

# Ex-post evaluation of the EPA between the EU and its Member States and the CARIFORUM Member States

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## Agenda of the presentation

1. Implementation of the EPA
2. Economic impacts
3. Development cooperation
4. Qualitative impact analysis
5. Questions?



## Introduction

### Background

Economic Partnership Agreement implemented for 10 years.

Comprehensive and development-oriented trade agreement.

### Purpose

To discuss findings of implementation and impact in ex-post evaluation





# 1. Implementation



## Good news: progress achieved since September 2014

**Ratification increase:** ↑58% between 2014 and 2019

**Regional preference:** larger group of CARIFORUM compliant countries

**Trade facilitation:** improved trade facilitation indicators in CARIFORUM

**TBT and SPS commitments:** establishment of TBT Contact Points and SPS Competent Authorities in CARIFORUM Countries

**Mutual Recognition of professional qualifications in services sectors:** progress in preparation of an intra-CARIFORUM mutual recognition agreement (MRA) for architects

**Transparency in services:** establishment of enquiry points in the CARIFORUM countries

**Telecommunication services:** establishment of telecommunication authorities in CARIFORUM countries

## Good news: progress achieved since September 2014

**Tourism services:** development of CARIFORUM countries' own development and sustainability standards

**Cultural cooperation:** enhanced cooperation (as compared to 2014) to facilitate exchanges of cultural activities, goods and services

**Intellectual Property Rights protection:**

- Initiatives to strengthen the protection of IP rights in CARIFORUM countries such as new or revised intellectual property legislations
- Some progress in the field of regional integration.
- Accession to relevant International Treaties by several CARIFORUM countries

**Public Procurement:** new public procurement laws in several CARIFORUM countries

**Competition:** establishment of CARICOM Competition Authority

**Sustainable Development and Environment:** better protection of basic environmental and labour standards in CARIFORUM countries



## Remaining trade irritants

### Clear lack of implementation of the EPA

- Lack of compliance with tariff and service liberalisation commitments
- Maintenance of discriminatory policies and unjustified quantitative restrictions
- Lack of transparency
- Insufficient domestic regulation against anti-competitive practices, protecting IP rights or the confidentiality of personal data

### De facto irritants

- Burdensome and time consuming domestic regulations of the EPA parties undermining the spirit of the agreement and to nullifying its expected benefits
- Criticism typically addressed to the EU (e.g. heavy technical rules and SPS requirements, immigration policies)

# Challenges regarding implementation

## Transparency

- *“Without transparency, trade agreements are just words on paper”*
- Both Parties concerned: CARIFORUM and the EU

## Awareness of the EPA

- Remaining perception of “information deficit” despite dissemination efforts
- Multiple stakeholders not familiar with the opportunities stemming from the EPA

## Capacity constraints

- Capacity-building needs consistently highlighted throughout the EPA
- Both, public administration and economic operators concerned

## Political willingness

- Existence of political willingness to implement the EPA
- Concerns expressed in society regarding the possible adverse economic impacts of the EPA, capacity and budgetary constraints and other obstacles

## Business climate

- Need to enhance business climate to facilitate the investments required to adjust to the EPA and take advantage of it

