

APP Thematic Feature No. 11

Intra-ACP Agriculture Policy Programme (APP) Caribbean Action, with funding by the European Union under the 10th European Development Fund (EDF)



Intra-ACP APP Caribbean Action

Eliminating Restrictive Barriers, Simplifying and Harmonizing Complicated Procedures, are Necessary Actions to Foster Improved Agricultural Trade within CARICOM.

Being the home of approximately sixteen million citizens across twenty countries, the Caribbean Community is an incredibly diverse society and potentially under-tapped market place. Each country has much to offer the Region in terms of rich traditions, ethnic and linguistic backgrounds, incredible landscapes, tourist attractions and food and agricultural experiences, the latter of which are increasingly being integrated into the tourism product. The opportunities for such a diverse Region are encouraging.

Twenty countries make up the Caribbean Community (CARICOM). Fifteen are full members and five are Associate Members.

Agriculture alone boasts a wide array of offerings. For treats, it's cocoa and coffee. For nutrition, it's fruits and veggies. For a little bit of Caribbean heat, it's the much loved hot pepper, spices and sauces. Sheep, goat, chicken and fish make up main dishes of the Caribbean, while sweet potato, cassava, plantain and rice provide hearty side dishes. And of course, who could forget coconuts and bananas.

Together, the countries of the Caribbean have the potential to offer all of the elements of an exciting, varied and healthy diet, yet the Region as a whole is characterized by challenges related to food and nutrition security. High poverty rates, elevated rates of non-communicable diseases due to poor diets, high and unsustainable food import bills and stunted economic growth in the agricultural sector continue to be significant issues within CARICOM Member States.

The reasons why these problems persist are well known. Over the last two decades, attempts have been made to alleviate the 'binding constraints' to agricultural development

Moving 'Local' Food within the Region Part Two: Breaking Down Non-Tariff Barriers



Offering the 'fruits of the Caribbean' at a Guyanese marketplace. (Photo: Canbean Associates Inc.)

however, much more work still needs to be done to tackle these challenges. Effective, functional cooperation amongst Member States, as enshrined in the Treaty of Chaguaramas, continues to be one of the key prerequisites to make progress in facilitating intra-regional industry development, business and trade in the agriculture and food sector.

This feature highlights the importance of eliminating barriers that hinder agricultural trade between CARICOM countries. Trade is an important stimulus for business, and greater exchange within the Region will lead to increased demand for agriculture and food products originating within the Region. The feature focuses specifically on the issues of removing or reducing non-tariff barriers and harmonizing trade policies and procedures across the Region, as recommended in a study carried out as part of the Caribbean Action under the Agriculture Policy Programme (APP). Such actions have

the potential to open up intra-regional trade and provide more food for people's tables; to put more money in the pocket of producers and keep more money in the pockets of consumers.

Caribbean Cooperation

...The Vision

The Caribbean Community and Common Market (CARICOM) was established in 1973, by the Treaty of Chaguaramas, to promote cooperation among its members. Cooperation is a value which, if properly applied, could address some of the food and nutrition security issues in the Caribbean.

CARICOM's vision rests on four main pillars: economic integration; foreign policy coordination; human and social development; and security. Bringing together the unique and versatile agricultural sectors of each country within the Region would reflect the CARICOM vision and release enormous potential for intra-regional trade. Currently however, trade between Caribbean countries is hindered by non-tariff barriers and varied, complicated trade policies and procedures.

Non-tariff barriers (NTBs) are trade barriers that restrict the import or export of goods or services through mechanisms other than tariffs. NTBs are generally put in place as protectionist measures for domestic markets to limit competition from incoming products. That might sound like a good idea but for small economies, like many of the countries in the Caribbean, the international market has always been a source of supplies for good and services as well as a market for exports. Some examples of Common NTBs are:

- Import Bans
- Quotas
- Rules of Origin
- Quality Conditions
- Unjustified packaging, labelling and product standards
- Complex regulatory environments
- Import/Export eligibility requirements
- Trade document requirements and licenses
- Subsidies
- Product classification
- Challenging customs procedures
- Sanitary and Phyto-sanitary measures

"Ministers responsible for agriculture in CARICOM have identified this issue [non-tariff barriers] as one of key inhibitors to the growth of the sector and have called for a programme for the identification and removal of these barriers", says Dr. Patrick Antoine, Lead Consultant for the APP-supported study to assess business facilitation mechanisms for intra-regional trade.

Complicated trade policies and procedures that vary



greatly from country to country also themselves act as NTBs to intra-regional trade. The time, energy, effort and cost to navigate these complexities are often too much to make it worthwhile for both producers and shippers to become involved in export.

