Caribbean Regional Negotiating Machinery

CRNM PRIVATE SECTOR TRADE BRIEF

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SO WHAT IF THE WTO DOHA ROUND IS DEAD? IMPLICATIONS OF PRIVATE SECTOR SILENCE.

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IN THIS ISSUE: We explore the business implications of the recent "Time Out" called in the World Trade Organization (WTO) discussions. Firms are encouraged to reflect on trade policy and make specific proposals to enable these talks to help create a more business friendly environment. We also make the point that the region's firms will continue to react to an external mandate if they do not become engaged now.

WTO UPDATE

Following the "time out" called on July 24 by Mr. Pascal Lamy, Director-General of the World Trade Organization (WTO), at a meeting of the G6 (Australia, Brazil, India, Japan, the European Union and United States), there has been much reflection about the real value added of the so-called "Doha Development Agenda (DDA)" for Caribbean businesses.

The latest round of multilateral negotiations aimed at the further liberalization of global trade, the DDA proffered an outcome that promised the following, among other things. Elimination of trade-distorting subsidies, particularly those impacting on agriculture; greater agricultural market access; improvements in border procedures (i.e. customs, health, standards); further removal of barriers in the services trade; lower tariffs on both industrial and agricultural goods.

While the EU, US, India and other G6 members engage in a blame game for the stalemate in the negotiations, the fact remains that all the provisions on the table, which are discussed below, are now in limbo and may not see the light of day. Australia had proposed the convening of another G6 meeting for September to see if participating interests could exert some flexibility, but the track record in the negotiations has been one of inflexibility to accept any compromise positions on cutting agricultural support (financial payments and subsidies) and reducing tariffs on agriculture.

The stalemate is further concretized by the fact that no G6 member wants to move first. An indepth summary is included in the RNM Update 0613 to be found at www.crnm.org.

HOW DOES THE WTO "TIME OUT" IMPACT MY FIRM?

To "dejargonise" for the common businessperson, the deadlocked WTO discussions were intended to remove subsidies which allow imports currently to compete unfairly with Caribbean products.

These trade discussions were also supposed to eradicate practices such as charging higher tariffs on value added products like roasted coffee whilst allowing green coffee beans duty free access (a practice called "tariff escalation"). Furthermore, another expected outcome of the talks was that service providers – let's say in the creative industry – would no longer be discriminated against in procedures to get work permits and that their accreditation would be duly accepted to perform on tours in export markets.

In addition, the DDA was supposed to be moving in the direction to make customs and other border agencies more accountable to the trading community, by prohibiting the charging of customs fees in excess of the cost of service delivery, allowing mandatory consultations with the trading community prior to any new border procedures, as well as enshrining the right of appeal by traders among other useful "trade facilitation" proposals.

To address some of the costs of implementation of trade agreements, Caribbean governments are endorsing proposals for "Aid forTrade" which should complement the existing pool of development assistance funds geared to promote greater trade benefits.

PRO-BUSINESS TRADE NEGOTIATION EXPERIENCES

Altogether, the DDA recommendations seem to contain quite useful proposals to improve the business climate for all firms, regardless of their size. What, then, can be made of the silence of Caribbean Chambers of Commerce, Manufacturers Associations and other private sector support agencies regarding the stalled WTO talks? Maybe nothing.

However, what is clear is that the majority of the region's business community has been operating for years without much acknowledgement of the benefits that trade policy can provide in cases where they identify specific business bottlenecks in the export market. One example that comes to mind is the issue of consular invoicing in the Dominican Republic. When Trinidadian business persons raised this issue during the negotiations with the Dominican Republic (DR), negotiators found a solution to address this business bottleneck in the export market. To date, there have been no subsequent complaints about this issue.

One of the sticky points in the CARICOM trade agreement with the Dominican Republic remains the restrictive distribution practices enshrined in Law 173 which makes it prohibitive to terminate distributors agreements which are registered with the Central Bank. Again, Caribbean negotiators provided the region with an escape clause that only firms in the US can also use when doing business with the DR.

The Caribbean Association of Industry and Commerce (CAIC) and Caribbean Export must be commended for activating the CARICOM-DR Business Forum which will enable greater business interface to further lubricate trade. The point here is that where firms indicate specific business concerns, negotiators can push hard to address them and make preferential trade agreements meaningful for those firms in the trenches of export trade.

Another lost opportunity for the region's private sector to benefit from trade is in the area of business fora. Most preferential trade agreements which CARICOM has signed, include provisions for business fora to facilitate an exchange of information between the private sectors in the partner countries, as well as coordinate trade missions, and trade fairs among other functions. Most of these business forum provisions have not been activated and one must surmise that there is no real pressure being brought to bear by the region's private sector groupings for this to happen.

CONCLUSION

It must be noted that outside of the traditional sugar, bananas and rum/brewed products lobby groups, the region's private sector has played a peripheral role in the crafting of positions in trade negotiations.

Notwithstanding the various resources provided by some national governments in their trade ministries, the various committees for trade which have apparently been open to broad-based participation, the almost constant communication initiatives (workshops, radio, TV programs) to demystify trade policy, still a deafening silence emanates from the non-traditional private sector. This phenomenon signals a weakness in the public-private sector partnership which is to be at the foundation of the trade coordination process.

The CRNM, for its part, has embarked on a Caribbean-wide initiative to promote private sector awareness of trade negotiations and encourage its participation in the formulation of positions. Through this exercise, supported by the Multilateral Investment Fund (MIF) of the Inter American Development Bank (IDB), the CRNM has embraced suggestions from all participants ranging from traditional sectors such as rum to non traditional sectors such as the music industry.

The WTO process is not dead yet, and the private sector should take this pause as a moment to reflect on the end game. Firms which are not going global face the likelihood of either perishing or being swallowed up in the corporate web of other firms going global. That is the simple fact. Also, there is no hiding the fact that WTO rules promote greater business for transnational firms and, as such, Caribbean firms will need to embrace this reality in their business endeavors.

Regional governments are buying time but this strategy will eventually phase out. The question is: After this, what? The cost of continued private sector silence is lost business, as the Caribbean will cede ground to large TNCs mostly based in the developed world. These firms, through their governments, will continue to be policy makers, while our firms will be policy takers, forced to battle for every inch of shelf space in the export market on someone else's terms because of silence.

Now is the time for Caribbean businesses to make their voices heard!