

Trade Update Reviewing 2004 & Preparing for 2005

2004 brought many positive developments to the Caribbean in the trade arena. The highlights include the decision by Trinidad & Tobago to achieve developed country status by 2016 and the broad participation of civil society in the development of a strategic plan to guide this process. A focus on small businesses and on giving them access to capital is growing in the region. Antigua's victory at the WTO on the internet gambling dispute suggests that the region can find ways to use the dispute settlement system to its advantage, although some reforms are needed. Jamaica has begun harnessing the influence of its diaspora to help shape developed country policy toward the country and the region. These and other developments point to the future, indicating ongoing challenges as well as opportunities. Here is a brief look at a few key trade issues that confront the Caribbean as it enters 2005.

Regionalization

CARICOM governments have been propelled toward regionalization in search of a wider market for trade, the potential to achieve regional economies of scale for economic growth, and an enhanced negotiating capacity with third countries and on the multilateral arena. The region has committed to completing the first phase of the Caribbean Single Market & Economy (CSME) by the end of 2005. Governments are now in the process of educating the public of the benefits that can accrue from the CSME. One of these anticipated benefits is the free movement of Caribbean-origin goods within the region.

Companies face the challenge of thinking strategically about how to ensure that their goods qualify for free movement within the CSME, and to anticipate potential competitors and partnerships within this wider regional market. A second area of challenge is the region's adherence to a Common External Tariff (CET). The CET can provide an incentive to external investors to establish operations in the region to gain the preferential access to the CSME market. This is the route to development and jobs under the CSME.

Multilateral Trade Negotiations

On the multilateral level, the region's primary challenge is to negotiate trade agreements that promise tangible benefits for Caribbean businesses and to create the conditions whereby companies can seize the promised benefits. **These negotiations are an opportunity to negotiate benefits not for the economies that exist today, but primarily for the economies the region wishes to develop for the future, i.e., ten or more years from now.** Preferences will soon be a thing of the past, both because developed countries are increasingly less willing to give unilateral concessions and because the move to a free trade world is constantly eroding the benefits that can be derived from such concessions. Within these parameters, sympathy does exist for the development needs of the Caribbean. But the focus is now on what the region needs to be competitive. This suggests an opportunity to re-frame the debate around special and

differential treatment for developing countries. What, for example, are the conditions that a nascent herbal industry will need to emerge unto the global market and to hold its own? And what are the concessions that need to be negotiated to ensure that this goal is met? How well does the existing intellectual property regime facilitate the region's protection of its own brands and what reforms are needed in this area?

The negotiations also present an opportunity to address the customs and logistical issues that so delay and frustrate Caribbean exporters. The United States and other developing countries want to negotiate a trade facilitation agreement as part of the Doha Round of WTO talks. Agricultural products from the Caribbean are regularly at risk of spoilage because of U.S. Customs seizures and detentions. Could this process present an opportunity to negotiate improved customs treatment for Caribbean products?

The ongoing challenge is to manage the negotiating process so that the vision and needs of companies--the beneficiaries or victims of the trade agreements--can provide more and more of the content of the negotiated agreements. Those companies that develop long-term vision and long-range planning can best inform this process. There is also a need to manage the perceptions of such major trade partners as the United States. It is not uncommon to hear in the corridors of Washington statements that suggest the Caribbean is a stumbling block to the progress of FTAA negotiations, for example. Overcoming this perception means finding and building partnerships across the United States with the Caribbean diaspora, Congress and the bi-partisan Caribbean Congressional Caucus, US agencies, and non-profit organizations.

The extended timeframes for the Doha Round and FTAA negotiations provide the opportunity to continue to work to on getting these balances right.

Changes in External Market Conditions

Growing American concern about the outsourcing of jobs and the end in January 2005 to the textile quota regime promises changes to the region's growing information technology and troubled textile sectors.

While President Bush campaigned on a "do nothing" platform on the outsourcing issue, this does not mean that either his Administration or Congress can ignore the ongoing media stories or the cries from labor unions. Meanwhile, from the Caribbean perspective, (as well as other developing countries) outsourced jobs provide higher-skilled and higher-paying jobs. On this issue also, Caribbean partnerships can remind US constituencies of this reality, and urge that any solutions adopt an approach that focuses on job-generation in the United States, as opposed to discouraging this trend.

On the other hand, the phase-out in January, 2005 of the quota system on textiles promises to strengthen the already overwhelming presence of the Chinese and threaten the market share of other regions, including the Caribbean. This reality highlights the difficulty of relying on preferential access for markets. The region's competitive advantage in this sector relies on the preferential access granted under the Caribbean-

Basin Initiative program. Congressional Friends of the Caribbean are monitoring the issue and are promoting solutions that include a call for a quota on Chinese textile exports. China herself has proposed placing voluntary restraints on its textile exports. These are not market solutions, but legislative and voluntary approaches that will most likely have a specified time frame, with or without the possibility of renewal. At most then, they buy time for the industry to take a hard look at its future and to position itself either for real competition or for transition.

This last sentence captures the essence of the challenge facing the region. As we move farther into the 21st century, the ingredients for success include a willingness to reexamine the assumptions of the past, relinquish tried and failed methods, and to move forward with the confidence that a future awaits us.