Key Goals for the creation of the CSME under the Grand Anse Declaration:

1. **Deepening economic integration by advancing beyond a common market towards a Single Market and Economy.**
2. **Widening the membership and thereby expanding the economic mass of the Caribbean Community.**
3. **Progressive insertion of the region into the global trading and economic system by strengthening trading links with non-traditional partners.**

"The lack of a harmonized system, particularly where States opt to maintain procedures that make it difficult for other States to participate in their domestic markets,

can be seen as one form of NTB,” says Dr. Antoine. “On the contrary, harmonized procedures act as a strong signal of market stability and will serve as an incentive for producers, exporters and distributors to invest.”

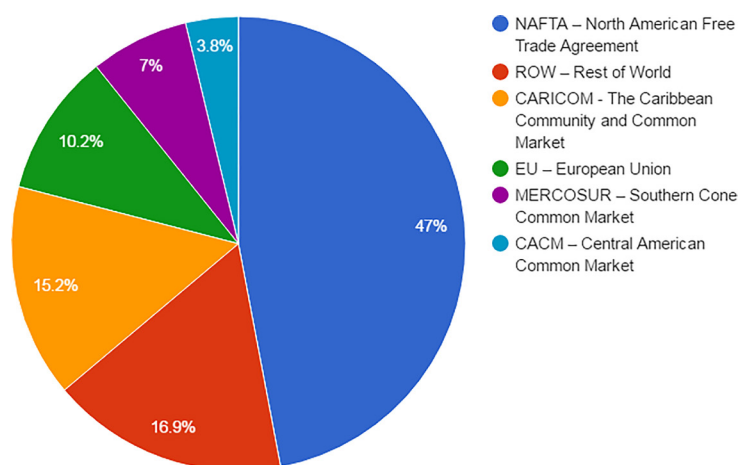
The concept of harmonization is reflected in the idea behind the CARICOM Single Market and Economy (CSME). The CSME was established under the Grand Anse Declaration in 1990 at the 10th meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM). The concept behind the CSME was to create a single market space within which Caribbean-based businesses could operate with minimum barriers and costs.

One of the key elements to support that concept was the “free movement of goods” that were either wholly produced or produced from local materials which have been substantially transformed. That would include things like fresh cassava tubers or processed cassava flour. In the creation of the CSME and the actions required to shift towards the ‘free movement of goods’, it was acknowledged that there would be a need to remove non-tariff barriers and harmonize procedures, however those goals have not yet been achieved.

... Measures that Hinder

Despite longstanding relationships and agreements, the percentage of intra-regional trade within CARICOM is very low. Fifty (50) percent of Caribbean export is directed to the United States and only 15% is traded internally. Conversely, the majority of imports entering CARICOM countries do not come from other Member States but from sources outside of the Single Market and Economy.

Table 1: CARICOM Agricultural Imports by Regional Grouping, 2013-2015:



Source: Modified from diagram provided in ‘DEVELOPMENT OF BUSINESS FACILITATION MECHANISMS IN CARICOM’, December 2016, Dr. Patrick Antoine.

Traditionally, governments have used tariffs to protect and manage their interests when it comes to imports and exports. These monetary duties generally cause an increase to the cost of external products with the goal of promoting the purchase of local goods and the growth of national industries. In recent years however, many regional and multilateral trade agreements have been made that have eliminated tariffs and so many governments have resorted to increased and/or improper application of non-tariff measures in order to try and protect their country’s interests.

The term Non-Tariff Measure (NTM) tends to be used interchangeably with NTB, however, to say they are the same wouldn’t be completely accurate. Indeed, some of the elements listed above as an NTM, are in fact, appropriate NTMs that were not originally designed to restrict trade. There is a definite need for some NTMs which are often prompted by legitimate public policy objectives and put in place to protect the physical and economic health of a country. However, when NTMs are misapplied or designed in such a way to be hyper-protectionist they become barriers, or NTBs, and lead to adverse trade effects.

In his comments on the study at a regional follow up meeting, Dr. Antoine stressed that “it was necessary to move beyond the mere existence of the regulation of requirements into how the requirement actually impacts on the trade”

As noted in the APP study, ‘Development of Business Facilitation Mechanisms in CARICOM’, NTMs can be trade enhancing. For example, when they provide market information such as labelling requirements or regulate payments for better management, they make for easier trade. However, NTMs can also be trade restrictive. For example, when they increase production costs and domestic prices or diminish the ability of small and medium firms to compete in the import/export process they make trade much more difficult.

According to the 2013 United Nations Conference on Trade and Development (UNCTAD) report, ‘Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries in International Trade Studies’, “NTMs restrict international trade and their contribution to overall trade restrictiveness is higher than tariffs.” A further 2016 study by the Philippine Institute of Development Studies estimates that “the global gains resulting from the abolition of NTMs could amount to as much as US\$90 billion.”

