The current status and future prospects of trade relations with the USA from a CARICOM Perspective

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Presentation
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on

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CBI (CBERA/CBTPA)

Jamaica and other Member States of CARICOM trade with the USA under the Caribbean Basin Initiative which comprises the 1990 expanded Caribbean Basin Economic Recovery Act (CBERA) and 2000 Caribbean Basin Trade Partnership Act (CBTPA), both non-reciprocal preferential trade arrangements. The majority of goods exported from Jamaica and the rest of CARICOM, except Suriname, enter the US Market duty free under the CBI. In 2008, Jamaica’s exports to the USA valued US$984 million while imports from the USA valued US$3.3 billion. Jamaica has a persistent trade deficit with the USA. In fact, this applies to all of CARICOM except Trinidad and Tobago which is exporting petroleum products. In 2009, the USA under the Obama Administration obtained a waiver in the WTO for the CBI up to 2014. The USA remains the primary trading partner of Jamaica and all CARICOM Member States. A primary export for Jamaica under CBERA is now ethanol.

If Panama’s free trade agreement with the USA is approved, CARICOM countries and a few dependent Caribbean territories will be the only remaining beneficiaries of the CBI. The Central American countries and the Dominican Republic have CAFTA - the US/Central American Free Trade Agreement.

Jamaica’s textile industry, which was covered by the CBTPA, has declined. Haiti has been the major producers of textiles and apparel in the CARICOM region.

Extension of the CBTPA

While CBERA is of indefinite duration, the CBTPA, which was to provide NAFTA parity, was scheduled to expire in September 2008. It was extended to September 2010 under the US Farm Bill. There is now a Bill in congress sponsored by Senators Ron Wyden and Bill Nelson to extend the CBTPA to 2013 as part of measures being proposed to assist the economic recovery of Haiti – The Renewing Hope for Haiti Act. It is expected that the CBTPA will be extended for all the beneficiaries. CARICOM supports the extension of the CBTPA, and has taken the necessary steps to lobby Members of Congress to encourage the successful passage of the Bill.
Review of the CBI

In the last 3 years, there have been several reviews of the CBI in the USA. The 2007 review by the US International Trade Commission (USITC) was initiated by Congressman Charles Rangel then Chair of the House Ways and Means Committee to review its contribution to growth and development in the Caribbean. The second review was done by the USITC in 2009 as required by Congress. This regular report provides an assessment of the economic impact of CBERA on beneficiary countries as well as U.S. industries and consumers. In summary, that report found that, for the most part, there was minimal negative effect on U.S. industry and consumers. With regard to beneficiaries, it was found that the impact of preferences continued to be small, but positive, and has been limited to specific industries, rather than a broader level. The report identifies that one of the reasons for the small impact of CBERA is the fact that services exports are not covered by the Act.

Recently, the Office of the USTR also carried out a review, as mandated in the CBERA, to report to the President. This report addressed wider compliance with eligibility criteria, which are consistent with U.S. policy objectives, including protection of intellectual property and respect for labour rights. Jamaica and other CARICOM countries and interested regional bodies participated in the hearings and made written submissions.

There was no indication from the reviews that the CBI was in jeopardy of being discontinued.

Reform of the USA Preference Regime (GSP, CBI)

A Bill is expected to come to congress in June to review the USA’s non-reciprocal preferential arrangements. Jamaica is interested in this review as there are Members of Congress and other interested groups in the USA who want to see drastic changes made to the USA’s preference regime – particularly the eligibility criteria for the GSP. However, there appears to be continued bipartisan support for the CBI. We will, nevertheless, monitor this review process very carefully.
Intellectual Property Rights (IPRs)

Jamaica has also made a submission in the US Review of Agreements on Intellectual Property Rights. Jamaica has remained on the USA’s H301 Watch List for non-compliance with the WTO Agreement on Trade–Related Intellectual Property Rights (TRIPS) and its bilateral IP Agreement with the USA. Jamaica is working to achieve full TRIPS compliance both to meet international obligations and in its own domestic interest. CARICOM States collectively have been working to be compliant with international obligations and many are already fully compliant.

The USA takes keen interest in compliance with Intellectual property agreements as it sees this as vital to protecting US inventiveness and creativity and essential to productivity and job creation especially in new areas such as green technology. We noted that the Working document did not deal adequately with the issue of IPRs.