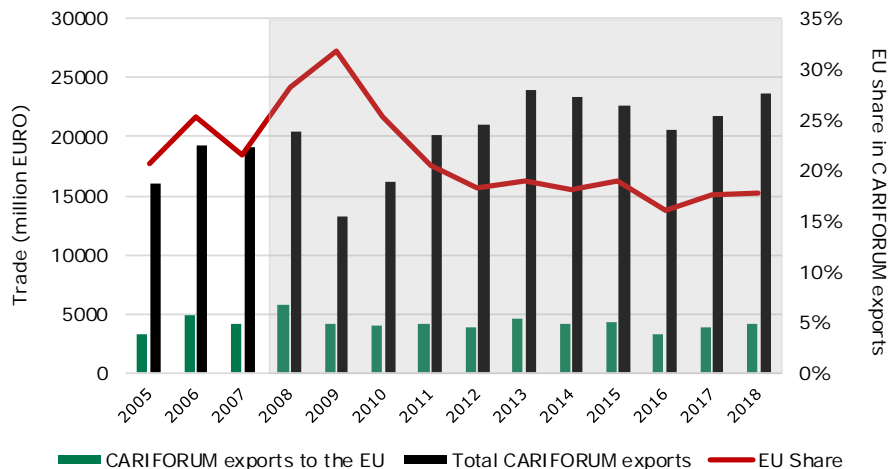


## 2. Economic Impacts



## CARIFORUM exports

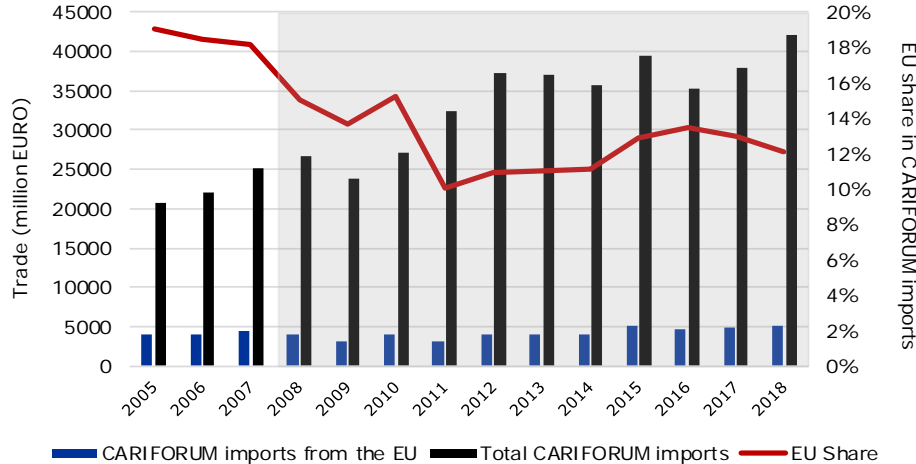
**CARIFORUM exports, 2005-2018**



- CF exports to the EU have fluctuated over the past 10 years. Export values to the EU today lower than in 2008.
- EU's relative importance as export destination market also decreased as exports to the RoW grew more rapidly.
- Fluctuations largely explained by change in oil prices.
- UK share in EU imports from CF has decreased.

## CARIFORUM imports

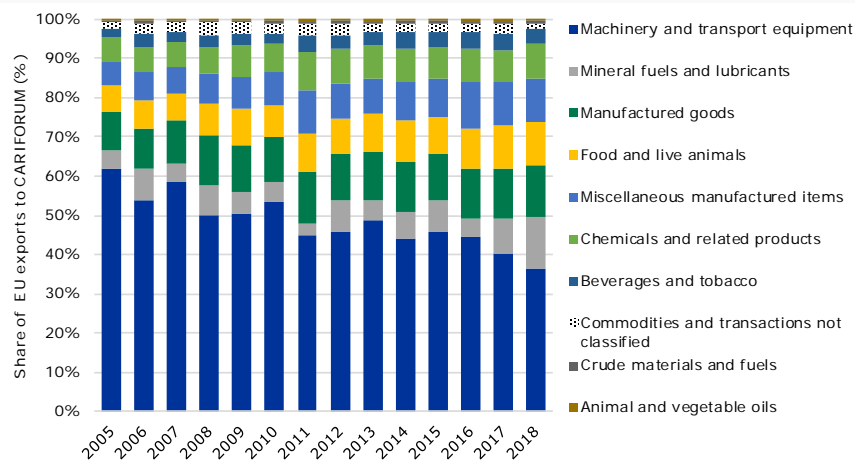
**EU exports, 2005-2018**



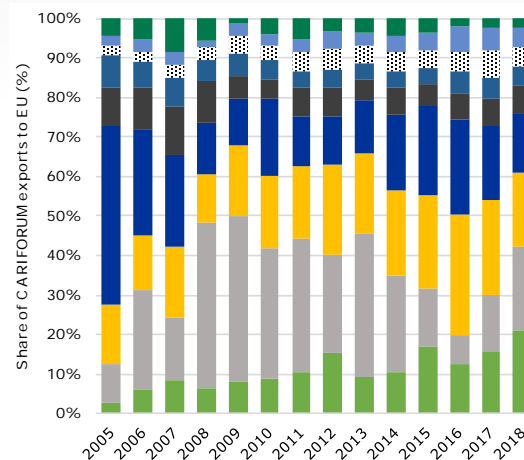
- EU exports to CF have increased in the past 10 years. Strong increases in the past four years.
- Relative importance of the EU as a source of imports for CF decreased in the first years after EPA started, has increased since 2011.
- UK share in EU exports to CF has decreased.

