



European Economic and Social Committee

ECO/257
Economic partnership
agreements and the
outermost regions

Brussels, 17 February 2010

OPINION

of the

European Economic and Social Committee

on

The impact of the Economic Partnership Agreements on the outermost regions

(Caribbean region)

(own-initiative opinion)

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Rapporteur: **Mr Coupeau**
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On 26 February 2009, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*The impact of the Economic Partnership Agreements on the outermost regions
(Caribbean region)*

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 February 2010.

At its 460th plenary session, held on 17 and 18 February 2010 (meeting of 17 February), the European Economic and Social Committee adopted the following opinion unanimously.

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1. Conclusions and recommendations

- 1.1 The Economic Partnership Agreement (EPA) signed on 15 October 2008 by the 15 members of the Caribbean¹ Forum of ACP² States (Cariforum) and the EU is particularly broad in scope. However, there are a certain number of factors which, although mentioned by the EPA, hinder the objectives of regional integration, sustainable development and cooperation between the Cariforum States and the outermost regions (hereafter ORs). Although the ORs have a long European tradition, they are geographically, historically, culturally and economically linked to the Cariforum States. Their strategic position enables them to entertain lasting trade relations with the neighbouring islands, making them the first European regions to be concerned by the EPA.
- 1.2 The EESC acknowledges the complexity of negotiations, potential risks and opportunities that the EPA represents for both the Cariforum States and the ORs and, more generally, for the EU.
- 1.3 The EESC strongly recommends that local authorities in the ORs be consulted in all discussions relating to the EU-Cariforum EPA. Although, unlike the Cariforum States, these outermost regions are also French departments of America (DFA), there is still much they can contribute when it comes to building true regional integration.

¹ On 11 December 2009, Haiti joined the agreement.

² The ACP States comprise the 79 African, Caribbean and Pacific States that signed the Lomé Convention in 1975, and the Cotonou Agreement in 2000.

- 1.4 The EESC believes that it is also important to involve civil society and local authorities from the ORs in the debates and various monitoring committees set up to implement the EPA, in order to achieve the goal of regional integration underpinning this agreement.
- 1.5 The gradual integration of the Cariforum States into the world economy cannot succeed until the transportation difficulties (infrastructure and means of transport) have been resolved. The EESC recommends that the Commission make transportation part of a broader approach, and that it look more closely into the specific solutions proposed together by the Cariforum States and the ORs.
- 1.6 With a view to boosting trade relations in the Caribbean, the EESC recommends that the parties concerned consider advance reductions of customs duties between the ORs and the Cariforum States.
- 1.7 The EESC welcomes the fact that the EPA takes into account the need for a clear procedure on sanitary and phytosanitary measures (SPS). Nevertheless, the EESC recommends that the ORs be included in the authority empowered to implement SPS measures to encourage intraregional trade and in the negotiations relating to bilateral arrangements. The EESC also recommends endowing these outermost regions with their own "OR" designation so that it is clear that their products offer particular quality and comply with EC legislation.
- 1.8 The EESC expressly recommends managing the ORs' fisheries and aquaculture zones in agreement with the Cariforum States.
- 1.9 Lastly, the EESC recommends structuring services more effectively so that a true Caribbean tourist industry can be created.
- 1.10 The EESC is mindful that the notions of environmental and social protection have been included in the agreement, and it should be in a position to present a forward-looking analysis covering the entire region.

2. **Introduction and general comments**

- 2.1 Articles 349 and 355 of the Treaty on the Functioning of the European Union recognise the particularity of the outermost regions. In 1986, the European Commission created an interdepartmental group for the ORs, entrusted with the task of coordinating Community actions for these regions and liaising with the national and regional administrations concerned. Since 1989, these regions have benefited from a specific programme to boost socio-economic measures aimed at achieving greater convergence with the rest of the EU.
- 2.2 Article 239 of the EU-Cariforum EPA takes into account the geographical proximity of the Caribbean ORs (Martinique and Guadeloupe) to the Cariforum States: *"in order to reinforce economic and social links between these regions and the Cariforum States, the Parties shall endeavour to specifically facilitate cooperation in all areas covered by the present Agreement"*

as well as facilitate trade in goods and services, promote investment and encourage transport and communication links between the outermost regions and the Cariforum States". This article also provides for the joint participation of the Cariforum States and the ORs in framework and specific programmes in areas covered by the EPA.

