

IICA



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SPECIAL ISSUE: Global Market and the Agri-Food Sector Workshops, 1998

Editorial

Over the past year, IICA, the CARICOM Secretariat and the US National Centre for Food and Agricultural Policy (NCFAP) collaborated in the conduct of three sub-regional workshops to inform public sector technicians and private sector entrepreneurs on the Agreement on Agriculture (AoA) and the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures of the World Trade Organisation (WTO), as well as on the status of the ongoing Free Trade Area of the Americas (FTAA) negotiations. The first workshop was held in Jamaica in March 1998 and included public and private sector representation from Belize, Bahamas, Dominican Republic, Trinidad and Tobago and the host country, Jamaica. Aspects of the Jamaica workshop were highlighted in a previous issue of this newsletter (Vol.4 No.2, June 1998).

This special issue focuses on the Grenada and Suriname workshops, held in August and November, 1998, respectively. The theme of the workshops and the areas covered remained generally consistent throughout. The main focus areas included the changing global trade environment, à la the WTO and Lomé and the implications of these for domestic trade policy reform; sanitary and phytosanitary regulations and food safety. The implications of these changes in the global trade environment for agricultural competitiveness were also discussed.

In recognition of the small size of the OECS and Barbados economies and the relative importance of tourism in these countries, the Grenada workshop also incorporated some discussion of the linkages between the agriculture and tourism and hospitality sectors. The Suriname workshop placed emphasis on the position of Suriname within the Caribbean Common Market. Suriname's accession to CARICOM was accompanied by a surge in imports from CARICOM sources which severely affected the competitiveness of several agri-food industries. Consequently, discussions of both small producer and industry competitiveness featured prominently in the workshop.

Of the range of topics treated in the Grenada and Suriname workshops, only those regarding the WTO and post-Lomé negotiations, food safety and competing in agri-food markets and CARICOM integration are featured.

COMMENTARY:- Racing to Free Trade!

Diana Francis,
IICA, Trinidad and Tobago



The Big Event!

To the layman, the global trade arena and preparations to engage in trade negotiations may be likened to an Olympic track event. Among the countries represented, the disproportionate size of teams and the competence and experience of athletes are immediately obvious. While developed countries, such as the United States (US) and European Union (EU), are extremely well represented, many developing countries either have limited participation (number of athletes) and in general, tend to be eliminated in the preliminary rounds. Countries such as Jamaica and Cuba are notable exceptions. However, this generalisation holds good since the medal count of developing countries is concentrated, with most emerging medal-less.

This sort of unbalanced representation, limited participation and by extension, token achievements, have characterised the global trading system since the inception of the GATT in 1947. For many developing countries, little changed in the last Uruguay Round (UR). However, while previous Rounds (e.g. Tokyo and Kennedy) carried little real implications for agriculture in developing countries, the fact that for the first time, agriculture was included in a comprehensive

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COMMENTARY:- Racing to Free Trade! cont'd

manner had profound implications for both developed and developing countries.

WTO Aftershocks

The establishment of the World Trade Organisation (WTO) in 1995 was a definite benchmark for agricultural trade. For the Caribbean region, the establishment of the WTO may be viewed as the starting line, the ultimate finish in the event being freer and fairer trade in agricultural products, in this case, the Agreement on Agriculture (AoA). The AoA, however, sent shock-waves throughout the agriculture-dependent developing countries. For many of these countries, the AoA signaled the commencement of a new era in multilateral trade relations and implied that agri-food markets would soon be deeply integrated with those of other countries.

Many developing countries (including a few developed countries), were ill-prepared for, and inadequately represented in the Uruguay Round of trade negotiations. As indicated above, Cuba and Jamaica were to some extent, exceptions although even for these countries, the level of preparedness was far less than was desirable. This has led to some ambivalence on the part of developing countries that while agriculture was subjected to multilateral discipline, the benefits from freer trade have not been forthcoming.

The disillusionment with the UR outcome has led to a less than desirable degree of acceptance of mutual commitments in certain areas. Many developing countries are of the expressed opinion that their inherent disadvantages were not well considered during the previous Round. The limited gains garnered from the AoA to date, have led to some skepticism by developing countries which could potentially lead to a protracted Round of negotiations (marathon Round). Unfortunately, unlike the Olympics, the finish line is not always clear and may, to some, appear to be an elusive or shifting target, such that the "marathon" might appear to be unending. This, no doubt reflects the views of many ACP members in relation to the seemingly unending trade dispute involving bananas between the US and EU which presently threatens the very stability of the rules-based multilateral trading system.

With regards to the 1997 WTO Panel Ruling on the legality of the EU Banana import regime, Prime Minister of Grenada, Dr. The Honourable Keith Mitchell, in addressing the participants at the Grenada workshop noted that... *"...although an agreement and its outcome may be internally sound and legally defensible, this does not necessarily render it morally sound"*.

Dr. Mitchell hastened to add that despite the obvious disappointment of ACP countries with the WTO Panel ruling, **ALL** countries must comply with multilateral disciplines if the integrity of the international trading system is to be safeguarded.

A New Round - A second chance!

A new Round of negotiations on agriculture will begin in 1999. This is specified in Article 20 of the Agreement on Agriculture, which commits WTO Members to enter into negotiations in support of the continuation of the reform process. Members agreed that the continuation of the reform process will be initiated one year before the end of the implementation period, (based on the 1995-2000 implementation period for developed countries). Box 1 provides a schedule of meetings for the March -December 1999 period for the Agreements on Agriculture and on the Application of Sanitary and Phytosanitary (SPS) Measures.

