

**Address by Senator the Hon. Guy Mayers**

**Minister for Trade, Industry and Commerce**

**At A**

**Conference for Parliamentarians With Responsibility for  
International Trade from OAS Member Countries**

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***Theme: "Shaping a Trade Agenda to Promote Regional  
Integration and Competitiveness for CARICOM: The EPA  
and Other Negotiating Challenges"***

## **Salutations**

It is indeed a pleasure to welcome you all to Saint Lucia and to this very timely conference organized through the collaborative efforts of the OAS, the Canadian International Development Agency (CIDA) and the Government of Saint Lucia which seeks to address the theme “Shaping a Trade Agenda to Promote Regional Integration and Competitiveness for CARICOM: The EPA and other Negotiating Challenges”. I also wish to congratulate the OAS in particular for having the foresight and demonstrating an understanding of the importance of international trade to the economies of the especially vulnerable economies of the Caribbean by holding this conference here in Saint Lucia.

## **Context of Address**

Mr. Chairman, we live at a time characterized by globalisation and trade liberalization. A time when the very systems and rules of international trade that were advanced by the developed world to facilitate the growth and development of small former colonies are being rewritten to facilitate the further advancement of the developed world. It is a time when new questions are being asked of the relationship between size and development. For instance, while on the one hand new technologies which lead to reduced transaction costs associated with

distance make all countries smaller relative to the world market, the small size of a number of these countries seems not to matter and is assumed away as an irrelevant factor in this current phase of globalisation.

It can be argued that small economies have both advantages and disadvantages, in particular, disadvantages associated with limited economies of scale, less diversification and macroeconomic autonomy. In addition, since the 1980s it has increasingly been shown that trade among asymmetric countries has led to an increase in income gaps as technological advantages have not been evenly distributed between larger and smaller countries and polarization has become the rule rather than the exception.

Further, one of the critical factors identified as the cause for the continued imbalance in the pace of development between the larger and more prosperous economies and small states as exists in Central America and the Caribbean has been the scale of economies, both internal and external to firms. Thus to the extent that small size implies that economies of scale cannot be attained, higher production costs and unfavourable competitive positions have resulted. This is one of the objective structural realities that confront small states and one that we have been consistently endeavouring to bring to the understanding of our global partners.

Mr. Chairman, Small Vulnerable Economies such as Saint Lucia and the rest of CARICOM are constantly being asked to liberalize our economies on the one hand and then face the use of technical barriers to trade (TBTs) when we attempt to export to the more developed nations. Research shows that while very small developing economies such as those in the Eastern Caribbean with populations of less than 300,000 inhabitants have the tendency to be able to grow rapidly with exports of one or two key commodities or services, this invariably leads to a situation of extreme vulnerability. This vulnerability is further compounded as our domestic markets are too small to reap the benefits of economies of scale or provide a viable alternative market for our output. It is countries such as these in the Caribbean that are most vulnerable to the challenges of globalisation and run the risk of being caught in a development trap.

Mr. Chairman to illustrate even further, despite what appeared to be very encouraging developments in the Doha round in 2001, small economies have experienced nothing more than stumbling blocks in their efforts to maintain a continuing presence in their traditional markets in Developed Countries, with increasing technical barriers that limit their capacity to respond due to the substantial costs necessary to make the required adjustments, which are immediate. The United States Patriot Act and the new EU SPS rules requiring only fumigated pallets to enter their ports are but only two major Technical Barriers to Trade (TBTs) among others which have further mitigated against our

trading capacity. In addition to this we must contend with modifications to existing treaties which serve to effectively shut out our products. The United States modification to the Caribbean Basin Initiative (CBI) permitting only garments made from US textiles to enter duty free into their market is a case in point which has had a disastrous effect on our fledgling garment industry.