- 2.2.1 The EESC also wishes to emphasise the importance of the Dutch overseas territories of Bonaire, Curaçao, Saba, Sint Eustatius, Sint Maarten and Aruba, which are located in the Caribbean region. Although from a European standpoint these islands are "overseas countries and territories", which distinguishes them legally from the ORs in the Caribbean, the EESC is keen to point out that the regional integration sought by the EPA will not be achievable if better account is not taken of those territories that have links to EU Member States (Netherlands, UK, France).
- 2.3 The EESC has sought to study the economic and social impact of this agreement on the Caribbean region, and in particular on the ORs, with the aim of determining the short and long-term effectiveness of efforts to facilitate integration in terms of goods, services, cooperation and good economic governance through trade-related fields (competition, investment, intellectual property, etc.).
- 2.4 **Regional integration in the broadest sense of the term (European OR strategy)** is one of the main aims of the EPA, but it is also an aim that concerns the ORs, so that they may be more effectively included in the region. However, a certain number of factors included in the agreement are harmful both to regional integration and to the effectiveness of the EPA.
- 2.4.1 The failure to consult the regional and general councils of the ORs in the context of the EPA negotiations has downplayed their role in the Caribbean. These councils have a good measure of experience in offensive and defensive³ sectors in the ORs and, as a result of the regional steering committees, are always ready to report on their findings; the *Etats généraux de l'outre-mer* (Overseas Convention) set up at the initiative of the French government also provides many responses to the obstacles caused by the EPA. Moreover, owing to their geographical and cultural proximity, these institutions already have a number of links with the Cariforum States.
- 2.4.2 The ORs' absence from the EC-Cariforum Committee on Trade and Development, the EC-Cariforum Parliamentary Committee and, above all, the EC-Cariforum Consultative Committee reduces their influence in the EU. The EESC therefore recommends including, as appropriate, members of parliament, civil society members or representatives of local authorities from the ORs in the various monitoring committees mentioned above.

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The outermost regions' consultative committees have determined a certain number of sectors in which they have significant market share and which are key for their economies ("sensitive" sectors) and sectors which are at risk and could, without EU support, quickly disappear altogether ("defensive" sectors).

2.4.3 Direct exchanges with civil society from the Cariforum States are hampered by the failure to consult civil society in the ORs, which faces daily problems caused by the difficulties in trading with the Caribbean countries (infrastructure, quotas, negative lists).

2.4.4 The EESC calls upon the parties concerned to encourage the ORs' inclusion in the Caribbean regional institutions such as Cariforum and the OECS⁴, with observer status. Indeed, a number of decisions involving the Caribbean region are taken by these bodies and, as long as the ORs are absent, even as observers, there cannot be true regional integration.

2.5 **Transportation**

2.5.1 The EESC stresses that goods and services can only be liberalised if there are adequate means of transport and infrastructure. The Caribbean region does not have sufficient transport means. While there are two airlines and two shipping companies that transport people between the islands, these do not provide a regular service, and do not allow for the transportation of goods. Despite the EUR 275.6m granted to the ORs (Guadeloupe, Martinique and Guyana) to offset the additional costs caused by their geographical location, the Caribbean ORs suffer from high charges on cargo, and from European cabotage legislation that does not take island regions properly into account.

2.5.2 To overcome these problems, the ORs and Cariforum States considered a cargo or ferry system. However, owing to a lack of funds, these projects could not be completed.

2.5.3 Article 37 of the EPA refers to transport in the context of a chapter on agriculture and fisheries, but does not provide clear solutions, even though the ORs and the Cariforum States had already considered joint solutions.