The period between February and July 1999 is particularly critical since this is when the topics for negotiations will be determined. This preparatory stage could be likened to the training programme for an Olympic event, where countries, particularly those which are the least prepared, make last minute efforts to prepare for an event for which others have long been in-training.

It is this issue of adequate preparation which has become a central determining factor in this initial phase of trade negotiations. In the post-June 1999 stage, it will become virtually impossible to include "new topics" in the negotiations since the July-December 1999 period will be dedicated to the drafting of the negotiation agenda for the upcoming Ministerial. The negotiating agenda will

undoubtedly focus on obtaining further substantial progressive reductions in support and protection to agricultural products, particularly in the traditional areas of market access, domestic support and export subsidies. However, there are already early indications that the topics of interest will be broader than those which were observed throughout the Uruguay Round. A few years ago, this upcoming Round of negotiations was being dubbed the "Green Round", given the tendency to use environmentally-based support programmes, arguments and criteria as non-tariff barriers. In addition to the traditional topics, prospective new topics on the negotiating agenda may include genetically modified organisms (GMOs), the elimination of national intervention systems (such as marketing boards), export credits, trade and the environment, trade and labour standards and non-trade concerns.

World Trade Organisation (WTO) 1999 Programme of Meetings - Agriculture

March:		
10 - 11	Cttee. on SPS Measures	
18 - 19	Cttee. on Agriculture	
June		
24 - 25	Cttee. on Agriculture	
July		
7 - 8	Cttee. on SPS Measures	
September		
29 - 30	Cttee. on Agriculture	
November		
17 - 18	Cttee. on Agriculture	
30 -	Third Ministerial Conference*	
December		
1 - 3	Third Ministerial Conference*	

*This programme of meetings is subject to further changes. Meetings indicated in this list are therefore confirmed only when convened by an airgram or notice from the WTO Secretariat.

Source: WTO Website

COMMENTARY:- Racing to Free Trade! cont'd**How Ready are We?**

WTO Members have been developing their negotiating agenda based on their own specific interests and concerns. While it is still early in the process since countries are still defining their positions, indications are that countries such as the US will press for tightened commitments in export subsidies, while the EU will push for expansion of WTO discipline to cover the contentious area of export credits; Caribbean countries will argue for maintaining some level of preferences for developing countries. The importance of Caribbean countries participation in the process leading up to the negotiations cannot be over-emphasised.

Effective participation will require that CARICOM member states define their negotiating interests ahead of the July 1999 deadline. This will be the responsibility of individual Member States. While individually, CARICOM countries do not command a significant enough share of world trade to be a force in negotiations, as a group, the region may be in a far better position to forge alliances with other groups and regions, thus strengthening their presence in the negotiations. To this end, the Regional Negotiations Machinery (RNM) was established in 1997 to represent CARIFORUM members (CARICOM countries plus Haiti and the Dominican Republic) in both the multilateral and hemispheric negotiations. The RNM is currently in the process of coordinating with CARIFORUM countries towards the definition of a negotiation agenda for agriculture.



Grenada participants discussing topic "Defining an Action Agenda"

Getting Ready to Sprint!

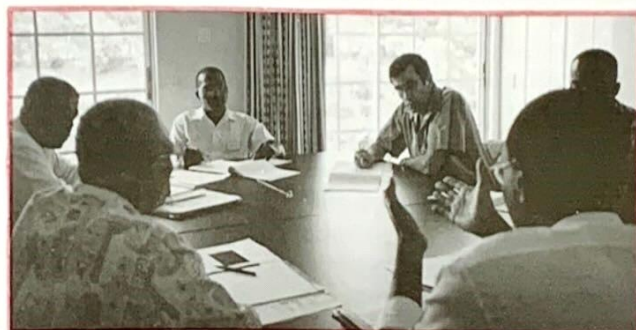
At present, the region is engaged in a tremendous effort to assemble some of its finest technicians in order to develop a strong, capable and well prepared negotiating team for the upcoming negotiations. The RNM and the region's top technicians will need to acquire, rather quickly, the knowledge and negotiating competence to better position the region's products, firms and industries to benefit from the market opportunities likely to arise from the forthcoming negotiations. This is a rather challenging task. Central to the objective of building competence is a clear understanding of the priority issues for agriculture likely to arise in the context of the upcoming WTO and FTAA negotiations.

Participants at both the Grenada and Suriname workshops recommended some critical issues for the attention of

the region's negotiators. These include the following:

- to quantify the impact of trade liberalisation and market opening on the rural farming community and to prepare action plans to prevent the marginalisation of such communities in instances where this might result;
- collaboration between Government and the private sector to arrive at a national consensus on trade policy issues in order to: (a) exploit the benefits from the Agreements which are already in existence, and (b) undertake a thorough quantitative evaluation of the potential welfare gains and losses from the implementation of various commitments under existing and potential trade Agreements; and
- to explore the manner in which new and existing arrangements can be negotiated with certain safeguard provisions in order to provide some degree of flexibility for specific products.

The participants bemoaned the region's apparent limited input in the process preparatory to the WTO negotiations and identified the need for urgent remedial action to be taken to safeguard the region's interest.



Group discussion on the Action Agenda (Grenada)

CARIFORUM Trade Negotiations Meeting

In early May, 1999, the RNM, Ministers and high-level technicians of the Ministries of Agriculture and Trade will meet to discuss priority issues for CARIFORUM agriculture in the upcoming WTO negotiations. It is anticipated that the meeting will give consideration to the development of a negotiating agenda for CARIFORUM agriculture within the context of both the WTO and FTAA negotiations. In addition, it is expected that an action plan for the involvement of the private sector in the development of positions which feed into the negotiation process will be developed.