Even more problematic for CARICOM countries is that fact that these measures, which in their application can act as NTBs, generally have a more profound impact on developing countries and small and medium-sized businesses. "Their major problem consists in the lack of access to the resources necessary for them to comply with product standardization as adopted by the developed countries. As the developing countries are generally in shortage of scientific and technical skills, appropriate technologies, and exterior funding sources, they are exposed to bear a significant increase in the compliance costs, which also depends on the compliance period", says Imen Trabelsi in his 2013 article, 'Agricultural trade face to Non-tariff barriers: A gravity model for the Euro-Med Area'. Additionally, the agriculture sectors in these developing countries face an even greater challenge in that agri-food products are the largest sector to be impacted by NTBs.

Statistics on the Impact of NTBs on Agriculture

- **Using price data for 47 products in 115 cities in more than 60 countries, researchers found that non-tariff measures on fruits and vegetables raised retail prices by 141%, on meats by 93%, on processed foods by 87%, and on apparel by 12% (Dean, Feinberg, Signoret, Ferrantio and Ludema, 2006)**
- **Global welfare would increase by almost US\$2.3 billion if NTMs on processed foods were eliminated (Andriamananjara, Ferrantino and Tsigia , 2003)**
- **While agricultural exports of low-income countries faced an average tariff of about 5%, once the effect of NTMs is taken into account the overall level of restrictiveness is much higher at about 27% (UNCTAD, 2013)**

Source: 'DEVELOPMENT OF BUSINESS FACILITATION MECHANISMS IN CARICOM', December 2016, Dr. Patrick Antoine.

According to the APP study, CARICOM countries aren't just using NTBs to restrict global imports but also to restrict intra-regional trade. "CARICOM countries use internationally accepted standards to regulate, monitor and enforce NTMs", the report states. "This is because national and regional standards generally do not exist for most tradable agriculture products in CARICOM, particularly for fresh produce." In most instances, the standards are adopted from developed World Trade Organization (WTO) country members, explaining the difficulties experienced by CARICOM countries in complying with and overcoming NTMs. This has limited the Region's ability to resolve NTM-related trade issues such as disputes in intra-regional agriculture and food trade. The report goes on to highlight the indiscriminate use and application of some of these measures, within CARICOM, which become NTBs.

NTBs in CARICOM are reported to the Council for Trade and Economic Development (COTED). The APP consultant's research shows that Sanitary and Phytosanitary (SPS) measures are the most prevalent NTBs restricting market access for intra-regional agriculture products. "Some CARICOM Member States have completely restricted the entry of CARICOM goods into their market because of illegitimate SPS measures", the report states.

However, SPS measures are only one category of NTBs that need to be addressed. The APP consultant's report provides a full list of both the NTMs and NTBs affecting intra-regional trade in the Caribbean, which is an excellent resource in the move towards addressing this issue.

... Procedures that Hinder

Procedural difficulties will also need to be addressed in order to lift the burden off of intra-regional trade, especially within agriculture. The APP study revealed that lengthy certification procedures are "a major burden to agricultural trade", causing delays of up to several weeks. This is not acceptable given the perishable nature of many agricultural products. Also, the administration of required tests or pest treatments has also become a problem in many countries where they lack the facilities necessary to carry out these tasks. In these cases, they need to complete the tests outside of their country which leads to additional costs and time delays.

Yet even in countries with required testing facilities, the cost of testing has become a challenge for many traders. As noted in the APP study, traders have complained that "the associated cost cannot easily be passed on to the consumers in a competitive marketplace."

Table 2: On-going SPS Related NTBs Restricting Market Access of Agricultural products in CARICOM

Country applying the NTB	Country Affected	Market Access Restriction	Product impacted
Belize	Jamaica	Total Prohibition	Beef Patties
Trinidad and Tobago	Suriname	Total Prohibition	Duck Meat
Guyana	Trinidad and Tobago	Total Prohibition	Grapefruit
Guyana	Suriname	Total Prohibition	Fresh soft fruit
Guyana	All Commonwealth Countries	Total Prohibition	All Citrus
Guyana	All	Total Prohibition	Rice Seed (paddy)
Guyana	All	Total Prohibition	Raw Honey
Trinidad and Tobago	Grenada and the rest of the Caribbean	Total Prohibition	Honey

Source: 'DEVELOPMENT OF BUSINESS FACILITATION MECHANISMS IN CARICOM', December 2016, Dr. Patrick Antoine

The study also confirmed that “information on selected regulations are not being adequately published or distributed” even when changes have been made to regulations or legislations which impact trade in specific products. “Respondents to this study revealed that access to requested legislation or regulations are often difficult to obtain, even in their home country.” This is exacerbated by the fact that each country has a different set of regulations and procedures. These circumstances have led to complaints about transparency and reports of goods being blocked for entry into CARICOM markets due to uncertainty or unreported changes in requirements.

