came out of Quito, expressly reaffirms the commitment of trade ministers of the Western Hemisphere “to take into account in designing the FTAA, the differences in levels of development and size of economies in the Hemisphere, in order to ensure that these economies participate fully in the building of, and benefits resulting from, the Agreement and to create opportunities for these countries”

¹⁷ The Second Meeting of the TNC which began in Suriname was reconvened in Miami and the Third Meeting which began in Bolivia was also reconvened in Miami.

(see FTAA, 2002: para. 10). Furthermore, trade ministers welcomed “the guidelines and directives for the treatment of the differences in the levels of development and size of economies” (Ibid., para. 17). Thus at the policy level, there is clear and unanimous agreement to accord special and differential treatment to smaller economies.

An examination of the work undertaken by the CGSE also suggests that the issues of concern to small economies are being given some attention within the negotiations of the various groups. The CGSE has convened twenty-four meetings as at August 31, 2004.¹⁸ Attendance at these meetings by CARICOM members has been most consistent for Trinidad and Tobago, Jamaica and the Bahamas, while other members have attended select sessions from time to time. A recurrent theme in most of the meetings of the CGSE has been “the status of National Strategies to Strengthen Trade-Related Capacities of FTAA Countries.”¹⁹ That mandate to strengthen the trade-related capacities is being pursued through the Tripartite Committee, which has been responsible for establishing several databases, assisting in the organisation of seminars and provision of technical assistance to the smaller economies.

Additionally, chairs of the various negotiating groups and the Tripartite Committee attend the various meetings of the CGSE and present reports that outline in some detail, how the needs and constraints of smaller economies are being factored into the negotiations. In the eighteenth meeting of the CGSE the Tripartite Committee presented “a draft framework for the development of the national and/or sub-regional trade capacity building strategies”. The CGSE has also received reports from the Negotiating Group on Subsidies, Dumping and Countervailing Duties (NGSU) at both its nineteenth and twentieth meetings, while a report was received from Negotiating Group on Competition Policies (NGCP) at its twenty-first meeting. Therefore, in the absence of detailed data on previous meetings, if the above pattern is anything to go by, then the CGSE would seem to be functioning in the manner intended, i.e., the negotiating groups appear to be paying due regard to the constraints of the smaller economies.

¹⁸ The first nine of these meeting took place in Miami, United States; the next ten took place in Panama City, Panama; the next three took place in Puebla, Mexico; while the last two have taken place in Washington, D.C., United States and Puebla, Mexico, respectively. The Chair and Vice-Chair of the CGSE are Ecuador and CARICOM, respectively.

¹⁹ See for instance the Press Communiqués for the twentieth and twenty-fourth meetings of the CGSE.

Yet, the typically low attendance levels by CARICOM members at several of the meetings of the negotiating groups leaves room for improvement particularly with regards to the negotiating groups on market access, agriculture, investment and intellectual property.

4. Caribbean Economies and SDT within the FTAA Negotiations

Special and differential treatment for small economies (SDT), which needs to be accorded at two levels, namely (a) as an instrument to be applied across all negotiating themes, and (b) at the level of negotiations within individual groups. Let us discuss each in more detail.

Instruments Applied Across Negotiating Themes

Five sets of provisions are readily identifiable instruments to be applied across negotiating themes. The first set covers "time-limited derogations from obligations and longer periods for implementing obligations". Essentially, the measures in this category should allow participating states to undertake the same obligations as those that bind other participants, with the provision that certain countries are granted longer time-frames for implementation than others. Such asymmetrical phasing-in of obligations should be done on the basis of differences in levels of development and size of economies.²⁰

In the second set of provisions the measures to be applied would intended to address "differentiated thresholds for undertaking certain commitments". Differences in obligations should be undertaken on the basis of differences in levels of development and size of economies involved in a particular agreement.²¹

The third set should call for "flexibility in obligations and procedures". Here, CARICOM economies might be allowed to deviate from certain obligations of the agreement, provided such deviation is for the pursuit of an agreed long-term objective. Additionally, this provision is meant to allow flexibility in the rules governing the implementation of certain procedures, for instance, the time period set for a panel in a particular dispute.

²⁰ It must be noted that such time-limited derogations are not meant to include adjustments in the actual disciplines developed, but to serve as an instrument for delaying compliance with certain obligations and to allow for controlled deviations from measures agreed to in a particular agreement.