The meeting, which will involve both agriculture and trade officials, will seek to establish a sustainable mechanism for the exchange of information throughout the negotiations between these two major stakeholders. The identification of priority areas requiring further attention will form a final outcome of the meeting. In this regard, a study which focuses on agriculture within the framework of the FTAA is one possible initiative which will be contemplated at the meeting.

HOW SAFE IS THE FOOD WE EAT ? ¹

Introduction

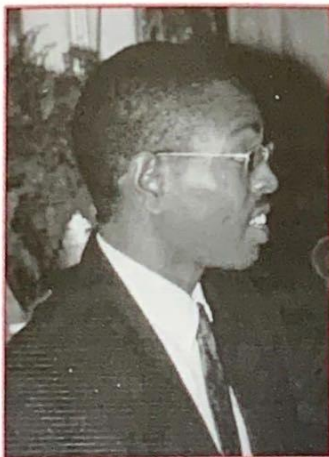
Food safety considerations have assumed great significance in agri-food trade and in terms of compliance with international standards in relation to sanitary and phytosanitary regulations and food quality. Of importance, is the increasing significance of food safety concerns to marketing, particularly in the developed country markets of the US and the EU.



This food may contain contaminants harmful to your health

Mr. Uwe Wissenbach of the European Commission's Consumer Policy and Consumer Health Protection Unit noted that the most important issue concerning consumers in Europe was food safety. He indicated, that according to an EU Survey, more than 86% of European consumers were reportedly worried about the safety of their food. As a result of these food safety concerns and in the wake of the mad cow disease crises, the European Commission decided to place health and food safety at the centre of the EU's 1998 work programme. The US has also taken similar steps to ensure the wholesomeness of the food consumed by its consumers. According to Mary Ann Keefe of the USDA Foreign Agricultural Services (FAS), "...public health is our number one priority ... our food safety programmes must be designed in a manner that best protects our public from food borne illness...". Part of the US food safety programme includes a forward looking "produce initiative" which seeks to ensure that fruits and vegetables, both domestic and imported, meet the highest health and safety standards.

Food Safety Concerns



Gregory Simpson

According to Dr. Gregory Simpson, Toxicologist at the Veterinary Services Division of the Ministry of Agriculture in Jamaica, food safety and protection considerations refer "to the quality and wholesomeness of the foods we eat".

Of major concern is the contamination of food supplies and the implications of such on public health. US health officials estimate that food borne diseases account

for an estimated 9,000 deaths a year in the US. While comparable data for the EU are not available, UK statistics imply that most cases of food poisoning occur in restaurants, followed by private homes. The outbreak of the mad cow disease (BSE) in Europe illustrated the importance of preventing contamination at the earliest point in the food chain, and for meat and fish products, even as early as in the feed chain.

The basic role for assuring the safe production and marketing of food products will always be the primary responsibility of agriculture, industry and commerce. Over the last two decades, however, consumers have become increasingly concerned about the quality of foods and have begun to demand increasingly higher standards from producers, particularly in terms of minimising food hazards. The increased sensitivity of the consumer to food safety concerns has also resulted in significant changes in international regulations.

International Regulations to ensure Safe Food

Over the past few years, both the US and the EU have been developing strategies aimed at improving the methods for controlling and monitoring food supplies contaminants. In the US, guidelines on food and agricultural practices (GAP) and good manufacturing practices for fruit and vegetables (GMP) have been developed. These guidelines are published in an FDA/USDA guide that addresses microbial food safety hazards and good agricultural practices common to the growing, harvesting, packing and transporting of most food and vegetables that are sold to consumers in unprocessed or minimally processed form. It is important to note that this guide, which focuses on risk reduction and not elimination, is voluntary, and does not impose any requirements for domestic or imported produce.

According to Dr. Simpson, the several factors which have contributed to the international pressures surrounding hazardous contaminants in foods range from what must be considered the primary objective of providing safe foods to the consumer to the economic implications of science and technology which drive increased production. The result has been the evolution of a number of international agreements which affect both food safety and food security at the national and international levels.

Of particular importance are the specific requirements of the World Trade Organisation (WTO) Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures and the need for uniform guidelines to be established for inspection and certification of food products. The WTO SPS agreement to which CARICOM countries are signatories, requires that edible products entering the international markets must be certified with respect to hygienic practices

¹Condensed from presentations of Dr. Gregory Simpson, Uwe Wissenbach and Mrs. Mary Ann Keefe, with additional information extracted from the US "Food Safety from Farm to Table - A National Food-Safety Initiative" (May 1997)

How Safe is the Food We Eat cont'd

Box 2

Primary Sources of Hazardous Contaminants

- pesticide residue
- environmental and industrial contaminants
 - paralytic marine toxins
 - veterinary drug residues
 - heavy metal contaminants
- microbiological contaminants

which govern their production and the levels of biological and non-biological contaminants which may be present in these products (See box 2).

The rapid developments and changes in the food industry have outgrown the usefulness of US system for identifying and preventing food borne diseases, in existence since the early 1900s (Box 3). Given the identification of new pathogens, new food products, significant increases in imported foods, the growing importance of food exports and increasing anti-microbial resistance among food borne pathogens, the existing system can no longer properly identify, track and control food-related illnesses, or prevent, to the extent possible, future cases from occurring. The US is taking steps to improve the safety of the food supply, by incorporating the preventive principles embodied in US-developed Hazard Analysis Critical Control Point (HACCP) system.