2.5.4 In the context of the next EDF programme, it would be useful to set up an ambitious structural policy designed to provide the entire Caribbean with a transport system that is suitable for island regions.

2.6 **The settlement of civil and trade disputes** was not covered at all by the EPA. In the event of a dispute between a company from a Cariforum State and one from an OR, there are no provisions to settle conflicts of jurisdiction, legislation or the exequatur procedure. The agreement only provides solutions for settling disputes resulting from the interpretation and application of the EPA. However, it would be helpful to include legal options that correspond to the scope of an agreement such as the EPA.

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Organisation of Eastern Caribbean States, which comprises nine Caribbean countries.

3. Specific comments – Analysis of the Caribbean region

3.1 Agriculture

3.1.1 **Bananas** are produced in large quantities in the Caribbean, and are one of the main economic resources of the ORs. Employing over 10 000 people, banana exports account for 14% and 24% respectively of exports from Guadeloupe and Martinique to the EU. Bananas play a key economic and social role in the ORs. The EU has always been aware of the strategic challenges of the banana-growing industry: the POSEI aid programme approved by the Commission on 22 August 2007 earmarked a yearly sum of EUR 129.1m for these outermost regions. However, this aid seems to be far from enough: in addition to the problems caused by weather conditions, bananas from the outermost regions are under threat from banana growers elsewhere, whose market share in the EU has reached 73.4 % since the market was liberalised (according to the French Office for the development of the overseas agricultural economy - ODEADOM⁵). What is more, on 15 December 2009, the EU initialled an agreement with Latin American banana-growing countries aiming to reduce customs duties on bananas from EUR 176 to EUR 114 per tonne by 2017, thus making the situation of the ORs and certain Cariforum States even more uncertain.

3.1.1.1 Bananas are also a strong interest for the other Cariforum States. For example, in Dominica, bananas alone account for 18 % of GDP and employ 28 % of the workforce. The crisis in the banana sector does not only affect the ORs, as in Saint Lucia, there are now only 2000 planters as compared to 10 000 in 1990.

3.1.1.2 The EESC believes that it would be beneficial to set up a professional inter-Caribbean organisation in order to provide the EU with a greater share in the distribution of Caribbean bananas. This would be particularly useful given that some Cariforum States (such as Saint Lucia and Dominica) supply bananas to other countries (such as Canada) with health and traceability standards similar to those in the EU.

3.1.2 **Sugar cane - Rum:** the sugar cane sector is also very important for the ORs, covering 32 % and 13 %, respectively, of the utilised agricultural area in Guadeloupe and Martinique, and employing over 6500 people full time. Sugar production for the 2006-2007 season stood at 5849 tonnes for Martinique and 80 210 tonnes for Guadeloupe. Rum production amounted to 79 352 HPA⁶ in Martinique and 74 524 HPA in Guadeloupe, and is thus of significant strategic importance in the market outside the ORs.

3.1.3 **Fruit and vegetables** are not sufficiently exploited as a resource, given the richness of the soil in these outermost regions. However, it should be noted that the ORs have opted to diversify their agricultural production. In 2006, Guadeloupe produced 17 218 tonnes of fruit

⁵ French Office for the development of the overseas agricultural economy (ultramarine)

⁶ Hectolitres of pure alcohol.

while Martinique produced 8666 tonnes. The same year, Guadeloupe produced 43 950 tonnes of fresh vegetables and Martinique produced 37 892 tonnes. Guadeloupe also produces aromatic plants and plants used in perfumery (vanilla), coffee, cocoa, spices, medicinal plants (horticultural area of 179 ha), and Martinique produces mainly pineapples and certain spices (horticultural area of 105 ha). It is therefore an agricultural sector for the future, insofar as these ORs wish to increase trade with other Caribbean countries, in terms of both regional and international trade and R&D.