Mr. Chairman, a further case in point is the situation pertaining to the banana industry of the Region and the continued attacks on the industry by very powerful interests aimed at eventually destroying the livelihood of whole communities. We all know of the efforts made by the farmers of this Region over many years who toil on very small holdings to produce bananas of the highest quality for export to Europe. Their collective output from the islands of CARICOM contribute to less than two percent of the European market but the value and impact of this trade to their domestic economies is capable of transforming them from a position of poverty to one of economic independence. Yet even this very insignificant market share continues to be the focus of repeated attacks by interests who seem bent on ensuring that the people of this Region must forever endure the scourge of persistent poverty.

The advice that we have gotten from qualified multilateral institutions and agencies, is that the Caribbean must restructure its economic base and perhaps

look at the services industry, especially tourism, as the way forward for the region. While it is accepted that the Caribbean has the competitive advantage to be competitive in this sector, we are now faced with the real possibility that the advent of global warming may negatively impact the tourism industry in these small islands in a manner still not yet fully understood. We have for a while now considered the impact of sea level rise on coastal properties in particular. However what is emerging as an even more serious threat is the possibility of a reduction in demand for air travel especially on transatlantic and other long haul trips. This Mr. Chairman is indeed very frightening as most of the tourist market for the Caribbean is from Europe and the USA.

What then can the international trade negotiations offer the Caribbean and especially CARICOM in these circumstances. I strongly believe that it is against this background that the importance of special and differential treatment takes on even more significance. There is need for full elaboration of what constitutes special and differential treatment and the incorporation of this in the multilateral trading arrangements in this current Doha Round of negotiations. On the more immediate matter of the banana industry, the WTO must take cognisance of the possible impact of climate change on these small vulnerable economies of the Region and ensure that the outcome of the dispute on bananas currently before it is approached with this new reality.

## Small Economies Response

### *Restructuring Internally*

Given the challenges and constraints that small size imposes and awareness of the demands of a globalized world, the Caribbean Community has moved ahead to further deepen their relationship in establishing the CARICOM Single Market and Economy (CSME).

Mr. Chairman, the CSME is the Caribbean's response to the imperatives of a world focused on the removal of all trade preferences that have over the decades, served as the basis for the participation of small states in the Caribbean in international trade. In fact, one would note that the countries of the Caribbean are among the most open economies in the world. Therefore for us in the Caribbean, the issue is not our willingness to participate in international trade, but rather the capacity of our private sector to compete under conditions devoid of preferences.

In an effort therefore to get our productive sectors engaged in the conduct of business under conditions of full competition, the CSME will lead to the removal of all barriers to the free flow of all factors of production within the common

market area. This should set the basis for a more efficient allocation of resources and increased levels of output and productivity.

As a consequence, the Caribbean area should register an expansion in intra-regional trade thereby reducing its vulnerability to external shocks in the markets of its current major trading partners. The CSME will also serve as the vehicle to present to the international community, a unified region with a market of over six million people and hence a region with the potential to attract market seeking foreign direct investment (FDI). The CSME will also serve to position the region as a jurisdiction with the capability to meet the needs of efficiency seeking FDI. This will be made possible through the collective pool of skilled labour that will become available in any member state as a consequence of the free movement of labour.

Mr. Chairman, the Caribbean is determined to address the challenges identified earlier and consequently, one of the Region's main goals is to attract foreign direct investment targeted in green field sectors. In that regard, the Caribbean Community is in the process of implementing a new investment regime (Caribbean Agreement on Investment) aimed at regulating cross-border investment activity within the common market area and simultaneously developing a new investment code (Caribbean Investment Code) geared towards regulating investment activity between members of the CSME and third

countries. Hence the new regulatory arrangements bear testimony to the efforts of the small economies within the region aimed at introducing greater transparency in the investment process in the CSME.

### *Regional Trade Policies and Initiatives*

As a further response to the imperatives that face the Caribbean Region, CARICOM has entered into a number of bilateral trade agreements with key countries within the Caribbean Basin aimed at strengthening economic ties and bolstering trade activity within the Region. These one-way free trade agreements are also meant to signal to the international business community the CSME's readiness to take advantage of its geographical location, its highly trained workforce and stable and predictable economic and political environment to serve as a focal point; bridging the gap between the rest of the world and the partner countries within Latin and Central America.