Box 3

Existing System for Identifying and Preventing Food Borne Diseases in the US

- consumer education
 - home
 - farm
- food processing
- food transport
- food imports
- restaurants, supermarkets & institutional food services (such as schools and hospitals)
 - drinking water
- surveillance of food borne diseases
 - research

Exporting countries, in particular, must also comply with the International Organisation for Standardisation (ISO) 9000 (quality systems) and the ISO-14000 (environmental systems) directives and the HACCP. The EU has also developed its own certification and quality standards for food products, namely, the Conformité Européenne (CE) mark. Products bearing the CE-mark can be traded freely within the EU. While standards, such as the CE are not mandatory, exporting countries of the Caribbean should as far as possible, try to achieve compliance with such guidelines if they are to be assured entry into international markets.

Conclusion

The *US Food Safety from Farm to Table, (1997)* initiative noted that there are many causes of food borne illnesses, many points at which food can become contaminated, and many factors that make some groups of people more susceptible than others. Therefore, no single preventive measure will ensure the safety of all foods. While practical preventive steps can be taken to reduce the incidence of food borne illness in the short run, there must be significant vigilance among all stakeholders to ensure the safe production of food. In this regard, the international standards, such as HACCP and the ISO Series, have become the standards against which the safety of food supply, whether domestic or imported, is gauged.

For Caribbean countries, the challenge of producing safe foods with safe levels of hazardous contaminants and the ability to test imports for these residues will depend on the region's ability to establish an effective food safety institutional and infrastructural network. Among the recommendations of the Grenada workshop was the need to strengthen the food safety policy framework in the region. Specific recommendations proposed in this regard included the following:

- the need to adopt a harmonized approach to food standards in the region;
- the need to broaden the scope and mandate of the Standards Council to address manufactured as well as agricultural products;
- the need to assign special funds to assist with the development of proactive and appropriate institutions, laboratories and related centres; and
- the need for the private sector to reorient/refocus its interests to facilitate achieving pre-set food safety standards.

The on-going dialogue oriented towards the formation of a Regional Food Safety System is a step in the right direction in the area of strengthening the region's food safety policy framework. This process was initiated at the beginning of 1998, with support from the USDA/FAS and the CARICOM Secretariat. This system will focus on three main areas: Regulatory, which includes the strengthening of legislation, monitoring and inspection and enforcement; Technical Infrastructure, including production, processing and monitoring technologies; and Education and Outreach, to consumers, producers, regulators and policy makers. ♦



Grenada participants discussing the need for Food Safety Policy in the region

Competing in Liberalised Food Markets²

You Are What You Eat! - GMOs and Food Safety

Genetically modified organisms (GMOs) are changes made to the genetic structure of an ever-increasing range of crops and animals to enhance their yields and productivity. In agriculture, the advantages of genetically manipulated organisms include herbicide resistance/tolerance, resistance to viral diseases and pests, enhanced protein levels and tolerance to environmental factors (such as in corn, wheat, rice, tobacco and bananas) in plants, and in animals, enhanced weight gain, growth rates and reproductive performance and disease resistance (such as in cattle and sheep).

The United States is among the few leading countries encouraging GMOs in agriculture guided by the policy that "...products of recombinant DNA technology will not differ fundamentally from unmodified organisms or from conventional products". To this end, the US Department of Agriculture (USDA) has undertaken efforts "to promote global adoption of the policy in order ... to prevent trade barriers and ease the transfer of American products into international markets." Of the estimated 187 genetically altered plants and micro-organisms released in 17 different countries, 93 of those were in the US (other countries are Australia-4, The Netherlands-6, France-28).

A considerable volume of agricultural trade already involves some form of genetically modified fruit, grains and vegetables. While none of these commodities have yet appeared to produce any adverse environmental or public health concerns, serious concerns abound regarding their perceived relationship to food safety and human health. Many countries, including the US and Canada, permit these experimental foods to be mass-marketed without the benefit of safety testing and labeling. While the acceptance of genetically-altered products has been generally slow in many countries, acceptance has been far slower for animal than for crop products.

Concerns regarding whether genetically modified crops, particularly maize (corn) and soya, once ingested, can result in harmful side effects have resulted in adverse public opinion, particularly in the United Kingdom, on the acceptance of genetically modified food products. Consequently, the British Government is giving due consideration to the banning, delaying, or severely restricting the sale of produce containing GMOs. Public health concerns as well as concerns regarding the implications on food supply of global control over agricultural trade by a few giant agrochemical corporations have resulted in increasing support, from some countries in Latin America, Africa and the Pacific, of the EU's position on greater control over genetically modified products.

Since the area of GMOs is not comprehensively addressed in the present WTO Agreement, the topic will undoubtedly be of paramount interest in the upcoming negotiations. The possibility of new rules aimed at regulating and/or restricting trade in GMOs could, however, prove to be a potentially explosive area in the international trade negotiations.

Sources: GeoCites Website (<http://www.geocites.com>); Bio-Integrity Website (<http://bio-integrity.org>); David Jessop, Executive Director - Caribbean Council for Europe

While it is accepted that trade liberalisation offers significant opportunities for agricultural producers in global markets, the popular press and far too great a proportion of the ongoing policy debate continue to focus on the negative impacts of trade liberalisation, not the least significant of which are those which arise from the loss of preferences. This observation in no way attempts to trivialise the adverse consequences of preference loss for many small agriculturally-dependent economies of the region. On the contrary, it merely serves to indicate that globalisation has irreversibly altered the drivers of firm and industry competitiveness.

