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Caribbean: Agricultural trade policy debates and developments

1. Background and key issues

Despite an increased policy focus on getting to grips with rising food import bills and the promotion of local agricultural development, the overall performance of the agriculture sector in the Caribbean remains a cause for concern. Most countries in the region face growing agricultural trade deficits (the exceptions are Belize and Guyana). Preference erosion and stricter standards in export markets both serve to sharpen the focus on production for local and regional markets.

Caribbean countries in the ACP face a number of specific challenges:

- repositioning agricultural exports within evolving global and regional markets;
 - more clearly articulating the role of trade policy measures in support of agricultural development strategies;
 - more clearly defining the role of the public sector in supporting processes led by the private sector in repositioning the agro-food industry, including regulatory reforms;
 - establishing commonly agreed rules on agri-food sector support measures, as part of the creation of the single regional economic space and common market;
 - successfully moving towards harmonised agricultural policies (including the use of modern market regulatory tools in the traditionally state-led sectors) and effective functional cooperation.
- redefining the role of agriculture in the light of rising global prices, increased price volatility, and aspirations to value addition;
 - determining the role of imported raw materials in value-added food products;

To address these challenges a number of initiatives have been taken, including:

- the approval in October 2010 of a Caribbean Regional Food and Nutrition Security Policy (RFNSP), with the aim of achieving “the optimum degree of self-reliance ... [using] indigenous raw materials, human and natural resources”;
- the adoption in October 2011 of a Caribbean Community (CARICOM) Agricultural Policy document, aimed at creating “one regional space for production, processing, trade and investments” in the agri-food sector (see *Agritrade* Special Report ‘The Caribbean Community Agricultural Policy: Challenges ahead’, 16 December 2012);
- the revision of the Organisation of Eastern Caribbean States (OECS) action plan on agriculture, completed in 2012.

Central to these various initiatives is the adoption of a value chain approach, with an emphasis on private-sector-led strategies in the context of public-private-sector partnerships. There is a growing focus on developing agri-tourism value chains and integrating social issues, including poverty and gender considerations, into the operation of commercial supply chains. Importance is also attached to upgrading the institutional and regulatory framework for sanitary and phyto-sanitary (SPS) controls and food safety.

While Caribbean ACP countries are part of the global trend towards trade liberalisation, food and agricultural products enjoy higher than average levels of tariff and ‘para-tariff’ protection, mainly in the form of WTO-compliant ‘other duties and charges’. Efforts are under way to harmonise these measures in the context of the CARICOM

common external tariff (CET) and moves towards the creation of the Caribbean Single Market and Economy.

“There are widespread exceptions to the application of the common external tariff – particularly for agricultural products”

Currently there are widespread exceptions to the application of the CET, particularly for agricultural products, where a range of surcharges and levies are also applied. In addition, the application of a differentiated approach to intra-regional trade liberalisation, which allows Haiti, the OECS and Belize to maintain restrictions on imports of sensitive products from the more developed CARICOM countries, points to the differences in trade policy regimes which affect the agricultural sector within CARICOM.

Against this background there have been reports of some CARICOM member states making use of quantitative restrictions to control the volume of both extra-regional and regional agriculture and food imports.

While a comprehensive Economic Partnership Agreement (EPA) between CARIFORUM and the European Community has been in place since 2008, several Caribbean states face challenges in its implementation in the light of progressive erosion of the value of traditional relationships with the EU, in both the trade and development assistance fields.

Trade negotiations with non-EU partners, most notably Canada, are approaching a critical stage.

2. Latest developments

Policy developments in the Caribbean

Rising prices and the renewed focus on production for domestic markets

In the face of rising global food prices, Caribbean governments have been seeking to promote local food production.