3.1.3.1 The aim of this diversification is to fully meet internal food requirements (self-sufficiency), as agriculture in the ORs tends to be dominated by banana and sugar cane crops for export. For example, in 2008, pork imports grew by 10 % in Martinique and 68.2 % in Guadeloupe. Meanwhile, vegetables account for 67 % of Guadeloupe's total imports of fresh produce. To achieve this self-sufficiency, farmers in the ORs recently opted to form interprofessional organisations grouping together players in the production and processing sectors, suppliers and distributors. The entire chain is represented, and each member has a key role to play in the interprofessional decision-making process⁷. However, this legal system does not exist in the neighbouring islands, whose lack of organisation hinders their agricultural trade with the ORs.

3.1.4 **Obstacles to trade in agricultural products between the ORs and the Cariforum States**

3.1.4.1 Agriculture is at the heart of the region's means of subsistence and development, and is therefore a defensive sector for the ORs. The region's main concerns are food security, the lack of infrastructure and the customs duties restricting regional trade and social protection.

3.1.4.2 As regards food security, the fruit and vegetables produced by Cariforum States do not fully meet European legislation. Although they use HACCP⁸ methods, production does not meet the standards of EU law. This matter is complicated by the fact that the ORs lack certain products that are available in large quantities in the Cariforum States.

3.1.4.3 Article 40 of the EPA states that, with regard to food security, the parties may, in situations giving rise or likely to give rise to "major difficulties", invoke the safeguard clause. However, it may be difficult for the ORs to access this option quickly. Moreover, the SPS measures laid down by the agreement⁹ aim to achieve intra-regional SPS legislation in accordance with WTO standards, in order to harmonise measures with the EU and achieve bilateral arrangements on recognition of the equivalence of SPS measures. However, the ORs, bound by EU legislation, do not always have an "OR" designation for their agricultural and fisheries

⁷ IGUAFLHOR is Guadeloupe's fruit, vegetable and horticultural interprofessional body.

⁸ Hazard Analysis and Critical Control Point: self-control system originally developed in America, used in the agri-food sector and based on seven key principles. The system identifies, assesses and controls significant food safety hazards. The system is included in certain EU acts (Directive 93/43 – food hygiene) and missing from others (Regulation 178/2002).

⁹ Article 52 et seq. of the EPA.

products as requested on numerous occasions by the EESC¹⁰, local authorities¹¹ and MEPs¹². The ORs are not part of the authority empowered to implement SPS measures to encourage intraregional trade, or in the negotiations relating to bilateral arrangements.

- 3.1.4.4 The EESC shares the EPA's desire to develop export marketing capabilities for "both for trade between Cariforum States and between the Parties, as well as the identification of options for the improvement of marketing infrastructure and transportation" (Article 43(2)(b)). The EPA also states that the identification of financing and cooperation options for producers and traders is a key aim in terms of agriculture and fisheries.
- 3.1.4.5 Certain processed products (jams, coffee, etc.) from the ORs are penalised by "negative lists" (customs duties) at customs in certain other Caribbean countries, making them harder to sell. In spite of EPA Articles 9 et seq. on customs duties, and given the ORs' particular situation within the Caribbean and their specific status as recognised by Articles 349 and 355 of the Treaty on the Functioning of the European Union, the EESC recommends that the parties concerned consider advance reductions of customs tariffs between the ORs and the Cariforum States in order to encourage trade relations in the Caribbean.

3.2 Fisheries

- 3.2.1 Major progress still remains to be made with regard to fisheries, after an initial disagreement on whether fisheries should be part of an EPA or covered by a separate agreement. The EU refused to deal with issues relating to regional fisheries under a separate agreement, instead preferring to sign bilateral agreements on access to fisheries.
- 3.2.2 In Article 43.2(2)(e), the EPA provides for assistance to Cariforum operators in complying with national, regional and international technical, health and quality standards for fish and fish products.
- 3.2.3 The EU's aim is to foster a long-term approach to fisheries management by means of the Common Fisheries Policy (CFP). The CFP is governed by the precautionary principle, in order to protect and conserve bioaquatic resources and minimise the impact of fishing on marine ecosystems. However, the situation is not the same for all of the Caribbean region, as the ORs remain subject to very strict legislation (no-fishing zones, regulation of spiny lobster, conch and sea urchin fishing, Fish Aggregating Devices¹³, etc.) which the Cariforum States are not bound by. Management of fisheries is devolved to each Member State; however, this

¹⁰ See the EESC's opinion on the *Outermost Regions: Achievements and Future Prospects* (ECO/212).