Consumers in the Drivers Seat

In addressing participants at the Grenada workshop, Dr. Ardon Iton, Programme Manager Agriculture Diversification Division of the Export Development and Agricultural Diversification Unit (EDADU), noted that changes in consumer behaviour are also driving changes in the international food system. Specifically, consumer behaviour is increasingly being driven by demands for healthier and environmentally-friendly products, convenience, year-round supply of products and the value for money. These consumer demands have affected how food is grown, prepared, packaged, labeled, and purchased, as well as where power tends to be held in the supply chain. He explained that the "implications of these changes for agriculture are that farmers will increasingly be producing commodities with specific attributes called for by food processors and other players in the food chain as they respond to the dictates of the consumer". Consequently, successful marketing of non-traditional agricultural products in this environment requires fundamental change, not only by farmers, but in the society as a whole.



Participants discussing agri-food competitiveness (Grenada)

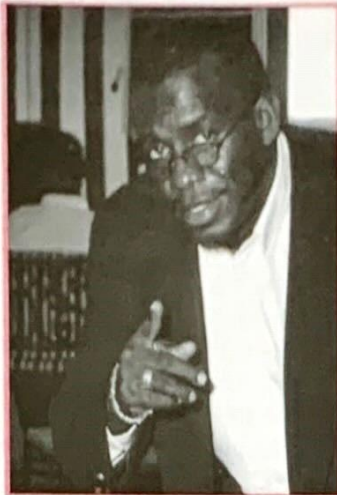
Competing in Global Food Markets

The practical concept of competing in the US and EU markets was demonstrated by both Dr. Patrick

² Condensed from presentation of Dr. Ardon Iton (EDADU), Dr. Patrick Antoine (IICA) and Mr. Allan Marsh (CEDA), Mr. Winston Ramautarsing (Suriname) and other contributions of workshop participants.

Competing in Liberalised Food Markets cont'd

Antoine, Head, Policy and Trade (IICA) and Mr. Allan Marsh of Caribbean Export Development Agency (CEDA), during the Suriname workshop. Dr. Antoine views competitiveness as a dynamic process and defines it as the sustained ability of a given firm to participate in a given foreign or domestic market. He stressed that while it is necessary to ask whether a particular firm is competitive, it is equally important to ask



P. Antoine

with what is this firm competitive? He noted that firm competitiveness is determined by its technical and managerial decisions, which affect costs of production and firm revenue, respectively. However, other factors, such as those controlled by government, input prices, demand conditions and consumer-dominated non-price factors and the international trade environment, also exert considerable influence on the relative competitive position of a firm, whether in a domestic or foreign market.

For Caribbean countries characterised by generally low volumes of variable quality and costly and limited transportation links, the increased dynamics of the US market for non-traditional agricultural products (NTAPs) in particular, continue to present serious challenges. Problems, which derive from the perishability, seasonality and in some cases, bulkiness of these NTAPs, among others, require that the entire distribution and marketing system be focused on speed of delivery, while preserving product quality. Consumer demand for year-round availability has fueled the trend towards geographic specialisation as well as the utilisation of extensive and technologically sophisticated production and distribution systems. As a result, while small, seasonal market niches are no longer attractive to large distributor chains, they continue to be opportune for small Caribbean firms, through the establishment of joint ventures and strategic alliances.

Promoting Caribbean products

The existence of opportunities for products from the Caribbean in the high-value US specialty market in particular and strategies for accessing such markets were highlighted during presentations of Mr. Marsh of CEDA to participants at both the Grenada and Suriname workshops. According to Mr. Marsh, *"specialty food products are foods, beverages or confections meant for human use that are of the highest grade, style and/or quality in their category. Their specialty*

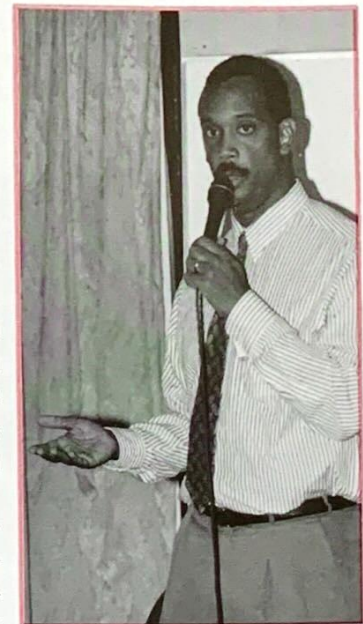
nature derives from a combination of some or all of the following: their uniqueness, exotic origin, processing design, limited supply, unusual applications or use, extraordinary packaging or channel of distribution". Mr. Marsh referenced a recent study conducted by CEDA, which indicated that while retail sales in the overall US food market was static, sales of specialty foods were increasing by approximately 7% per annum, with a retail value of US\$39 billion.

Among the range of activities undertaken by CEDA in its mandate to increase exports from the Caribbean include the provision of information on new markets and business opportunities and assistance in promoting products overseas. Its technical assistance includes an International Competitiveness Plan, which provides assistance in areas, such as product costing and pricing, packaging requirements, labeling, product design and improvement, etc., all with the objective of assisting firms to improve their international competitiveness.

Important promotions strategies employed have focused on participation in regional and international trade and food fairs in target markets, consumer promotions, such as in-store promotions, and media promotions, such as editorials in the Caribbean food and drinks supplements in the various trade media. This latter approach has offered tremendous value in terms of creating awareness of Caribbean food products and in the marketing of particular products to prospective importers.