“With rising global food prices, Caribbean governments have been seeking to promote local food production”

This has manifested itself in many forms. In 2012 the producer of Jamaican Red Stripe beer began contracting farmers directly to produce cassava and sorghum to replace imported barley in beer production. The aim is to replace 15–20% of barley use by 2014 and 70% by 2020. In January 2013 the Barbados Agricultural Development and Marketing Corporation (BADMC) launched a market assessment of the scope for blending cassava flour into local bakery products. In 2012 the Jamaican government and Jamaican Broilers relaunched their joint initiative to develop local maize production for poultry feed and to extend regional arrangements for the procurement of poultry feed. Belize delivered 5,227 tonnes of maize-based feed to Guyana by March 2013, and this stimulated new investment in maize production in Belize (see *Agritrade* Executive Brief Update ‘Cereals sector’, forthcoming 2013). In July 2012 consultations were launched in Jamaica on the scope for redeveloping the beef industry, while early in 2013 the governments of both the Dominican Republic and Belize

intensified efforts to enhance controls over animal disease and food safety in the beef sector (see *Agritrade* Executive brief: Update 'Beef sector', forthcoming 2013).

Furthermore, efforts continue to boost rice production, with the USDA reporting in August 2012 the Jamaican government's plans to develop rice production to meet up to 15% of national needs (earlier plans announced in 2008 had set a target of 25%). This forms part of wider efforts in the Caribbean to develop rice production for local and regional markets, including Latin American markets. Between 2010 and 2013 some 60% of Guyana's rice exports went to Venezuela. Efforts also continue to develop rice exports to Jamaica and to Trinidad and Tobago. Following EU rice sector reforms, the disappearance of price premiums has caused exports to the EU to fall. The EU market is now primarily of interest for speciality rice varieties, which are now gradually being introduced and can attract high prices (see *Agritrade* Executive Brief Update 'Rice sector', forthcoming 2013).

Beyond the cereals and livestock sectors, the Jamaican government's 'agro parks' initiative appears to place greater emphasis on promoting horticultural production for local markets. Following the success achieved in the Dominican Republic in expanding vegetable production (from £3 million in 2004 to £64 million in 2011) (see *Agritrade* Executive Brief Update 'Fruit and vegetable sector', forthcoming 2013), there is growing interest across the region in protected agricultural production systems (low-cost greenhouses).

In some countries, even traditional export sectors such as sugar and bananas are focusing more on serving local and regional value-added processing industries. In this, there are

both 'pull factors', linked to increasing import bills, and 'push factors', linked to ongoing processes of preference erosion (which are in turn linked to EU common agricultural policy reforms and the conclusion of new EU FTA agreements). Thus, the Jamaican banana sector is focusing on the introduction of more disease-resistant varieties better suited to domestic market needs, particularly the production of value-added banana products (see *Agritrade* Executive Brief Update 'Banana sector', forthcoming 2013).

Similarly in the sugar sector: according to the Chair of the Sugar Industry Authority, from 2012/13 "all the raw sugar for local consumption will be supplied from locally produced sugar", eliminating the need for some 60,000 tonnes of imports (see *Agritrade* article '[Recent developments in Caribbean sugar exports](#)', 4 May 2013). While imports of refined sugar products will continue (some 65,000 tonnes), there are aspirations to eliminate part of these imports as investment in local refining takes place. This, however, will depend on private-sector investment.

In the case of sugar, investment in value-added processing has been implicitly linked to dismantling state-run single-channel marketing arrangements. In the banana sector, investments in banana-chip production in 2012 were linked to a 15% increase in stamp duty on banana chips. This use of trade policy tools also saw additional stamp duties imposed on imported meats, fish, ham and bacon.

"Trade policy measures are being reviewed to give the agriculture sector an opportunity to grow and develop"

This forms part of a broader review of existing tariff waivers in those areas where local production potential is held

to exist. According to the Jamaican Minister of Agriculture, the aim of this review is to "give the agriculture sector an opportunity to grow and develop" (see *Agritrade* article '[Revised tax package to curb food imports announced in Jamaica](#)', 3 September 2012).

This use of trade policy measures is not restricted to Jamaica. As part of ongoing protection in the poultry sector (the largest agricultural sector in the Caribbean), the government of Trinidad and Tobago introduced a 15% surcharge on extra-regional imports of poultry meat, while the government of Barbados increased tariffs on marinated raw poultry from 20 to 184%, in line with the treatment of other poultry products. Despite these measures, extra-regional imports of poultry meat continued to rise across CARICOM as a whole (for more details see *Agritrade* Executive Brief Update 'Poultry sector', forthcoming 2013).