CARICOM is currently engaged in negotiations with its most significant donor partner, the European Union, in crafting an economic partnership agreement as a successor to the Lome/Cotonou system. This is a very critical negotiation for us and we have identified that at the core of the agreement must be, the understanding that the new arrangements must meet the broad objective of enhancing the regional integration process. We will be seeking an agreement

which will have enshrined in it a set of principles, schemes and programmes, that will help provide special resources for the construction of a CARICOM Single Market, and more importantly, a Single Economy that will be integrally a part of the new EPA economic arrangements. The purpose of this is to ensure that resources are available to assist in the structural transformation of our economies to compete in the new liberalized environment.

Mr. Chairman, at the multilateral level, the small island economies of the Caribbean Basin are fully engaged in the Doha Round of negotiations and have made commitments, especially in the services sector, which clearly indicate our intention to continue along the path of progressive liberalization as is contained in the GATS Agreement. We recognise that for liberalization to fully achieve its objectives there must be the accompanying regulatory framework. Against this background therefore, CARICOM will not be interested in accelerating the pace of liberalization of our services sectors unless adequate analysis of the impact of liberalization is done and the required legislative arrangements are in place.

### *Increasing Competitiveness and Competing in a Liberalize Global Market*

The efforts of the small economies of the Caribbean to continue meaningful participation in the global economy and achieve the universal goal of improved standards of living for their peoples should therefore be clear to all. As part of a programme aimed at increasing the level of competitiveness of the workforce, Saint Lucia for example, will achieve the goal of providing universal secondary education by the start of the next academic year in 2007. We recognise that scholars are now moving away from the concept of a knowledge based economy and increasingly emphasizing that while knowledge quickly becomes obsolete, learning workers, learning firms and learning regions are the winners in a technology-driven competitive global economy. While we recognise that the relationship between skills and competitiveness is long-term, we believe that improving the relevance of our education is central to developing competitiveness over the medium-to-long term.

We will however continue our short-term training and retooling programmes for the existing labour force geared towards meeting immediate demand, however Saint Lucia and the CARICOM region have embarked on a programme of skills development and creating a learning workforce as our strategy towards maintaining our competitiveness in the current environment.

## *Conclusion*

Mr. Chairman, the importance of international trade and growing interconnectedness of the global economy signal to small economies the need to examine closely the strategies that must be developed to ensure their survival. Within the CARICOM region we must first of all maintain macroeconomic stability. This implies sound fiscal systems that provide resources for the public sector to do its job, deepening of our financial markets, developing a responsive set on monetary policy and financial arrangements to meet the needs of CARICOM members and developing the capacity and competitiveness of a labour force free to move within the common market.

The Governments of CARICOM recognise that in small economies a competitive group of small firms cannot be expected to emerge spontaneously because of the lack of adequate externalities and the learning process involved. In addition, it is also recognised that structural transformation is not an automatic result of macroeconomic stability and open trade and investment rules. Appropriate policy interventions are required to stimulate change and forge alliances between firms thereby strengthening their capacity to be competitive.

We must also find like-minded voices, at the UN, UNCTAD, UNESCO, and the WTO to support our interests and ensure that the international community does

not forget, that given the vulnerabilities and limited flexibility characteristics of small economies, special and differential treatment as was agreed to in Doha in 2001 must be incorporated into agreements particularly that on Trade in Services and Trade Related Investment Measures. We cannot hope for a change in the attitudes of Multi-national corporations, who in their quest for profit are prepared to alienate traditional allies and in the process destroy small sovereign democracies, who have always upheld the rights of man and the rule of law. But we must remain acutely aware that if we surrender to their whims and fancies, it would be to plunge our hemisphere into another long dark age that will extend well beyond our shores.

I believe there is hope for the Caribbean but Mr. Chairman, it will require co-operation from the strong as well as the not so strong in the Caribbean Basin for its eventual realization.

I thank you.