In both the Grenada and Suriname workshops, the issue of enhancing and maintaining competitiveness and facilities available for developing firm level competitiveness were discussed at length. Human resource development, research and development, effective market information systems and effective marketing and distribution systems were ranked high in terms of factors requiring priority attention to improve commodity competitiveness in the Region. There was general consensus that lessons should draw from the experiences of CEDA, national agencies and individual Caribbean exporters who have gained success both in the regional and international markets.

It is therefore important to give due recognition to the few success stories of national agencies and individual Caribbean



Alan Marsh

Competing in Liberalised Food Markets cont'd



Panel members discussing competing in global markets (Suriname)

exporters in meeting the challenges of trade liberalisation:

➔ *Suriname - Improving prospects for banana exports*

The implementation of a modernisation programme from 1989 has improved the Suriname banana industry's (SURLAND) prospects for survival in a liberalised environment. This programme is being financed by the EU (4 million ECU), SURLAND and loans from the buyer, Ffyes, representing a total investment of 12 million ECUs. An important element of the programme is the introduction of new technology to increase efficiency.

➔ *Suriname American Industries Limited (SAIL - Shrimp Exporters) - levelling its playing field.*

Shrimp is a major export of Suriname. High quality shrimp is produced almost exclusively for export to Japan, where it attracts a price premium. However, in order to maintain its export competitiveness and meet the stringent quality standards demanded by the international market, the industry invested



Workshop participants (Suriname)

US\$3million in adapting its processing facilities to the HACCP (Hazard Analysis Critical Control Point) guidelines. The strict application of international standards as well as adherence to the industry's motto of "quantity, quality, consistency" has improved the Company's export competitiveness.

➔ *Guyana: perfecting the commodity selection process*

In an attempt to enhance trade in non-traditional commodities, Guyana has refocused its efforts towards the development of six (6) crops for priority attention. This number is significantly reduced from the previous list of forty (40) non-traditional agricultural commodities earmarked for priority focus. The selected commodities for priority focus in which Guyana appears to possess competitive advantage are pineapples, plantains, coconuts, palm oil, mangoes and peppers. This revised approach is based on the need to create the necessary environment and supportive requirements to ensure that a particular crop becomes, and remains competitive. The success of this approach requires co-operation from all stakeholders at all levels. This approach was initiated by the IICA Technical Co-operation Agency in Guyana and followed through by the Ministry of Agriculture, marketing boards, farmers and processors with collaboration from other international agencies. This was determined to be a most appropriate approach of ensuring that small farm communities with limited resources are able to compete and compete well.

Towards a Framework for Agricultural Competitiveness

Most Caribbean countries have implemented a range of measures aimed at enhancing the competitiveness of their agricultural commodities. The quest for attaining agri-food firm and industry competitiveness has taken on greater urgency as a consequence of the impending WTO and FTAA negotiations. Among the elements identified as critical to enhancing competitiveness include infrastructure development, the creation of an enabling macro environment, including prudent sectoral economic policies, capable institutions and export market oriented entrepreneurship. According to Mr. Winston Ramautarsing (Proplan Consultant), for Suriname in particular, the more critical factors are those which affect macro-economic stability and those aimed at the creation of an incentive structure to promote agricultural exports. While agriculture has traditionally been an important component of Suriname's GDP and an important source of

continued on page 12

Re-integrating CARICOM Integration³

The Common Market and the WTO

The decade of the 90s witnessed efforts towards the deepening of the CARICOM integration process. These efforts occurred simultaneously with the establishment of the WTO Agreement from January 1995. By the end of 1995, most CARICOM were signatories to the WTO and were thus obliged to undertake reductions in their tariff levels. Consequently, all CARICOM countries have committed to bound tariff rates of 100% for most agricultural (excludes fish and fish products) commodities to 130% for some others. The average bound tariff rate, the range of dispersion of the tariff and the number and range of exceptions among CARICOM members are, however, quite diverse. Suriname, was the only country in the region, and indeed among the developing countries to bind its agricultural tariffs at 20% for the majority of commodities.



Mr. Stanley Odle (3rd from left): Main Resource Speaker on CARICOM CET

Suriname's Accession to the Common Market

While the consensus was that in general, Caribbean countries were ill-prepared for the WTO negotiations, Suriname was in a particularly delicate position since it was faced with the added pressures of protracted economic recession, weak institutional framework and inadequate infrastructure. Consequently, the agricultural sector in Suriname continues to experience great difficulties in adjusting to the requirements of its membership, first to the WTO in 1995 and secondly to CARICOM in 1996. In February 1996, Suriname became the fourteenth Member State of the CARICOM. At the time of its accession, the private sector in Suriname was just emerging from prolonged period of politically-induced economic recession.

According to Mr. Ramautarsingh, the facilitating institutional, policy support and incentives systems for export sector development did not exist. Therefore, for the first three years of CARICOM membership (1996-1998), the immediate impact of accession on the domestic and export agricultural sector was largely negative. Suriname's accession to CARICOM and market opening was accompanied by an import surge, particularly of beverage products from Trinidad and Tobago, which, initially, severely undermined the competitiveness of many of its already fragile beverage industries.

These initial adverse experiences have spawned extreme views among the Suriname private sector on globalisation,

trade liberalisation and regional integration. One particularly strong private sector view was that the region's Governments should "stop signing agreements so quickly, without first evaluating the economic and social impacts". In addition, the following analogy was used by the small farmers representative who described the impact of globalisation, trade liberalisation and regional integration as "Siberian dilemma ... where during the winter, the lakes and rivers are frozen. If one were to suddenly fall through a patch of thin ice, two options are available: option 1 - one may choose to stay in the hole and eventually die in three minutes; or option 2 - one may choose, if able, to climb out of the hole and freeze to death within one minute" (Andre Graanoogst, Federation of Agricultural Farmers, Suriname).