The use of trade-restrictive measures led the Jamaican country representative of the Inter-American Development Bank to call for increased financial support both for infrastructure in farming areas and processing facilities and for more attention to be paid to strengthening supply chains. While such a broadening of approach is increasingly a feature of government policy commitments, problems are faced in operationalising these commitments (see, for example, *Agritrade* article '[Trade policy tools to be part of Jamaican policy response to boost production and reduce food imports](#)', 28 October 2012).

The private sector in some instances continues to urge governments to make greater use of trade policy tools in areas where domestic production is to be promoted, since these are relatively simple, low-cost steps to take (see *Agritrade* article '[Jamaica's "agro-](#)

[parks" food initiative](#)', 21 January 2013). The use of trade policy tools within the overall policy mix is thus likely to feature considerably in discussion and debate in the national, regional and inter-regional context in the coming years.

Value-added food product imports and intra-regional trade

There is considerable focus on developing value-added food product industries in the Caribbean.

"There is considerable focus on developing value-added food-product industries in the Caribbean"

However, this needs to be seen against the background of the serious constraint on competitive local agricultural production arising from limited land availability. In some countries, land constraints are compounded by the declining attractiveness of agricultural employment. This raises important questions about the role of imported raw materials in the production of value-added food products. It has long been recognised in CARICOM that, given supply capacity constraints, rules of origin permitting the use of extra-regionally sourced raw materials are necessary. However, some regional governments/private sectors have proved more adept at exploiting these provisions than others (see *Agritrade* article '[Agricultural exports continue to decline in Trinidad and Tobago](#)', 8 April 2012).

In April 2013 Jamaican manufacturers complained of Trinidadian exporters "violating trade rules by misrepresenting products as being of CARICOM origin" so as to benefit from lower tariffs. Trinidadian manufacturers rejected these allegations, arguing that sufficient processing occurred to comply with the change of tariff heading provisions under CARICOM rules of origin

(see *Agritrade* article '[Charges of unfair export practices raises policy issue of balance between agricultural production and value-added processing](#)', 13 June 2013). Repeated rules-of-origin disputes have reportedly "strained commercial relations between the two countries in recent years".

This raises issues beyond the question of rules of origin, related to national strategies for the promotion of agro-food sector development, in a context where value-added processing can often generate more employment and greater additional value than more basic agricultural activities. This can pose policy dilemmas for governments over whether to promote local agricultural production or value-added processing based on imported raw materials. This issue is further complicated in the Caribbean by the periodic disruption of agricultural production by hurricanes, necessitating imports of locally produced raw materials to sustain domestic value-added processing after the loss of the national crop.

Broader questions raised by the dominant role of Trinidadian agri-processing companies on regional markets relate to the impact on competition of national policies and support programmes that favour agri-food processing of imported inputs. Jamaican manufacturers have long maintained that Trinidadian energy and transport subsidies constitute a huge [unfair] competitive advantage when processing imported raw materials.

The use of imported raw materials is nowhere more acute than in the dairy sector, given that milk production in the Caribbean continues to fall short of rising consumption of dairy products. The role of milk production in local Caribbean dairy sector development requires careful definition. This is a tricky issue, since it is widely recognised that self-

sufficiency is an unattainable objective, but many governments continue to prioritise expansion of domestic fresh pasteurised milk production, while building capacity to produce a mix of other dairy products. This puts trade policy in the Caribbean dairy sector at centre stage. The situation is complicated by the dominant role of multinational dairy companies in the region: the way in which international dairy companies partner with local milk producers and engage with government objectives is critical to dairy sector development.

The period 2012–13 has seen a range of developments in this regard. In September 2012, Nestlé invested US\$8 million in a new production line at its factory in Jamaica, and on 7 March 2013 signed a Memorandum of Understanding with the Trinidadian government to improve herd quality. Similar efforts to improve the quality of the national dairy herd are reportedly under way in Guyana, with the aim of reducing the import of dairy products by 10% by 2015.