## Composition and diversification

EU exports to CF, 2005-2018

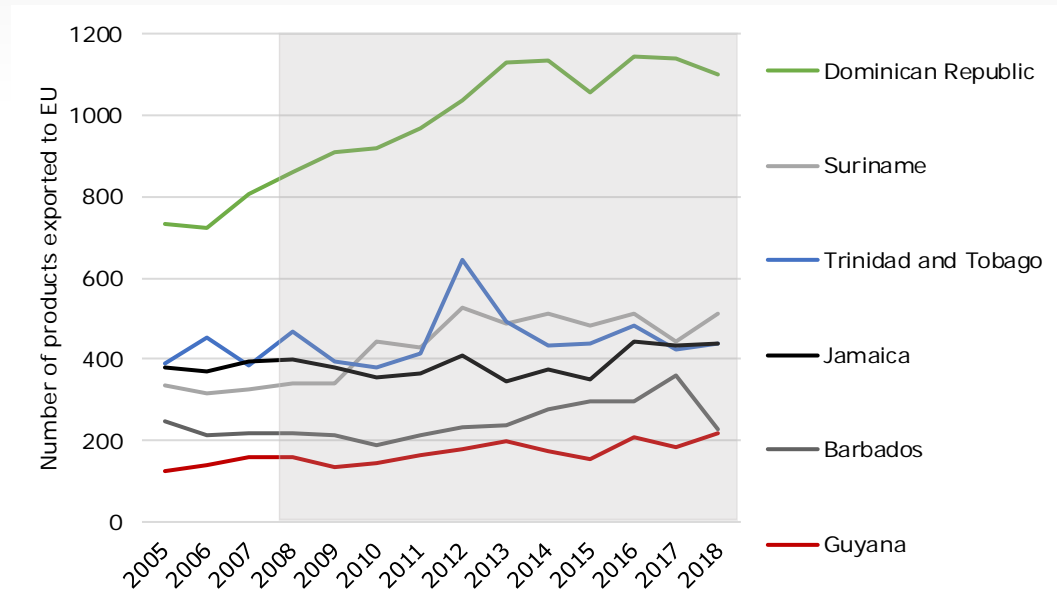


CF exports to EU, 2005-2018



- CF exports less reliant on Mineral Fuels and Lubricants.
- CARICOM diversification index increased, trend started in 2009.

## Composition and diversification (2)



- Number of products (HS6) level exported to the EU increased for major CARIFORUM economies.
- New trade flows under the time period.

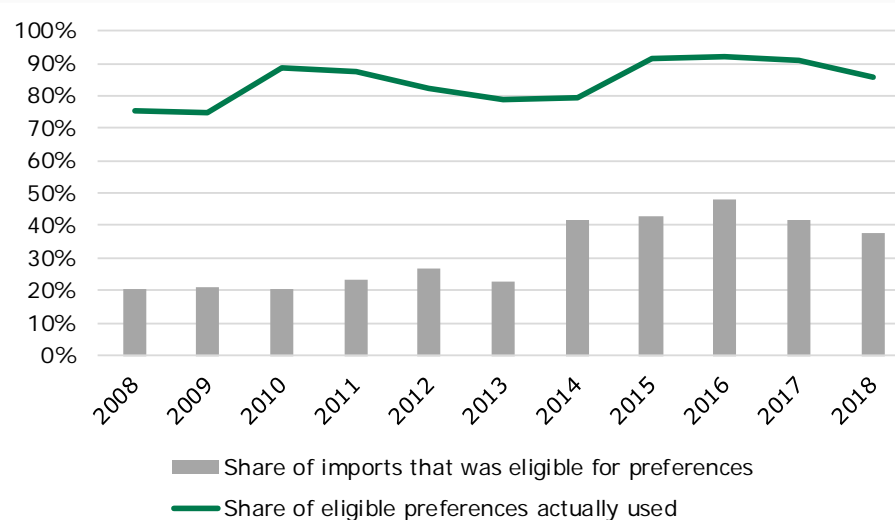


## Preference utilisation rates

*The PUR indicates the value of trade that takes place under **preferences** as a share of the total value of trade that is **preference eligible**.*

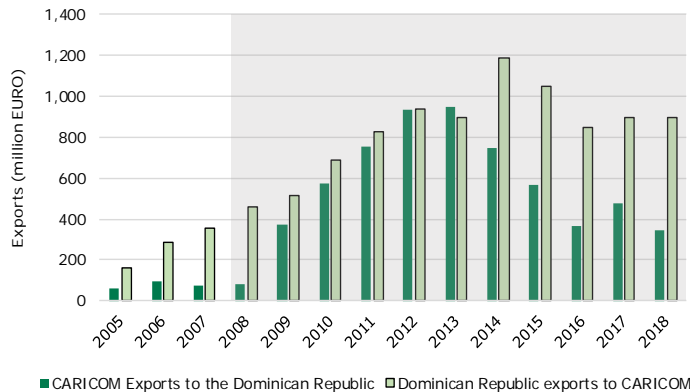
- For six major CARIFORUM economies – Barbados, Dominican Republic, Guyana, Jamaica, Suriname and Trinidad & Tobago – preference utilisation rates at high levels.
- High preference utilisation rates for EU exports to the Dominican Republic (85%)

