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Columns

The EPA — Better late than never

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OUR commendation goes to fellow columnist Sir Ronald Sanders for his insightful and descriptive piece on the Cariforum states and the Economic Partnership Agreement (EPA) with the EU (Sunday Observer 7th April).

This agreement has been somewhat of a non-starter since its provisional acceptance on 15th October 2008, and has not yet been ratified. The reasons for this inertia must be shared between the region's governments and private sectors, particularly in Jamaica, where the business community paid scant regard to the EPA negotiations, and are now in a quandary as to how to unlock the benefits that the agreement purports to provide.

Recently, Brussels sent a terse reminder to Jamaica to start reducing the base rate tariffs in the 5-year basket of goods that was overdue since 2011 -- when the first reduction should have been completed. Two years later, at 1st January 2013, the tariffs on those goods were due to be eliminated, hence the reminder from the EC that led to the Ministry of Finance and Planning issuing an instruction for the designated tariffs to be liberalised. "A splash of cold water in the face of private sector interests," describes the effect of the tariff reductions, which have awakened new interest in the tariff elimination process over the total 25-year period of the liberalisation schedule. Next the ten-year basket of goods, starting from the base rate which is due to be reduced to zero duty by 1st January 2018, and continues across the 25-year spectrum/continuum of liberalisation with reductions every 2 years up to 2033.

Sanders refers to Article 5 of the Joint Declaration in the EPA that mandates its "comprehensive review, not later than 5 years after the date of signature; but not one government has sought to invoke such a review due by October 2013, and he estimates that there could also have been reviews of at least five aspects of the agreement had they been invoked". However, coming out

of the tariff-reduction issue, information is being obtained on matters that are of concern to the Jamaican private sector that have been raised with the Ministry of Foreign Affairs and Foreign Trade and the Ministry of Finance & Planning.

We have been advised by the GOJ that "with the exception of the Consultative Committee, all of the EU bodies managing the EPA have been formed and have met at least once. With regard to the Consultative Committee, the decision was taken that the Caricom private sector would be represented by a single entity, The Caribbean Association of Industry and Commerce (CAIC). Note that it is within the Consultative Committee that the private sector would have a direct voice on the implementation of the EPA, so it would be important for Jamaica to have an effective voice in the CAIC." We are reminded that the Trade and Development Committee is responsible for all aspects of the implementation of the EPA. However, the CAIC is not functioning at present, so we shall be looking for an alternative vehicle to provide the opportunity for the private sector to be represented. The Joint Caricom Working Group (JCWG), consisting of the Jamaica Chamber of Commerce (JCC), the Jamaica Manufacturers' Association (JMA) and the Jamaica Exporters' Association (JEA), is the consortium dealing with the EPA.

The comments made by Sanders' British friend ring true in light of the recent seminar conducted in Jamaica by Mrs Patricia Francis, the Executive Director of the International Trade Centre in Geneva on the subject of No-Tariff Barriers worldwide, which was very well received. The friend commented: "Access to the EU market remains constrained by non-tariff barriers well beyond the capacity of individual private sector companies operating on a small Caribbean scale to overcome. This was just what the commission intended. And the loss of protection in local markets will rather undermine the capacity of the local private sector to compete on the EU market. The whole structure of the EPA, as agreed with the Caribbean, is flawed and, as we know, was part of preparations for negotiations with Africa rather than the Caribbean, where the issues were rather different and more difficult for the EU trade negotiators". These are issues for the private sector to deliberate with those managing the progress of the EPA implementation.

Finally, a burning issue to be dealt with urgently is the creation of a tax-free channel for export goods that include imported materials. The concept, once a feature of the Asian Tigers, was mentioned by Mrs Pat Francis. She cited a recent conversation she had with the former prime minister of Malaysia, who, when encouraging his civil servants to help create a 'super corridor' to facilitate international trade, reminded them that their salaries were paid from the profits of companies and that taxes were paid if profits were made. In short, they had a different view about the role and function of government than Jamaica; where for too long we appeared to be pulling in different directions. This situation still exists today and is already becoming evident with the application of the new Customs Administration Fee (CAF).

Has anyone ever heard of a Customs department becoming an executive agency? This development requires careful examination together with the private sector, so a workable solution can be formulated that would encourage exports that are the lifeline to national prosperity.