Guyana currently depends heavily on importing bulk milk powder for repackaging and reconstituting to meet local demand. This reconstitution of imported milk powder for use in a range of dairy products can severely compound the challenges faced by other regional producers in maintaining industry profits and optimising returns on investment focused on the utilisation of locally produced milk.

At the end of 2012, Pine Hill Dairies in Barbados reported a serious financial situation due to rising input costs and competition from imported yoghurts and evaporated milk. A milk production quota system was reinstated from 1 July 2012, and at the end of December 2012 the company's yoghurt plant closed. Similar challenges from imports are faced in Belize, where trade policies

that encourage imports and the lack of a national dairy policy are seen as disadvantaging the local dairy industry (see *Agritrade*, Executive Brief Update, 'Dairy sector', forthcoming 2013).

The focus on the development of value-added processing in the Caribbean context can be seen to raise two important and related policy issues. The first is the precise role of imported raw materials in the production of value-added products manufactured for domestic markets and traded into regional markets under preferential tariff conditions. The second is the need for common rules on state support to agriculture and agri-processing so as to avoid unfair competition in regional agri-food product markets.

"There is a need for common rules on state support to agri-culture and agri-processing in order to avoid unfair competition in regional agri-food product markets"

This is an important issue, given the links to investment patterns. It is not, however, an issue which has yet been addressed within the Caribbean Community Agricultural Policy. Without such commonly agreed rules on national support, the types of tensions which arose in April 2013 between Jamaica and Trinidad and Tobago are likely to continue.

This could exacerbate tensions arising from the application of different product standards, which periodically give rise to trade restrictions.

Food safety and product standards: An intra-regional and extra-regional trade issue

In mid 2012 the imports of dairy and milled-flour products from Barbados were halted by the Trinidadian authori-

ties on food safety grounds (see *Agritrade* article '[Food trade dispute between Barbados and Trinidad and Tobago rumbles on](#)', 3 September 2012). While an agreement was eventually worked out without the dispute escalating, the incident served to highlight the need to harmonise product standards across the CARICOM region.

"Product standards need to be harmonised across the CARICOM region"

The CARICOM Regional Organisation for Standards and Quality (CROSQ), launched in July 2012, could potentially assist in this process, particularly if close liaison with national standards bodies was initiated, linked to a programme of legislative reforms to carry standards harmonisation into national law.

This can be seen as a critically important area. The decline in intra-regional trade in food and agricultural products has in large part been attributed to divergent product standards. This has inhibited investment in larger facilities serving regional markets.

The need to get to grips with food safety, product standards and SPS harmonisation is highlighted by the growing challenges faced in traditional export markets. The performance of Caribbean ACP countries in meeting these challenges varies considerably. In the Dominican Republic (DR), while initial concerns had been expressed over food safety compliance capacities, inspection levels of DR exports were actually reduced in the course of 2012–13 (see *Agritrade* article '[Inspection levels reduced on imports from the Dominican Republic](#)', 16 July 2012). In mid 2013, however, new problems emerged of pesticide residue levels on certain horticulture products. Suriname, by contrast, has faced growing challenges, with the imposition of

increased inspections by the Dutch food safety authority in May 2012 following increased rates of detection of higher than permitted pesticide residue levels in imported fruit and vegetables (see *Agritrade*, Executive Brief Update, 'Food safety', forthcoming 2013).

Major concerns have also arisen over the ability of regional exporters to comply with the 2011 US Food Safety Modernisation Act. These concerns were heightened by the announcement in January 2013 of further revision of US food safety legislation pertaining primarily to fresh fruit and vegetables (see *Agritrade* article '[Further new US food safety rules could set new challenges for Caribbean exporters](#)', 11 March 2013).

The country- and product-specific nature of SPS and food safety challenges raises the issue of the balance to be struck between regionally coordinating food safety initiatives and strengthening national food safety systems. Close attention will need to be paid to the role of the regional institution, the Caribbean Agricultural Health and Food Safety Agency (CAHFSA), in developing and coordinating operational programmes of national food safety institutions. CAHFSA, when it becomes operational, should supplement national efforts rather than displace them. In the interim, the role of the newly established Caribbean Public Health Agency (CARPHA) should be examined and clarified with regard to this issue.