TIFA and TIC

CARICOM is working on a Trade and Investment Framework Agreement (TIFA) with the USTR. This TIFA is still in draft form and consultations are continuing between the USTR and the CARICOM Secretariat. The TIFA is to replace the arrangement which established the US/CARICOM Trade and Investment Council (TIC) in 1992 and which was revived under the Bridgetown Accord of 1995 under the Clinton Administration. Regrettably, the TIC has not worked as effectively as was expected when it was originally established and when it was revived in 2006 under the Bush Administration.

US 2010 Trade Agenda

The Trade Agenda produced by the US Trade Representative and recently published is being carefully reviewed and analyzed in Kingston as it is viewed as an important policy document. Of note is the USA’s stated intension to double exports within 5 years and to more aggressively seek market access. It is also clearly stated that the USA intends to utilize the enforcement mechanisms of various trade agreements to which it is a party. Of particular note is the USA’s focus on Sanitary and Phytosanitary (SPS) measures of trade partners.
We note also that the US is seeking to reduce the level of domestic consumption which will have implications for imports.

We further note that the USA considers itself the largest donor of “aid for trade” to countries benefitting from preference programmes and expects these beneficiaries to make critical reforms and investments needed to diversify their exports and improve their competitiveness in the US Market. This statement indicates that for, the US, Aid for Trade is actually the tariff foregone.

**US Trade Agenda and WTO**

As the WTO commences its stocktaking exercise this week, it is clear that the Round cannot make meaningful progress toward conclusion without the full engagement of the USA. Some key personnel are still not in place and it is evident that the USA has ambitious market access goals particularly in the major developing countries.

Jamaica, working with CARICOM and the ACP, wants the packages agreed in agriculture and non-agricultural market access to be stabilized. The countries of CARICOM are quite vulnerable having lost market share and competitive advantage for traditional products such as bananas and sugar.

For us, it is important that the Round keeps its focus on development and that there is an outcome which considers the situation of small vulnerable developing economies. We are concerned that the USA might want to re-open issues which could further dilute the development component.

**Future Prospects**

The current difficult economic situation in Jamaica, and also being experienced by many CARICOM countries, requires an economic recovery programme aimed at increasing production and exports of goods and services. This means that Jamaica has to endeavour to increase exports to the USA, its major trading partner. It is also important that Jamaica and CARICOM are able to maintain their preferential access into the US market with effective margins of preference. Maintaining the margins of preference, however, is recognized as being increasingly difficult if the USA continues to negotiate free trade agreements with third countries,
and should the Doha Round be concluded. This would apply even were CARICOM to negotiate a free trade agreement with the USA. For small countries such as Jamaica, maintaining competitive advantage under any preferential regime is increasingly challenging.

We fully support initiatives in the USA to aid the economic recovery of Haiti. At the same time, we are seeking engagement with the USA to examine the trade, investment and development issues of importance to the CARICOM region. Under the Obama Administration, we would also want to see the effective functioning of the Trade and Investment Council (TIC) so that it is not seen as just a paper mechanism.

The fact that the USA has a sustained trade surplus with many countries in the region should be considered as the US seeks increased market access. Total US exports to 14 of the 15 CARICOM States, in 2008, was valued at approximately US$10b, while exports from these countries were less than US$2b. In fact, the table on page 9 of the Working Document would indicate that CARICOM, as a group, is the third largest export market for the USA with total US exports being approximately US$12b in 2008, placing us behind Brazil as the third largest market for the US in Latin America and the Caribbean.

Services is an area which we would also want to explore with the USA. Some CARICOM countries, including Jamaica, were able to attend the World Services Summit held in Washington DC last year which gave further insight into services trade as an area with growth opportunities. The USA is already a major market for tourist arrivals for Jamaica and other CARICOM countries. In 2009, in spite of the recession, Jamaica received over 1.17m stopover visitors from the USA and for the entire Caribbean, the figure was over 5 million. The USA also has investments in the Information, Communication and Technology (ICT) sector.

CARICOM leaders expect to have a Summit with President Obama this year. While we have had meetings with the Secretary of State, Mrs. Hilary Clinton, a meeting with the USTR, Ambassador Ron Kirk, should precede such a Summit. We, in CARICOM, also have an obligation to prepare for such meetings and to develop our own trade agenda. Once such meetings are held, there is also need for effective follow up and implementation of resulting decisions. Any Declaration or Communiqué should not be a press item to be archived shortly thereafter.