¹¹ *Etats généraux de l'outre-mer*.

¹² e.g. Madeleine Degrandmaison MEP.

¹³ Memo from the Directorate-General for Internal Policies of the Union, Fisheries in Martinique, January 2007.

does not take into account the specific features of the Caribbean, and penalises distant-water fisheries in the region.

- 3.2.4 The EESC therefore recommends managing fisheries in the Caribbean basin in agreement with the Cariforum States.

3.3 **Aquaculture**

- 3.3.1 Fishing in the Caribbean mainly concerns species found close to the coast: conch (large marine gastropod whose meat is used in many local dishes), grouper, spiny lobster, snapper and a number of other reef-dwelling species. Pelagic stocks are only beginning to be fished now, due to a lack of deep sea vessels and problems resulting from the tropical waters.

- 3.3.2 In recent years, local market demand has grown as a result of tourism. In addition, there are incentives to export to the American and European markets, resulting in over-fishing which, eventually, will lead to a sharp drop in fish stocks throughout the region.

- 3.3.3 Today, almost all the Caribbean countries import seafood products. Previously, the abundant stocks meant there was no need for aquaculture, and most of the countries in the region do not have any great fish farming traditions. Therefore, despite the growth in aquaculture worldwide, the Caribbean has barely developed its aquaculture production.

- 3.3.4 It was only after 2000 that aquaculture saw a real improvement. In 2004, Martinique's aquaculture sector produced 97 tonnes (10 tonnes of giant river prawns, 12 tonnes of John Dory and 75 tonnes of red drum).

- 3.3.5 The aid granted to the ORs for aquaculture production essentially come from the regional councils and the FIFG¹⁴. However, this aid does not seem sufficient, given the size of the market lead of certain Caribbean states (the FAO estimated Jamaica's production at 6 000 tonnes in 2002), and because this aid does not remove the need for the ORs to import seafood from Venezuela, the EU and certain Asian countries.

- 3.3.6 The EESC strongly recommends developing common aquaculture in the Caribbean via funds such as the EDF and EAFRD.

3.4 **Tourism**

- 3.4.1 Tourism is a major source of income for the ORs. The Caribbean has an innate advantage: its natural environment for tourism cannot be compared with any other region in the world. It occupies a unique geographical location and is one of the world's biggest tourist markets. Moreover, taking the global tourism market into consideration, the tourism products on both

¹⁴ Structural instrument for fisheries guidance, used by the Commission to adapt and modernise facilities in the sector.

sides of the Atlantic are leading to new, stricter standards in order to meet the needs of the tourists visiting the Caribbean.

- 3.4.2 However, the EESC must highlight the disparities in tourist infrastructure between the ORs and the other Caribbean States which focus on mass tourism and a more diversified offer (cruises, nautical tourism and, to a lesser extent, ecotourism), while the ORs are restricted to catering for more seasonal, essentially French-speaking niche tourism. This disparity is possible due to the somewhat precarious social situation suffered by workers in the Cariforum States.
- 3.4.3 The EESC also emphasises that tourism between the islands is fairly limited. Apart from the cruise sector, only two airlines and two shipping companies transport people between the Caribbean islands. Moreover, when inhabitants of a Cariforum State wish to go to the neighbouring ORs, they must request a visa, which means they may have to wait several months before they are able to travel. Together, these two factors restrict tourism as well as regional trade relations.
- 3.4.4 The EESC is pleased that the EPA took account of tourism services with a number of rules relating to the prevention of anti-competitive practices, SMEs, quality and environmental standards, cooperation and technical support. However, there are no provisions mentioning Caribbean tourism, in particular with the ORs; the EPA only refers to the temporary presence of people for professional reasons.
- 3.4.5 The Caribbean area as defined by the Secretariat of the United Nations¹⁵ has 250 million inhabitants, and the Caribbean islands alone are inhabited by 41 million people. However, this area is also characterised by the difficult connections between islands, which does not encourage regional tourism. Therefore, it would be harmful for both the ORs and the Cariforum States to miss out on the opportunity of Caribbean tourism in its broadest sense.
- 3.4.6 The EESC believes it would be profitable to create a Caribbean tourism area by structuring services more effectively.