The strengthening of national capacities within a common, regionally agreed framework will play an important role in strengthening mutual respect for national food safety controls. This is an essential precondition for removing standards-related barriers to intra-regional trade. Progress is being made on this issue at the sector level: Carib-

bean governments agreed in December 2012 on regional standards for poultry products. This took on board many of the earlier requests from the Caribbean Poultry Association (CPA) related to the repackaging and labelling of frozen poultry parts. This is designed both to prevent some common abuses that occur with imported poultry parts and to facilitate intra-regional trade.

The debate on the focus of agri-food sector export policy

In reviewing prospects for ACP Caribbean agricultural exports, a distinction needs to be made between the Dominican Republic and CARICOM countries. Prospects for competitive agricultural exports from the DR, with its far greater agricultural capacity, are qualitatively different from those of most CARICOM island economies. This is vividly illustrated by the divergent experiences in the banana sector. Banana exports from the Windward Islands to the EU fell 89% between 2004 and 2011, while exports from the Dominican Republic more than tripled.

Across the Caribbean ACP, however, there are growing calls from the private sector to focus on 'quality'-differentiated and value-added product markets.

"There are growing calls to focus on quality-differentiated and value-added product markets"

In this context, banana exports from the Dominican Republic are dominated by organic and fairtrade-certified exports. A regional programme for the promotion of quality-differentiated bottled rums has been successfully implemented over the last 10 years, while in the cocoa sector efforts are under way to both develop improved marketing of fine/flavoured cocoa and

promote local production of value-added chocolate products. Barbados has developed its high-end Plantation Reserve sugar range, while Guyana is introducing new varieties of aromatic rice to target premium-priced market components, and Jamaica has long-standing exports of premium-priced Blue Mountain Coffee, and exports a range of speciality Jamaica sauces and condiments.

There is a growing recognition that focusing on niche markets around the world requires developing an intimate understanding of customer needs and appropriately targeted marketing strategies. The major challenge appears to be consolidating and generalising this strategy beyond the limited numbers of sectors that have enjoyed success to date, and ensuring dynamic follow-up in the light of changing market conditions. The experience of Jamaican Blue Mountain Coffee highlights the limitations of passively pursuing these types of strategies, while the evolving competitive threat from Peruvian organic banana exports to the EU market highlights the importance of DR banana exporters staying ahead of market trends (for details see *Agritrade* article '[Central American and Andean Pact association agreements signed](#)', 12 August 2012). This increased competitive challenge will require dynamic adjustments that take advantage of dramatic changes in the functioning of banana supply chains (e.g., increased direct purchasing by supermarket chains, using container-based transportation of bananas).

This raises important questions related to:

a. the role of public policy in supporting the private sector in implementing product-specific, quality-differentiated and value-added processing strategies;

b. the most appropriate policy tools to support these product-specific strategies;

c. the future role of parastatals, and the redefinition of the regulatory framework for private-sector-led agri-food sector strategies, including the role of new policy tools.

Public policy, private-sector-led growth, parastatal reform and new regulatory policy tools

The growing focus on private-sector-led agri-food sector development is leading to a review of the role of traditional commodity boards and modifications to external trading arrangements. More generally, a debate is emerging on strengthening the functioning of local agricultural supply chains.

"A debate is emerging on strengthening the functioning of local agricultural supply chains"

The most dramatic illustration of these changes is in the Jamaican sugar sector which, in May 2012, saw an agreement reached with the Pan Caribbean Sugar Company (PCSC), allowing it to export sugar on its own account. This ended the Sugar Industry Authority's monopoly exporter role. The change was intimately linked to the company's investment commitments. Following the agreement, PCSC announced a contract with Sucden to supply 40,000 tonnes of sugar in 2012/13, greatly reducing traditional trade links with Tate & Lyle Sugars (see *Agritrade* article '[Recent developments in Caribbean sugar exports](#)', 4 May 2013).