²¹ CARICOM can make use of this if a system of offsets is used in the Agreement on Government Procurement.

The “best endeavour clauses” should comprise the fourth set of provisions, though these tend to be the least effective of all categories, since they typically do not contain any binding language. Additionally, there is typically no standard of measurement for determining if and when best endeavour clauses have been implemented by the developed countries in favour of the developing countries.

The final set of provisions should fall within the category of “technical assistance and commitments”, and are meant to cover all commitments entered into the agreement for developed countries to grant assistance to less developed countries. Such technical assistance and commitments are meant to assist developing countries in fulfilling their obligations and maximising their benefits from the FTAA Agreement.

Specific Considerations

At the level of negotiations within each group, or issue area, the following specific considerations can be identified.

- dependence on trade taxes;
- agriculture;
- government procurement;
- investment;
- limited availability of land;
- competition policy;
- trade related aspects intellectual property rights;
- trade in services;
- dispute settlement mechanism;
- subsidies.

With regards to market access, the small economies of CARICOM tend to have a high dependence on trade taxes for government revenue and are likely to incur significant administrative costs if they are to move away from them completely. A case needs therefore to be made by the small economies of CARICOM for an exemption from tariff liberalisation in certain sectors. Arguments for such exemptions can be negotiated under GATT Article XXVIII *bis*, which allows for the possibility for a tariff to be set at a certain level for revenue purposes.²² Additionally, where rules of origin are concerned, the smaller economies of CARICOM should call for rules of origin that are

²² Specifically, Art. XXVIII *bis* (3) provides that “Negotiations shall be conducted on a basis which provides adequate opportunity to take into account: ...(b) the needs of less-developed countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes”.

relatively simple to implement and administer, such that those rules themselves do not become a barrier to trade. However, where it proves necessary to adopt complex rules of origin, the agreement should provide for technical and financial assistance to CARICOM members for disentangling such rules and their effective implementation. Moreover, any agreed formula approach to tariff reduction should provide for asymmetric, phased-in implementation, where CARICOM members are concerned.

With regards to agriculture, despite its significantly reduced share of GDP throughout the CARICOM region, it nevertheless remains very important for rural employment and livelihoods. Commodities like bananas, sugar and rice, remain extremely important to the CARICOM region and any commitments that can affect their production and trade should give expression to this reality. CARICOM should consider requesting asymmetric or less than complete reciprocity in negotiations for tariff liberalisation, as well as special safeguards for protection against highly subsidised agricultural products, which CARICOM members can otherwise produce relatively competitively.

Government procurement activities remain an important instrument for governments of small states like those of CARICOM, to achieve certain public policy objectives, i.e., employment, poverty reduction and equity. By granting increased access to government procurement of markets in CARICOM, governments will be able to exercise lesser control over their development related public policy objectives. Therefore, CARICOM members should seek to persuade other FTAA countries of the need for flexibility in implementation of any agreement on Government Procurement. Such flexibility should be limited to transparency of the procurement process, as opposed to its unconditional liberalisation.

Where investment is concerned CARICOM needs to ensure that the agreement developed coheres with its overall development strategy, which should give greater attention to the services sector of the regional economy.

One caveat, that might need to be incorporated into the agreement where provision of national treatment is concerned, is that which recognises the existence of Alien Landholding Laws in many CARICOM members. The limited availability of land in the CARICOM region for its citizens makes it imperative that the region retains control over its land through instruments similar to the existing Alien Landholding Laws. Transparency in the treatment of foreign investors within the Western Hemisphere, would nevertheless be desirable.

Competition policy remains one of the negotiating areas in which CARICOM needs to further consolidate its position. Most CARICOM members do not have competition policy laws although there are obligations in the Revised Treaty of Chaguaramas to develop competition policy and law at the national and regional levels.²³ Implementation of a common competition policy throughout CARICOM, as envisaged in the Revised Treaty of Chaguaramas is timely, given that the exercise of market power in international trade by large TNCs is a phenomenon both of the past and the present and will continue well into the future. Sectors in which a common competition policy would likely serve the region well, like air and sea transportation, are extremely important for the region's tourism development.

Moreover, a carefully drafted competition policy for the region is likely to stimulate more investment and provide the means for appropriating a larger share of the monopoly profits throughout value chains in the services sector. CARICOM members are perhaps in a position to accept the need for provisions on transparency, and technical co-operation and consultation, in any agreement on competition policy. However, CARICOM members are not yet in a position to establish general principles on competition policy and law, mechanisms to facilitate and promote the development and enforcement of competition policy and law, and measures at the national level to proscribe anti-competitive behaviour.

