Overview of Sub-region’s Performance under the CARIFORUM-EU ECONOMIC Partnership Agreement (EPA)

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Contents

• Overview of the CARIFORUM-EU EPA
• EPA review
• Snapshot of results of empirical analyses
• Policy implications of initial findings
• Emerging development priorities
Overview of the EPA

• Economic Partnership Agreement between the EU and CARIFORUM (CARICOM + Dominican Republic) signed in 2008
• Deep and wide-ranging agreement
• EPA objectives include:
  – sustainable development of CARIFORUM economies
  – promoting regional integration
  – trade, investment and development cooperation
EPA Review

• Joint Declaration on signing of the EPA acknowledges need for continuous monitoring

• ECLAC conducted preliminary review of the status of the implementation of the EPA and the possible impact of the EPA on selected CARIFORUM countries.
### RESULTS: Trade Competitiveness Matrix

- **96% of the DR’s exports to the EU in dynamic sectors and most (61%) are rising stars in the EU**

- **OECS export competitiveness is positioned in dynamic sectors**

- **Most of these exports are classified as missed opportunities**

- **Trinidad and Tobago underpins CARICOM’s export competitiveness in the rising star class**

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<thead>
<tr>
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<th>Stagnant Sectors</th>
<th>Dynamic Sectors</th>
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<tr>
<td>Declining Stars</td>
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<td>Rising Stars</td>
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<td>Retreats</td>
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<td>Missed opportunities</td>
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Note: The TradeCAN calculations are based on SITC 4 digit merchandise trade data.
RESULTS: Revenue and Welfare

### REVENUE AND WELFARE EFFECTS

*(Millions of dollars)*

<table>
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<tr>
<th>Country</th>
<th>Year</th>
<th>Gross Welfare (CS)</th>
<th>Change in Revenue</th>
<th>Change in Net Welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominica Republic</td>
<td>2010</td>
<td>17.229</td>
<td>-106.546</td>
<td>-89.317</td>
</tr>
<tr>
<td>Guyana</td>
<td>2011</td>
<td>1.945</td>
<td>-12.983</td>
<td>-11.039</td>
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<td>Saint Kitts</td>
<td>2009</td>
<td>0.326</td>
<td>-1.809</td>
<td>-1.483</td>
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<tr>
<td>Barbados</td>
<td>2007</td>
<td>6.110</td>
<td>-29.579</td>
<td>-23.468</td>
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*Source: WITS SMART simulation and own calculations*
RESULTS: Assessment of Spill-over Effects

VARIANCE DECOMPOSITION FOR CARICOM AND THE DOMINICAN REPUBLIC

(Percent)

Dominican Republic

- USA: 4.99%
- EU: 36.97%
- Commodity Prices: 1.36%
- Idiosyncratic and country: 56.55%

CARICOM

- USA: 20.94%
- EU: 18.09%
- Commodity Prices: 7.34%
- Idiosyncratic and country: 53.18%
Interesting Initial Findings with Policy Implications

• Uneven implementation of commitments across CARIFORUM countries

• Generation of asymmetric benefits
  ▪ The Dominican Republic’s comparative advantage and trade complementarity with the EU has improved
  ▪ CARICOM’s comparative advantage and trade complementarity has been declining
  ▪ CARICOM losing market share for commodities where EU demand is trending upwards
Interesting Initial Findings with Policy Implications

• Several factors point to structural rigidities and joint production issues which have constrained the smaller economies of CARIFORUM.

• No substantive increase in intra-regional trade

• Necessity of establishing a mechanism for region-wide monitoring of the progress and impact of the CARIFORUM-EU EPA
Emerging Development Priorities

Building Production and Trade Capacity

Goods:
- Modernizing key economic infrastructure e.g. maritime and air transport, ICT and energy
- Enhancing regional standards, quality and SPS
- Customs, trade facilitation and logistics

Services:
- Development cooperation in such areas as data collection, registry of service providers, conduct of market intelligence and data dissemination
THANK YOU!