The purchase of Belize Sugar Industries (BSI) by American Sugar Refiners (the owners of Tate & Lyle Sugars – TLS), by contrast, formed part of a strategy to lock in future supplies of fairtrade-

certified sugar, in line with the fairtrade-focused sugar strategy of TLS (for more details, see *Agritrade* Special Report 'Regional developments in ACP sugar sectors 2012/13', 13 September 2013).

In Jamaica the process of reform includes consolidation of the regulatory functions of commodity boards and a gradual disengagement on the part of these entities from direct market-responsibilities. In the cocoa sector the Cocoa Industry Board and the Jamaican Cocoa Farmers Association have cooperated on both marketing and productivity improvements. The monopolisation of marketing arrangements has also been eliminated.

Throughout the region increasing attention is being paid to strengthening the functioning of existing cocoa supply chains, to the benefit of primary producers. This is considered to be a critically important issue since, in the region's major cocoa producer, the DR, price volatility and payment arrangements are threatening the long-term future of the sector (see *Agritrade* article 'Strengthening internal supply chain essential if future of DR cocoa sector to be secured', 1 July 2013). However, this focus on strengthening existing supply chains sits uneasily with regional aspirations to move up the cocoa value chain.

At the third annual Caribbean Fine Cocoa Conference, in June 2012, Jamaica's Minister of Agriculture called for the initiation of "value-added activity in order to take advantage of the premium price paid for the commodity on the world market". He argued that the development of the cocoa sector in the Caribbean will need to be driven by "strategic alliances with those from the North to whom we sell our cocoa", to undertake value-added processing locally in the Caribbean (see *Agritrade* article 'Structural reorganisation and

[new strategy required for Caribbean cocoa sector](#)', 20 August 2012).

The growing focus on the scope for using public policy tools to strengthen the functioning of supply chains can be seen in the Jamaican government's sponsorship of forward contracting arrangements between banana growers and banana processors, alongside the increase in the stamp duty on banana chips. New approaches are also being explored. In March 2013 the CEO of the Barbados Agricultural Society called for new entrant restaurant franchise operators to provide more advanced notice to local poultry producers of their investment plans and product requirements. It was argued that advance notice would enable local producers to invest in technological upgrades to meet the product requirements of fast-food chains, rather than simply increasing imports (see *Agritrade* article 'Better information on retailer plans sought to boost sector development', 18 May 2013).

This kind of initiative has a much wider potential applicability related to strengthening dialogues between producers, retailers, traders, processors and food service industry enterprises on production standards and production requirements. The establishment of information systems in this area, if backed up by improved organisation of producers' associations and a supportive trade policy framework, could potentially open up a range of new opportunities for local producers in local markets.

There is already evidence in the Caribbean that such dialogue has been effective, with foreign fast-food franchises in Trinidad consistently taking supplies of poultry, cassava and fruit juice from local suppliers. Significantly, such dialogues could potentially overcome some of the financial constraints

related to on-farm investments, as supply contracts provide the basis for securing cheaper loans from local financial institutions. In this context, governments may wish to consider linking investment authorisation to the adoption of policies and practices designed to strengthen the functioning of local food supply chains.

Issues related to the functioning of supply chains in traditional export sectors will need to be addressed in pending regulatory reforms. While the nature of these issues varies from country to country and sector to sector, the core issue relates to avoiding abuse of power relationships within supply chains. Ensuring that primary producers receive a share of revenues, which ensures the financial viability of future production, can be seen as a critical objective of public policies designed to support private-sector-led value-added agri-food sector strategies.

Developments in EPA implementation in 2012–13

CARIFORUM countries appear to be facing challenges in implementing EPA commitments.

"CARIFORUM countries appear to be facing challenges in implementing EPA commitments"

According to the South Centre, by March 2013 only eight countries had implemented initial tariff cuts scheduled for January 2011. These delays had seen a European Commission (EC) official declaring in June 2012 a certain level of frustration over the non-implementation of agreed tariff cuts. Against this background, the EC tabled proposals on 18 December 2012 for strengthening the EU's ability to ensure that trading partners respect agreed trade rules. The proposal would allow the EC more scope for taking steps to

“encourage the offending country to remove the illegal measures”, including “suspension of tariff concessions ... [and] imposition of new or increased customs duties”, or the use of quantitative restrictions (see *Agritrade* article ‘[EC to strengthen enforcement of third-country compliance with trade commitments](#)’, 21 January 2013).