**Preference utilisation on CF exports, 2005-2018**

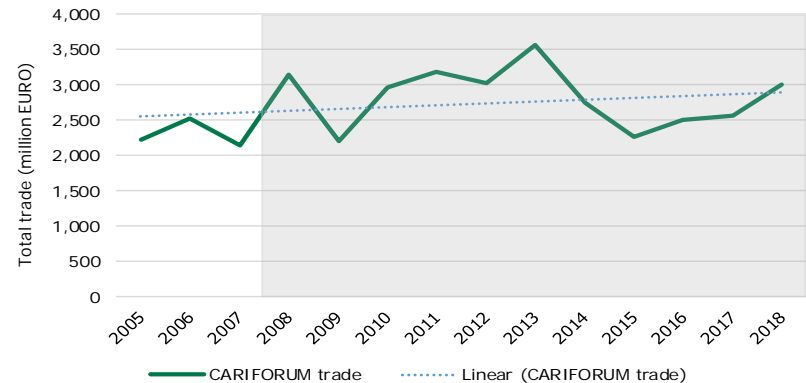


## Regional integration

**Trade between CARICOM and DR, 2005-2018**



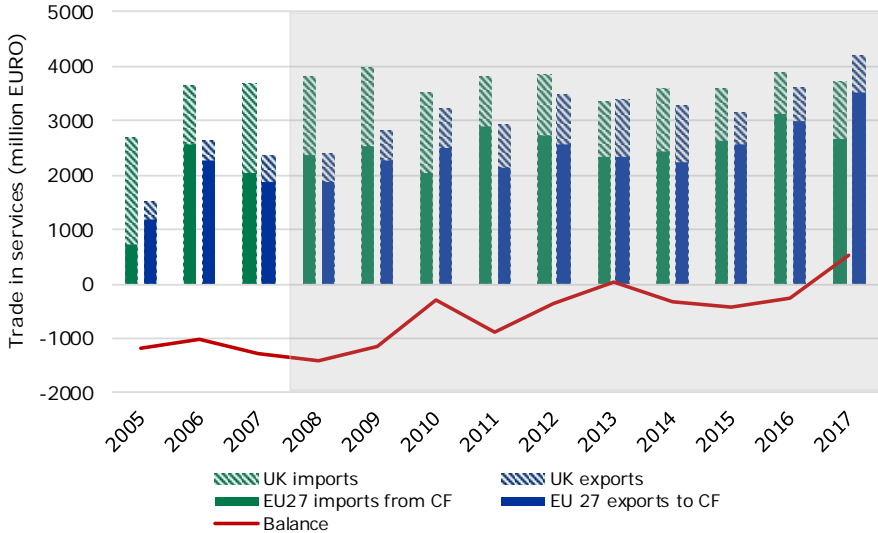
**CARIFORUM internal trade, 2005-2018**



- Trade between CARICOM and the DR has increased. This increase is mostly due to exports from the Dominican Republic to CARICOM.
- Intra-regional trade in CARIFORUM has increased over the past decade, with fluctuations. Total regional trade increased strongly between 2009 and 2013 but experienced a drastic decrease in 2014. Values have since recovered and for 2018 were higher than the pre-EPA levels.

## Trade in services

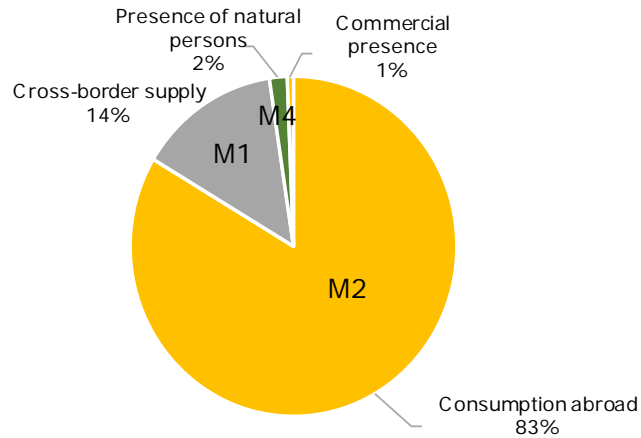
**EU-CARIFORUM trade in services, 2005-2018**



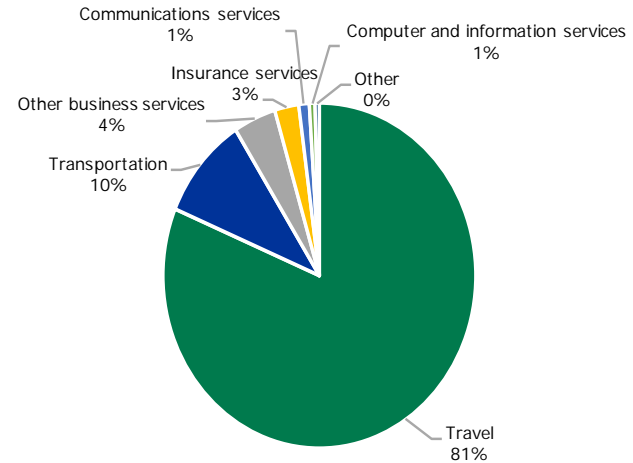
- EU has always had a trade deficit in trade in services with CARIFORUM, which has decreased since the start of the EPA. A positive trade balance for the EU was registered for the first time in 2017.
- UK's share of EU imports of CARIFORUM services has decreased.