3.5 **Services**

- 3.5.1 Trade in services is booming, and the sector is enjoying real success, making it an "offensive" sector for the ORs. Although exports of goods account for less of the Caribbean economy than they used to, exports of services have increased, mainly due to tourism. The region is fully aware of the potential offered by trade in services. Tourism, insurance, construction, environmental services, renewable energy, consultancy (quality and marketing), skilled maintenance, communications and transport are all sectors that encourage trade and economic growth in the region.

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The Caribbean area includes the Antilles (Greater Antilles and Lesser Antilles), the Yucatán peninsula, the Caribbean coast of Central America, and the coasts of Colombia, Venezuela and the Guyana Shield.

3.5.2 The EESC believes that the ORs have an important role to play in the export of services in the Caribbean, as countries such as Haiti and the Dominican Republic, which alone have almost 20 million inhabitants, are keen to acquire healthcare or business services based on the OR model. With regard to mobile telephony, some operators are already present in certain Caribbean States (Dominican Republic) but could, and would, like to strengthen their position.

3.5.3 Despite Articles 75 et seq. of the EPA, which only cover trade between the Cariforum States and mainland Europe, by speeding up the liberalisation of services in the Caribbean (Dominican Republic), including the ORs, it would be possible for both parties to the agreement to make the most of certain opportunities and thus generate a win-win situation.

3.6 **SME/SMI**

3.6.1 SMEs and SMIs need a stable environment with transparent rules and access to the most advanced processes. Since 2000, three-quarters of the companies that form the economic fabric of the ORs are small businesses with no employees (INSEE¹⁶). In 2007, there was a sharp rise in the number of business start-ups. Industry (18%), wholesale and retail (12.8%) and, above all, services (just over 50% of business start-ups) all increased considerably.

3.6.2 SMEs/SMIs in the overseas departments will inevitably incur higher costs and prices than neighbouring countries, but also offer the quality guarantees of the EC standard. These guarantees imposed on the ORs, not applied by the Cariforum States, must become the subject of an "OR" designation (see also point 3.1.4.3).

3.6.3 On the whole, the EESC believes that it would be extremely useful to improve access to such structures to ensure that the Caribbean market functions well. Thus, on the combined basis of the work embarked upon by the Commission¹⁷ and the EESC¹⁸ within the EU, it would be helpful to propose specific solutions for the creation of small and medium-sized production units. By establishing payment deadlines, cutting red tape, setting up networks, promoting investment or boosting lifelong learning within small and medium-sized enterprises, the Caribbean region could gain lasting competitiveness.

16 French national institute for statistics and economic studies.

17 COM(2007) 724 final and COM(2008) 394 final.

18 Opinion on *The different policy measures, other than suitable financing, that would help SMEs to grow and develop*, OJ C 27 , 3.2.2009, p.7; opinion on *International public procurement*, OJ C 224, 30.8.2008 p. 32; opinion on the *Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - "Think Small First" - A "Small Business Act" for Europe*, OJ C 182, 4.8.2009, p. 30.

3.6.4 Therefore, in the context of the regional development programme and/or the next EDF programme, it would be useful to set up a far-reaching policy to encourage the creation of SMEs/SMIs networked with the entire Caribbean region.

Brussels, 17 February 2010.

The President
of the
European Economic and Social Committee

Mario Sepi