Throughout 2012, Caribbean leaders stressed the difficulties of implementing EPA commitments (see *Agritrade* article ‘[Madagascar and St Kitts & Nevis seeking deferment of EPA implementation schedule](#)’, 15 October 2012). Calls were made for the EU to “engage in a constructive dialogue that would waive the tariff reductions at this time”. The option of renegotiating EPA commitments as part of the scheduled 2013 review process was also raised (see *Agritrade* article ‘[Implementation of Caribbean tariff cuts in the spotlight](#)’, 27 August 2012).

These views need to be seen against the background of:

- the declining value of traditional CARICOM agricultural trade preferences;
- new and ongoing threats to the value of preferences (see *Agritrade* article ‘[Caribbean rum sector facing serious challenges in US and EU markets](#)’, 16 December 2012);
- growing concerns over the EU’s emerging differentiated aid allocation policy, which could undermine future aid flows to the Caribbean region.

In October 2012, at the joint CARIFORUM–EU Council, both parties “reaffirmed their commitment to implementing the agreement”, and exchanged views on a range of contentious issues linked to tariff elimination commitments. Discussions focused on “the

establishment of a joint monitoring system to continuously monitor the operation of the agreement in order to assess its impact on CARIFORUM states”. Against this background, no concrete steps had been taken by June 2013 to sanction any CARIFORUM country for non-compliance with EPA implementation commitments.

Throughout 2012–13 a programme of workshops was rolled out to familiarise Caribbean operators with the requirements and opportunities under the EPA agreement. Similarly, efforts continued to roll out the major €46.5-million EPA capacity-building programme, the programme of assistance to the Caribbean Single Market and Economy programme (€27.5 million) and the programme of economic integration support to the OECS (€8.6 million), launched under the financing agreement initialled in March 2012. By March 2013 personnel for the implementation of the main components of these programmes were being recruited.

Developments in Caribbean third-country trade negotiations and relations in 2012–13

The CARIFORUM–US rum dispute

Beyond the introduction of further food safety regulations, the main fly in the ointment in CARIFORUM–US relations is the dispute over the use of US tax rebates to support expanded rum production in Puerto Rico and the US Virgin Islands. The production expansion is equivalent to 80% of current US annual consumption, while subsidies substantially lower molasses procurement costs. This is seen as posing a serious threat to the future of Caribbean ACP rum production. By November 2012, reports were emerging of contracts with Caribbean suppli-

ers being cancelled in the face of much lower prices offered by producers in US territories (see *Agritrade* article ‘[Caribbean rum sector facing serious challenges in US and EU markets](#)’, 16 December 2012).

“US tax rebates are seen as posing a serious threat to the future of Caribbean ACP rum production”

The issue is further complicated by the involvement of international rum producers in ACP Caribbean countries, who have reportedly warned that any legal challenge to US subsidies could lead to a re-evaluation of investments in Caribbean ACP countries.

Despite the launch of bilateral consultation, the situation was compounded in January 2013 when the US Congress extended the controversial tax concessions for a further two years. CARICOM ministers formally agreed in May 2013 to take the issue to WTO dispute settlement (see *Agritrade* article ‘[CARICOM to take US rum subsidies to WTO dispute settlement](#)’, 1 July 2013).

Finalising the Caribbean–Canada deals

According to press reports from February 2013, Jamaican exporters fear that current preferential access to the Canadian market will lapse if a new CARICOM–Canada reciprocal trade agreement is not concluded. This would not only adversely affect existing exporters of rum, sauces and condiments, but would also undermine opportunities for new exports in areas where high tariffs are still applied. According to the CARICOM Secretariat, four rounds of negotiations had been held by February 2013. However, press reports indicated that the Canadian government was “seeking a significant amount of reciprocity” and a strengthening of food

safety compliance requirements. The food safety dimension of the negotiations is seen as requiring an increased level of private-sector involvement and guidance, to ensure that the agreements reached are practical for local operators (see *Agritrade* article '[Jamaican companies concerned over possible loss of preferences on Canadian market](#)', 26 May 2013). Meanwhile, FTA talks were resumed between the DR and Canada in August 2012. While retailers in the DR welcomed the move, industrialists warned the government of the need to "boost competitiveness" if the benefits of such trade agreements were to be secured.