## Trade in services

**CARIFORUM exports by mode of supply, 2017**



**CARIFORUM exports composition, 2017**



## Investment

Country	Inward flow for 2016 (in EUR)	Sectors
Antigua & Barbuda	131 million	Tourism
Bahamas	470 million	Tourism (including Cruise lines)
Barbados	205 million	Tourism, telecommunications
Belize	30 million	Capital inflows, natural resources
Dominica	30 million	Citizen by investment programme
Dominican Republic	2166 million	Tourism (33%), Real estate (24%)
Grenada	63 million	Tourism, construction
Guyana	58 million	Energy, mining
Jamaica	790m	Tourism, renewable energy sector, business services
St. Kitts and Nevis	69 million	Citizen by investment programme, tourism
St. Lucia	97 million	Tourism
St. Vincent and the Grenadines	104 million	Tourism, real estate
Suriname	222 million	Mining
Trinidad and Tobago	406 million	Hydrocarbon exploitation and petrochemicals, financial sector, telecommunications



## EPA economic impacts

While most CARIFORUM countries have **similar export levels** in 2018 as they did pre-crisis, some have had encouraging growth in the past five years (Belize, Dominica, Dominican Republic and Guyana).

There are also interesting development on sectoral levels. CARIFORUM **exports appear to have diversified**, relying less on mineral fuels and more on food and manufactured items.

Products such as food preparations, essential oils, beverages and spirits have had strong growth in several CARIFORUM Member States.



Source: Caribbean Kitchen CEDA

## EPA Economic Impacts (2): Modelling results

*Partial equilibrium modelling is a popular tool in trade policy analysis. It is especially useful for quantifying the economic impact of changes in trade policy and allows us to compare a situation WITH or WITHOUT the EPA.*

- Because of data availability issues, only partial equilibrium modelling possible- more indirect effects not taken into account (e.g. through prices, income)
- Changes in NTMs not taken into account -> service sector excluded
- Compare situation with currently applied tariffs with MFN rates
- Currently applied rates available for four countries: Dominican Republic, Jamaica, Grenada and St. Lucia

## EPA Economic Impacts (3): Modelling results

### Effects of the EU-CARIFORUM EPAs on EU bilateral trade flows

Partner country	EU Exports		EU imports	
	million EUR	%	million EUR	%
Dominican Republic	<b>323</b>	<b>20</b>	<b>326</b>	<b>45</b>
Jamaica	<b>35</b>	<b>9</b>	<b>76</b>	<b>42</b>
Grenada	<b>4</b>	<b>12</b>	<b>1</b>	<b>9</b>
St. Lucia	<b>5</b>	<b>8</b>	<b>7</b>	<b>119</b>

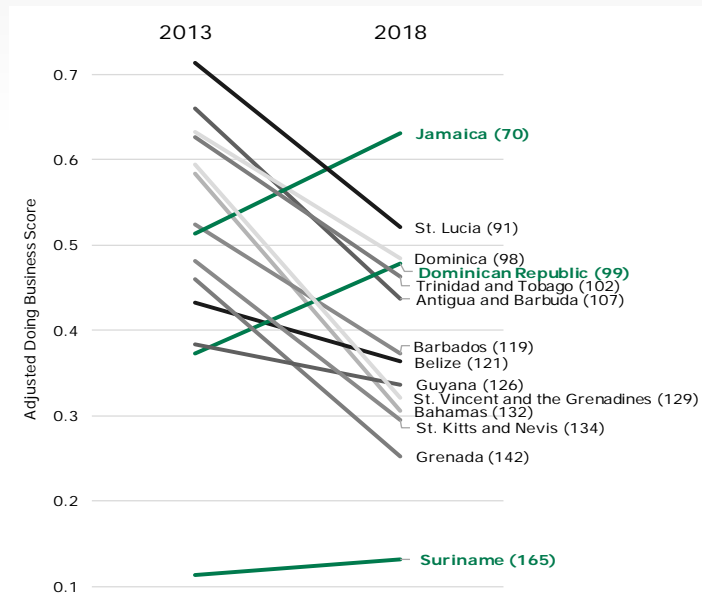
DR and St. Lucia export increase predominantly in **agriculture**, for Jamaica and Grenada in **industrial goods**.

Import effect for all four countries mainly in **industrial goods**, only in DR also significant change in import of agri products

## EPA Economic Impacts (2)

- Implementation report showed that despite the progress made, **implementation is behind schedule**.
- Stakeholder consultations revealed **limited EPA awareness** with the BSOs and private sector/economic operators at large. Despite efforts by EPA Coordinators, the EU and agencies such as CEDA, the majority of the stakeholders interviewed had limited awareness of the EPA, its implementation or the benefits.
- The number of companies that consider the **EU a priority market is limited**. The focus of exporters is more on nearby markets.
- **Barriers in the home country**, both at the company level (e.g. adequate skills) or in the business environment (e.g. availability of finance) also affect exports