Mr. Graanoogst explained that this did not suggest that the private sector in Suriname is opposed to the principles of free trade. On the contrary, these comments reflected solely the deep concern of the private sector regarding the consummation of international commitment without sufficient consultations and preparation, and as well, without the creation of an enabling environment which allows domestic firms and industries to develop and sustain competitiveness.



Workshop Participants (Suriname)

Re-integrating CARICOM Integration

Suriname is committed towards greater integration with the global market and with the CARICOM. To date Suriname's low participation in intra-CARICOM trade (in terms of exports to the rest of CARICOM) may be largely explained by the country's relatively recent membership in CARICOM. The country has recently initiated a study aimed at determining market opportunities for Suriname's fresh, manufactured and processed products in the CARICOM market as a means of off-setting the negative intra-regional trade balance with the rest of CARICOM. In strengthening internal coordination within the Common Market, there is also the need to address the inconsistencies which exist between Suriname's own trade policy regime and that of the rest of CARICOM in the tariff ceiling bindings under the CET and the WTO. In this regard, there was consensus that the incompatibility between Suriname's commitments under the WTO and CARICOM needs to be addressed as a matter of urgency. ❖

³ Summary of the main issues arising from discussion on the topic at the Suriname workshop.

Lomé I, II, III, IV, ... V ?

Condensed from presentations of Dr. Anthony P. Gonzales (IR-UWI, St. Augustine) and Mr. Gregg Rawlins (Ministry of Agriculture and Rural Development, Barbados)

Lomé IV - The Final Curtain

Since the first Lomé was signed in 1975, the Convention which began as an economic and trade cooperation agreement between the EU and the African, Caribbean and Pacific States (ACP), has been extended beyond economic cooperation to include political, social and cultural dimensions. However, cooperation in the area of trade remains at the very core of the ACP-EU relations and is for many ACP countries, the single most important and beneficial aspect of the Lomé Convention. Caribbean countries have benefited tremendously from preferential trade arrangements, particularly through the Commodity Protocols on bananas (Protocol 5), rum (Protocol 6), beef and veal (Protocol 7), and Protocol 8 containing the text of Protocol 3 on ACP sugar. The Caribbean, however, has not taken full advantage of the opportunities for expanding exports of non-traditional agricultural commodities and agro-processed goods to the European market.

The present Convention (Lomé IV) which commenced on 1 March, 1990, will expire on 29th February 2000 after ten years in existence. In conformity with Article 366 of the Convention, " ... *eighteen months before the end of the total period of the Convention, the Contracting Parties shall enter into negotiation in order to examine what provisions shall subsequently govern relations between the Community and the Member States, on the one hand, and the ACP states, on the other*". These negotiations towards the development of a successor arrangement to the Lomé IV form part of the Caribbean region's rather loaded trade negotiations agenda since Caribbean countries are simultaneously engaged in WTO and FTAA negotiations and moves toward the deepening of the CARICOM integration movement.

Lomé Convention - The Review

Increasingly, the new dynamics of globalisation and liberalisation are presenting significant challenges to the ways in which the Lomé agreements have operated and will continue to operate. The WTO Agreement is possibly one of the most fundamental factors influencing the position of the EU in reformulating its trade policy for a successor agreement to Lomé IV. The general effect of the WTO will be a reduction of the preferences currently enjoyed and possible intro-

Change is inevitable and the Caribbean must be prepared to respond to such changes

duction of asymmetrical reciprocity in the Successor agreement, with obvious implications for the penetration of ACP markets by EU products.

The greatest challenge to the preferential arrangements in the short-term, however, does not lie in the WTO Agreement on Agriculture, but rather, in their compatibility with general provisions of the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS) and more specifically, the Agreement on Import Licensing. The well-publicized case of bananas is instructive in this regard. The banana case sets a precedent and the other preferential arrangements will be placed under a microscope to examine their compatibility with WTO rules. Therefore, the beef and sugar Protocols will be also reviewed. Within this process, the special status of the sugar Protocol will be taken into consideration. With regards to rum, given that the present tariff quota will be abolished by the year 2000, there is the strong likelihood that the Protocol on rum will not be renewed.

The EU and other countries offering preferences are not waiting for challenges, but rather, are undertaking reforms of the preferential arrangements in keeping with WTO obligations. Some analysts contend that the position of the EU in respect of its trade relationship with ACP countries post- Lomé IV is more informed by, and responsive to, its WTO obligations than any other single factor. Change is therefore inevitable and the Caribbean must be prepared to respond to such changes.

Lomé - The Sequel !

Negotiations towards a successor Agreement to Lomé IV were formally initiated on September 30th 1998. The position of the ACP group is that "*the post Lomé IV arrangements should essentially be a partnership between Europe and more than half of the world's developing countries in a unique process of development cooperation. Development is the primary objective of this partnership*". The EU's ultimate objective in relation to economic and trade cooperation is to "*enable the ACP countries to play a full part in liberalised international trade, ..., given their current level of development, this objective will only be achieved if they manage to adapt smoothly to the new conditions of international trade*".

The post- Lomé IV negotiations will be undertaken through a "multistage" process, with the first (current) stage to extent up to 2000. During this period, an overall framework agreement will be pursued which sets out the medium and long-term objectives for economic partnership. Several contentious issues have already emerged from this first

Lomé I, II, III, IV, ... V ? cont'd

stage, not the least of which is the pace at which ACP countries should integrate into the global economy. This issue is particularly important in terms of the vulnerability of small states and the need to focus on the poorest and neediest of the ACP members. These, as well as other issues such as reciprocity, are all part of the complex transitional dynamics of such negotiations which, in the case of the Caribbean, are further compounded by the imperative to make trade policy choices compatible with the WTO.