3. Current policy debates and issues

Integrating the use of trade policy tools into strategies for strengthening local supply chains

The use of agricultural trade policy tools in support of national aspirations for enhanced food security should be seen against the background of the need to strengthen the functioning of local food and agricultural supply chains. With moves towards increased trade liberalisation and the dismantling of commodity boards, Caribbean governments will need to adopt a more sophisticated approach to market regulation. This may need to focus on defining the broad regulatory framework and establishing forums for producers, retailers and traders to discuss their respective needs and reach agreement on how best to contribute to enhanced national and regional food security.

This suggests the need for a policy framework that focuses on:

- establishing a supportive trade framework which incentivises local procurement;
- supporting better organisation of producers and facilitating access to inputs and credit;
- supporting the establishment of commercially relevant production and demand information systems;
- strengthening the legal framework for contract negotiations and enforcement.

ACP cooperation in promoting innovative use of local cereals in value-added products

The decision by Diageo to develop local cereal supplies for its brewing operations and the efforts of the BADMC to explore the technical possibilities for blending cassava flour into local bakery products parallel similar initiatives across the ACP. They highlight the potential scope for pan-ACP cooperation on the technical, commercial and policy dimensions of promoting greater use of locally available cereals in the production of value-added food and drink products.

Intensifying dialogue on the application of EU food safety and SPS standard

The ongoing evolution of food safety and SPS regulations and their application highlights the need for collective mechanisms for dialogue and arbitration over the application of SPS and food safety standards. The pending negotiations between the EU and US on standards to be applied under the Transatlantic Trade and Investment Partnership could take on particular significance in this regard if standing

structures for dialogue and dispute resolution are established.

The EU-US negotiations should be closely monitored by Caribbean exporters' associations, with a view to extending beneficial provisions beyond the core EU-US relationship, including extending mutual recognition of approvals granted to third countries by the EU and US. This could serve to reduce the certification costs of Caribbean exporters seeking to serve both EU and US markets, and provide greater flexibility in responding to often divergent price trends.

Wider lessons of addressing challenges in the poultry sector

Given growing competition from neighbouring, globally competitive, poultry producers (Brazil and the USA), Caribbean governments face a cluster of particular challenges in the poultry sector. First, how to reconcile growing consumer demand for low-cost protein with local poultry producers' interests in maintaining high levels of tariff protection. Second, how to reconcile demand for cheap frozen poultry parts with food safety concerns arising from shortcomings in the integrity of the cold-store chain. Third, how to reconcile the promotion of modern integrated poultry production facilities with the interests of established small and medium-sized poultry producers.

Potentially, some lessons could be learnt from the EU experience of poultry sector management and current EU initiatives to strengthen the functioning of supply chains. Any experience gained in practically applying these lessons in the poultry sector could then be extended to other sectors where similar challenges are faced (e.g., in the dairy sector).

The implications of non-implementation of market access commitments

The growing use of para-tariffs potentially throws up serious challenges, given the implications of commitments made to eliminate their use over the 2015–17 period. This comes on top of the current non-implementation of scheduled tariff reductions. How the

EC responds to non-implementation of tariff commitments and the wider issue of the use of para-tariffs raises a number of questions:

- Will the EC seek arbitration on every national decision that appears to violate EPA commitments on para-tariffs, or only when some minimum level of trade is affected?

- Will the EC seek to impose equivalent sanctions in response, and if so, at what geographical level: nationally or regionally?

Other ACP governments will need to monitor carefully the EC's response to non-implementation of EPA commitments in the Caribbean.

Main sources

Caribbean trade policy

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About this update

This brief was updated in October 2013 to reflect developments since October 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>.



The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP–EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

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