Doing Business score, 2013 & 2018

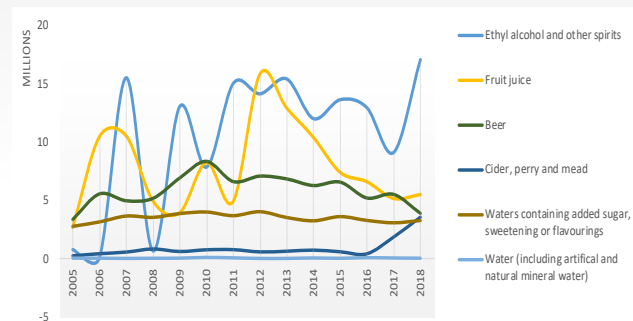
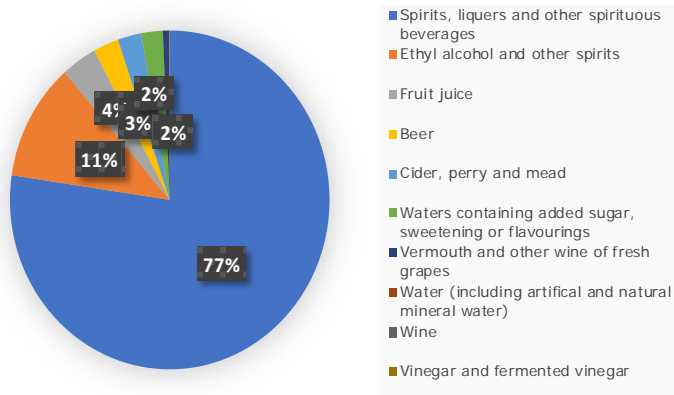


## Case studies - Beverages

Scope: spirits and liquors, ethyl alcohol, fruit juice, beers and water.

75% of exported beverages are Rum.

### EU imports of CF beverages, 2018



Typically a niche product, most producers are small, with limited production capacity. There is however a strong market for niche rum in the EU.

Some of the producers are quite sophisticated and certainly export-ready (or are already exporting). There is also an interest by major EU beverage producers in Caribbean brands.



## Case studies – Creative industries

### UNESCO study on Cultural Cooperation

EPA unprecedented in its attempt to include culture in a trade agreement.

### Challenges

- Institutional and capacity constraints  
legal complications.
- Lack of transparency in the conditions set out by States.
- Failing links between implementing agencies, creative industry organizations and individual artists.



## Case studies – Creative industries

### Limited link to the EPA.

A key issues for the music industry are **visa issues**.

While the better-connected and more established producers report only limited problems, visa issues are a major challenges for newer artists/producers. The issue is not so much that visas are denied, but rather, that the process is opaque and at least to applicants seems random.

Access to grants, workshops etc. is difficult for artists outside the big Caribbean countries

**Animation** as new but strongly growing industry in the Caribbean.

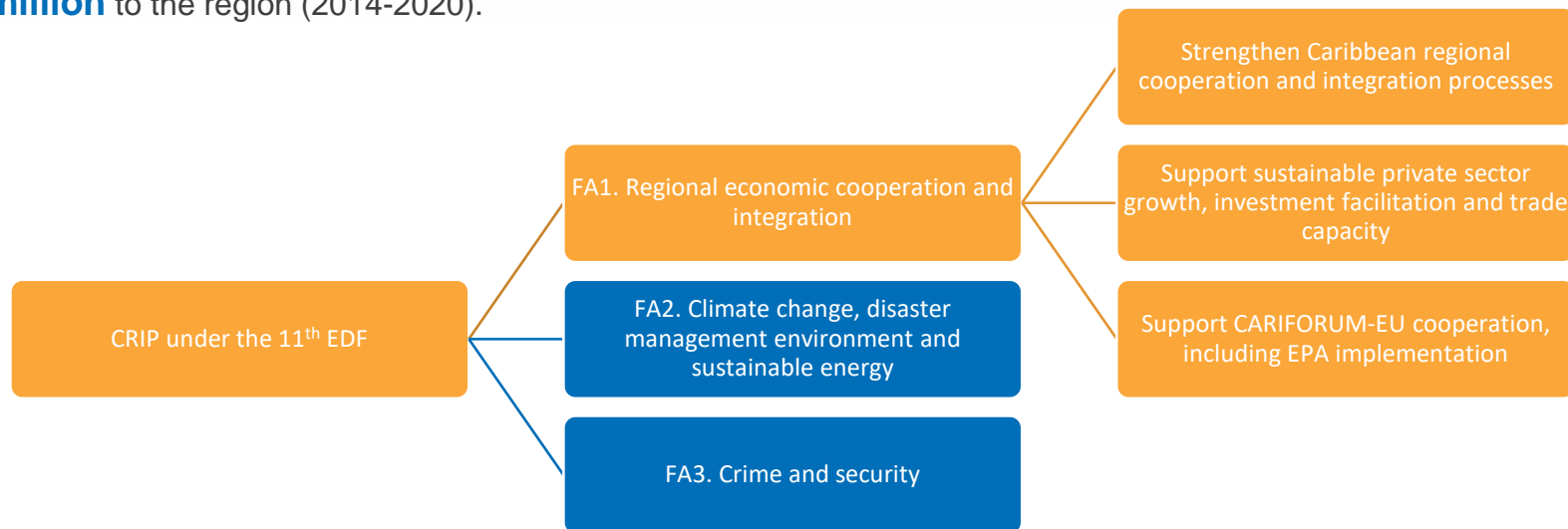
*Key strengths for the Caribbean are price, skills, cultural affinity to the US and EU.*