CARICOM members have agreed to the implementation of the Trade Related Intellectual Property Rights agreement of the WTO as the extent of their commitment within the FTAA. However, even here there are difficulties with implementation and the region needs to make a case for technical cooperation and assistance to cope with the implementation process.

As discussed earlier, the services sector appears to hold the promise for the most potential increase in economic welfare for the CARICOM region in general, and the Eastern Caribbean states in particular, when the FTAA comes into effect. The flexibility which countries have in negotiating services trade liberalisation is important given that they can choose to make or withhold commitments in specific sub-sectors and place limits on the extent of granting most favoured nation (MFN)

²³ Competition Policy and Consumer Protection constitute the subject of chapter 8 in the Revised Treaty of Chaguaramas (CARICOM, 2001). Provision is made for the establishment of a Competition Commission with powers to determine anti-competitive business conduct and to apply specific remedies.

or national treatment to other countries. In addition to expanding trade in services under Mode II of the General Agreements on Trade in Services (GATS), i.e., provision of a service like tourism to other FTAA members, CARICOM should intensify requests for greater services liberalisation under Mode IV of the GATS, i.e., through movement of its natural persons into the territory of other FTAA members.

Ensuring that a dispute settlement mechanism is in place, which is fair, and accessible to all countries is very important for CARICOM. CARICOM's experience with the WTO banana dispute shows that the process tends to be costly, requires highly specialised expertise, and that the interests of small states can be ignored or compromised altogether, given their statistically insignificant shares of trade in the commodity. Special and differential treatment is an important requirement in such cases and might take the form of indicators of vulnerability of the small economy as a basis for its participation in the dispute settlement process, rather than its share of world trade. CARICOM countries need to negotiate for technical cooperation and assistance, including financial assistance, in order to ensure that the dispute settlement system works in a fair and equitable manner.

Finally, with regard to subsidies, especially in agriculture, the prospects for their elimination seem elusive within the FTAA, given that the larger offending countries prefer to address this issue within the context of the multilateral trading system of the WTO. Although the WTO General Council meeting, concluded in July 2004 suggests there has been progress on subsidies among the major members concerned, CARICOM should nevertheless continue to push a case for its exemption from obligations with regards to the importation of subsidised agricultural products from outside the Western Hemisphere.

5. Conclusion

The objective of this chapter has been to provide a brief overview of the negotiations in the FTAA process and the context in which small open economies of the CARICOM are being required to provide reciprocal trade concessions to significantly larger and powerful countries. It has been argued that in order for CARICOM small economies to meaningfully participate in the FTAA they need to be accorded some measure of special and differential treatment, both as a general principle across all negotiating themes and as a specific principle in individual negotiating groups. The various ministerial declarations have expressed support for this. However there remains

the need to translate such support into concrete principles, that will constitute actual texts of the agreement.

CARICOM members find themselves in the difficult position of having to concede some minimal level of reciprocity in international trade within the Western Hemisphere, while at the same time not being adequately prepared to do so. Given the high degree of vulnerability of small economies in the CARICOM region, it is crucial that they are accorded some measure of special and differential treatment improve upon their capacity to function fully and meaningfully in the FTAA.

Importantly, CARICOM needs to argue for asymmetric phased-in implementation of commitments under the FTAA and moreover, it should seek exemptions from tariff liberalisation for certain products designated as either “sensitive” or “special products”. As Bernal (2001: 47) has argued, there is need for policies in the global economic environment to complement the internal economic policies of small developing economies, in order to ensure their growth, development and resilience. Such a view is shared by the author of this chapter.

Unquestionably, the services sector is the most important for most CARICOM members as the prospects for increased consumer and producer welfare would seem best in that sector. However, in embracing the services sector, the CARICOM region needs also to be careful that its vulnerability does not, as a consequence, increase further.

Finally, the concessions that the small CARICOM economies have received in negotiating the FTAA are a direct consequence of their approach to the negotiations, i.e., as a regionally integrated entity with a single position on the various aspects of the negotiations. Such an approach might be useful for improving the chances of success in trade negotiations for the small states in the region.

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Caribbean Economies in the FTAA Negotiations

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