In the final analysis, however, the outcome will be determined largely on whether the Caribbean chooses a regional approach or an ACP group approach. The EU's preference is for negotiating separate regional trade agreements under an umbrella ACP/EU agreement; the Caribbean has opted for ACP solidarity, aware of the fact that there are important regional differences to be respected in the negotiation on trade matters. Negotiations with regional sub-groups for the establishment of separate free trade areas (FTA) within the ACP group are scheduled for the 2000-2005 period. Regional FTAs will thus be negotiated with those regions and countries which express an interest in same. Implementation of these FTAs is scheduled to begin in 2005 with an appropriate transition period. These agreements will be defined in accordance with WTO rules and will aim to liberalise trade gradually between partners and consolidate and improve ACP countries

access to the Community Market.

In the context of the negotiations on economic partnership agreements with ACP states, any necessary transition towards alternative arrangements, including support for diversification, will be supported by assistance from the European Development Fund (EDF). In recognition of its vulnerability, the Caribbean region is seeking a WTO waiver to allow the Lomé Convention to be extended for a longer period as well as possibly some changes to Article 24 (GATT Part III - Territorial Application, Frontier Traffic, Customs Unions and Free Trade Areas) in the WTO which governs the speed and content of the free trade areas.

Conclusion

Life beyond Lomé IV is still to be determined. In the post-2005 period, the final outcome regarding the nature and scope of the trade and economic partnership, market preferences and reciprocity are unclear. Consequently, against the backdrop of the WTO Agricultural negotiations and the FTAA negotiations, the period up to 2005 (which marks the end of Lomé IV) will assume additional importance for the region's agricultural sector, which will be required to prepare effectively to compete on the basis of reduction and possible elimination of preferences.

Articles, news updates, book reviews and comments for publication in the Economic Policy and Sustainable Rural Development Newsletter are welcomed.

Feedback



Dear Editor,

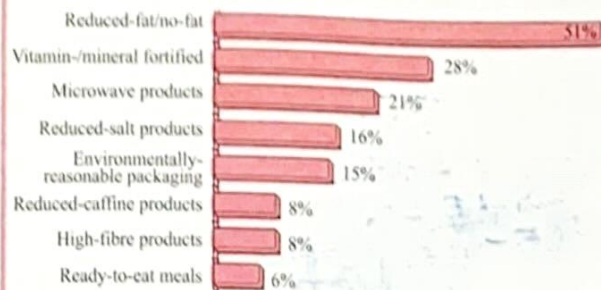
In your quarterly newsletter vol.4.no.3, I read with interest an article from Mr. Ronald Ramkisson of the Republic Bank in Trinidad. I would like to extend my compliments to Mr. Ramkisson for his excellent article on financing of Agribusiness. I am an agricultural economist, working as the assistant director of the state-owned agricultural bank, called The Landbouwbank Ltd. Currently, there is discussion on going with regard to the role of the bank in terms of its development and its commercial functions. The article helps by placing the financing of the agricultural sector in a regional perspective.

*Best regards,
Mrs. Djaianti-Levens-Hindori,
Suriname.*

Lomé I, II, III, IV, V ? cont'd

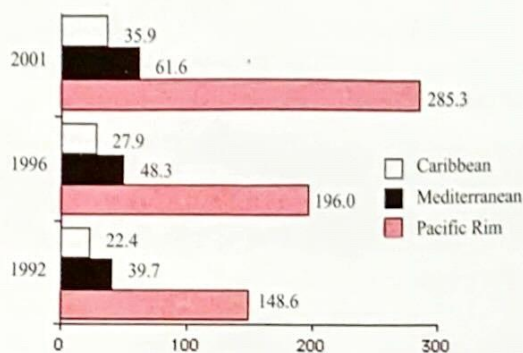
continued from page 8

Most Important Changes in Packaged Foods



Source: Market Watch "Grocery Manufacturers of America Opinion '98: Consumers Speak Out on National Brands, Eating Habits and Food Irradiation"

Actual (1992 & 1996) and Projected (2001) US Retail Sales of Emerging Ethnic Food by Region



Source: Market Watch

employment, economic instability and adverse international developments have combined to erode the competitiveness of the country's main export industries. In terms of the country's main agricultural exports, Mr. Ramautarsing proposed the following recommendations:

- **rice** important policy actions and technical support are required to ensure that Suriname is able to maintain and expand its market share;
- **bananas** in spite of the ongoing efforts to upgrade the infrastructure of the industry, other important elements which impact competitiveness, such as production costs and industry management, must be addressed;
- **fish** policy initiatives, including, finalisation of legislation on export quality and standards for fish products, strengthening of coastal patrols, the inclusion of the fishing industry in export promotion policies, such as export guarantee and insurance schemes, and the privatisation of the main state-owned fish industries, are necessary in order to improve the international competitiveness of the industry.

Conclusion

In terms of the objective of the WTO, which among other things, is based on the reduction of distortions to trade, it was noted that in spite of the best will in the world, the multilateral agenda cannot make a country's agricultural sector competitive. A country has to employ own measures and actions to create an enabling environment which allows firms and industries to become competitive. In this regard, national level commitment to reform is as important as the consummation of international agreements and must be addressed if any benefits are to be derived from trade liberalisation and integration.

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