# 3. Development Cooperation



## Priorities

The Caribbean Regional Indicative Programme (CRIP) under the 11<sup>th</sup> European Development Fund (EDF) set forth an allocation of **€346 million** to the region (2014-2020).



## Projects 10<sup>th</sup> EDF

### **Institutional Support to CARIFORUM / EU Development Cooperation and EPA Implementation.**

*2012-2016 EUR 4.2 million*

To provide an institutional support to the CARIFORUM Directorate and EPA Unit in order to support the implementation of actions aiming at enhancing the CARIFORUM/EU Development Cooperation and EPA implementation.

Provided institutional support to the CARIFORUM Directorate to achieve a **fully staffed and operational Directorate**

## Projects 10<sup>th</sup> EDF

### EU CARIFORUM Economic Partnership Agreement (EPA) and CARICOM Single Market and Economy (CSME) Standby Facilities for Capacity Building

*2017-2017 EUR 7 million*

**Result:** 28 individual projects (15 EPA and 13 CSME) were grant-financed through the two facilities.

The facilities were generally used either to: implement an existing plan (purchase equipment; acquire certification, market visits, capacity building, etc.) or create a plan (feasibility studies, policies, draft legislation, develop marketing plans, etc.)

### Regional Private Sector Development Programme

*2011-2016 EUR 28 million*

**Result:** 260 programme based activities from which over 6000 SME's across CARIFORUM benefited

Benefits included: enhancing competitiveness and promoting innovation among CARIFORUM's private sector; promoting trade and export development among CARIFORUM States; strengthening the institutional capacity of **Caribbean Export** to implement the trade and investment promotion programmes in the region

- The projects implemented have been **relevant** when looking at the priorities of development cooperation and the objectives of the EPA.
- Human, legal and institutional **capacity building** has been one of the cornerstones of the programmes, seen in the institutional support provided by the CRIP and the EPA and CSME Standby Facilities for capacity building.
- **Fiscal reform** was approached through CARTAC, which played a crucial role in supporting tax reform and improving tax administration, particularly the successful launch of VAT in eight countries.
- **Private sector development** has been supported both through cross-cutting programmes (such as the 10th EDF Regional Private Sector Development Programme) as well as **sector-specific** programmes like the Coconut Industry Development programme.
- Support to enhance CARIFORUM states' abilities to meet **technical standards** has been approached through programmes such as the 10<sup>th</sup> EDF Sanitary and Phytosanitary Measures Project.

- The interventions have been moderately effective. Most projects have **met their target indicators**. In the case of the Private Sector Development Programme, the expected results of the activities (such as trade missions, study tours, business roundtables, market intelligence systems and studies) were achieved.
- In some cases, programmes were found to have overly **ambitious programme design** or indicators. In addition, there were challenges around programme focus. Some limitations were found at a programme design level, with it being considered too ambitious.
- Difficult to tie impact to the interventions. It would appear that rather than generate direct impacts, most interventions have **set into place the conditions necessary** for the realisation of the objectives at a later stage.

## Visibility

- A cross-cutting theme in the evaluation reports studied was that of issues in visibility and communication. Despite high quality material being created, distribution and follow-up have been lacking.



# 4. Sustainable development



## Sustainability Impact- social and human rights impacts

**Ratification of core labour standards: most CARIFORUM countries has ratified these agreements well before EPA.** Exceptions:

- Child labour (St. Kitts and Nevis, 2005, St. Vincent and the Grenadines, 2006 and Surinam, 2018)
- Discrimination (Surinam, 2017)

No information on extent to which the ILO agreements are respected and enforced.

Most CARIFORUM countries have attained middle-income status, and modest growth in per capita income in the region has contributed to a **reduction in extreme poverty**.

**No significant increase or decrease in employment levels** since the start of the EPA, with the exception of St. Lucia and the Bahamas

**Female employment sector has slightly increased** during the evaluation period, relatively high

**No major decrease in public social spending** since 2008 has been observed

# Sustainability Impact- social and human rights

## Channels of impact

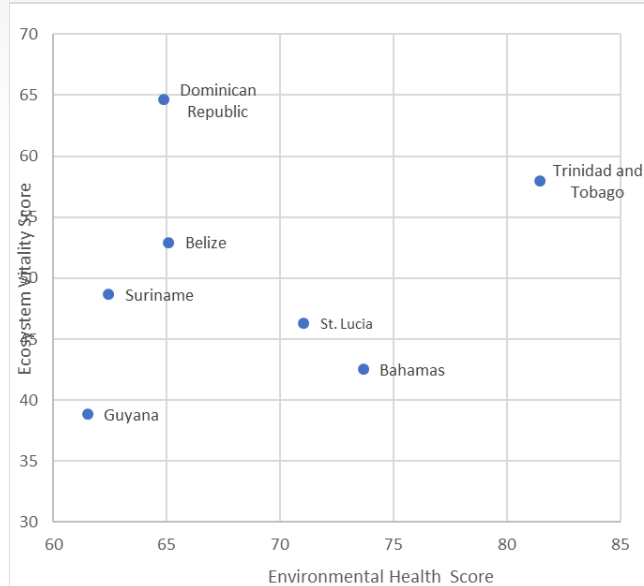
- Impacts stemming from economic channel- **lack of data on gender, human rights, etc at the sectoral level do not allow for detailed assessments.**
  - Majority of women employed in informal and service sector- impact from EPA seems limited.
- Impacts stemming from interaction with EU stakeholders: Some positive examples, but **scale of effect is unclear** and sometimes difficult to separate from global trends
- Impacts stemming from other parts of the agreement:
  - Development co-operation: ILO project funded by EU on social dialogue
  - Consultative committee aims to monitor/advocate decent work-related issues
  - **No clear impact yet**

## Sustainability Impact- Consumers

- Effect on variety: possibly higher variety in food products and light manufactured items
- However many imported products also by industry (e.g. machinery), no direct effect on consumer
- High quality products from EU, not necessarily for domestic consumers (tourism)
- No indication found of negative effect of exports on consumers
- Effect on prices unclear



## Sustainability Impact- Environment



*Significant difference between  
CARIFORUM countries (current performance)*

- Changes in environmental performance over the evaluation period based on EPI score
- The Environmental Performance Index - a compound index, measurements of environmental trends of 180 countries across 24 performance indicators.
- Two main elements:
  - Environmental health, which is assumed to rise with economic growth and prosperity (e.g. air quality, water & sanitation as well as heavy metals)
  - Ecosystem vitality, which is assumed to decrease with urbanization and industrialization (e.g. air pollution, forests, fisheries, agriculture, climate & energy, biodiversity & habitat and water resources).

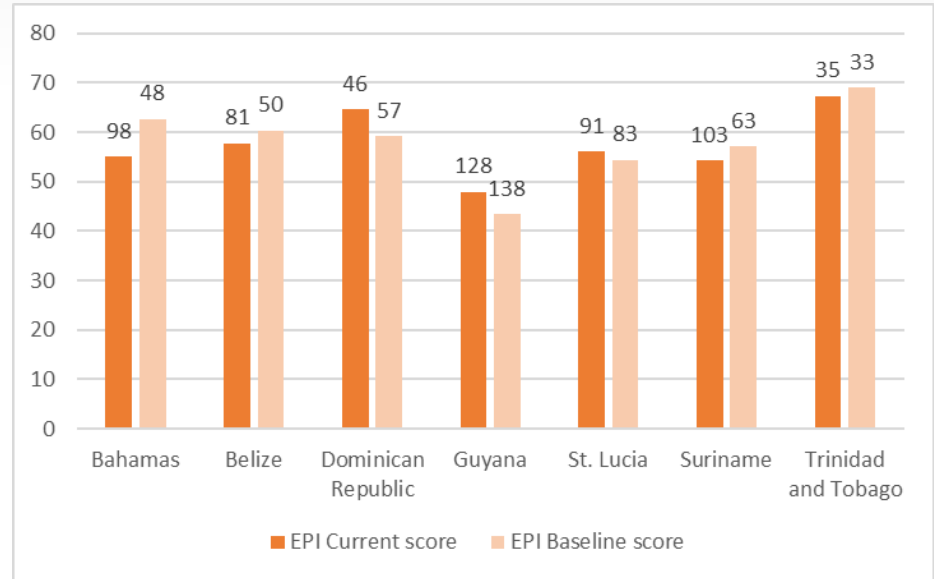
## Sustainability Impact- Environment

Modest changes over time

Some show improvements, others deterioration

Relative performance seems to decrease (ranking)

Decrease mainly in vitality



## Sustainability impact- Environment



- **Economic channel:** Some traditional sectors have decreased, but **impact on overall environmental footprint unclear**, due to absence of data
- **EU interaction channel:** In stakeholder consultations with private sector, **more signs of environmental awareness of producers**, partly related to interaction with the EU market
- **Results from other parts of EPA:** Environmental sustainability key priority in most states, also **co-operation in this area, in e.g. in committees and development co-operation** (Strengthening of the Caribbean Biological Corridor)

# 5. Questions?





# Contact

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