...the Possibilities for Greater Cooperation

The APP study has confirmed many of the hypotheses that were made prior to the report. It has concluded that there are NTBs hindering intra-regional trade that are based on “outdated legislations and the limited authority or the lack of a supra-national authority to mandate the entry of products once they have met the required entry requirements.” It has also verified that there are several procedural requirements which are particularly burdensome to small-scale businesses and traders, resulting in limited intra-regional trade.

NTB and procedural trade challenges are not new or unique to CARICOM however, clear gains have been made in other Regions through programmes that eliminate these barriers within regional groupings. The APP consultant’s report looks at two examples of such programmes from around the globe.

The Common Market for Eastern and Southern Africa (COMESA) was established as ‘an organization for free independent sovereign states which have agreed to cooperate in developing their natural and human resources for the good of all their people.’ Under this mandate they have agreed to eliminate tariffs on products of COMESA origin and they are working on the eventual elimination of quantitative restrictions and other NTBs.

COMESA has followed a number of steps in the process towards eliminating NTBs that could lead the way for CARICOM. They have:

1. Created a roadmap for the elimination of NTBs.
2. Created a permanent mechanism for the resolution of disputes arising from NTBs.
3. Supported a mandate that advanced notification of NTMs be made by all Member States.
4. Developed regional policies and supported the adherence of all Member States to Common Standards.
5. Developed a Free Trade Area (FTA)

The mechanism for resolution of NTB disputes also included an online reporting tool. According to the Zimbabwe National Chamber of Commerce in 2015, “At least 95.9% of all the reported non-tariff barriers to regional trade in Common Markets for Eastern and

Southern Africa (COMESA) have been resolved since the introduction of the online system of reporting, monitoring and elimination in 2008.” This has led to a reduction in the cost of trading, allowance for the free flow of goods and services and an enabling environment for small-scale cross-border traders in the Region, further leading to the growth of intra-regional trade.

The Association of Southeast Asian Nations (ASEAN) has also taken steps to cooperate more intentionally for the benefit of both their agriculture and industry sectors. In their mandated focus to eliminate NTBs they have taken several steps which could also be instructive for the CARICOM Region. They have:

1. Enhanced transparency on NTBs by following a standard notification procedure and setting up a surveillance mechanism.
2. Abided by the commitment to freeze and roll back NTBs.
3. Made regional rules and regulations consistent with international best practices.
4. Made a commitment to remove all NTBs by 2018.

ASEAN has also established several working groups and consultative committees to address SPS and quality standard measures, ensuring that they follow consistent and transparent practices that minimize obstacles to trade. They have also tried to simplify structures in the agro-food sector and share information throughout the Region on food standard regimes with the goal of minimizing specific national provisions and coordinating harmonized best practices.

As noted in the APP consultant’s report, the reduction and eventual elimination of NTBs in both of these instances “will depend on the level of commitment of Member States to engaging in the process and to greater economic integration and the opening of markets.”

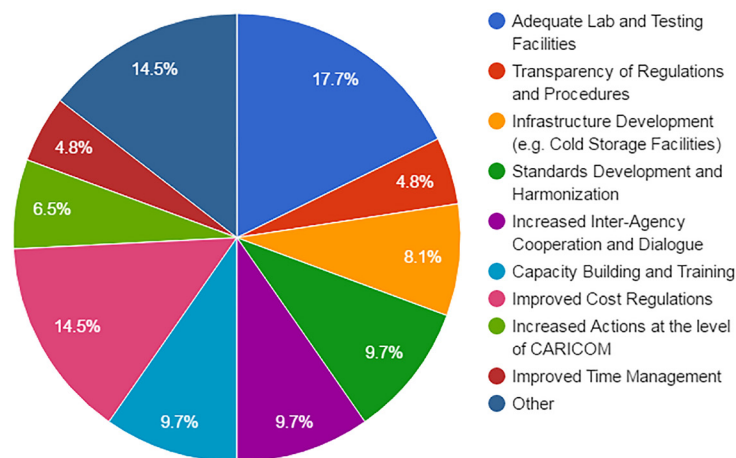
Caribbean Cooperation:

...a Proposal to Foster Intra-Regional Trade

As part of the APP consultant’s study on business facilitation mechanisms, a questionnaire was carried out with relevant regional stakeholders. It asked respondents what areas should be focused on, within CARICOM, in order to eliminate NTBs to agricultural trade.

The results are shown in Table 3:

Table 3: Recommendation Results from Questionnaires



Source: 'DEVELOPMENT OF BUSINESS FACILITATION MECHANISMS IN CARICOM', December 2016, Dr. Patrick Antoine

Adequate Infrastructure, Framework and Legislation for addressing SPS Issues

'Adequate Lab and Testing Facilities for SPS Issues' arose as the number one area that stakeholders felt should be addressed in the move towards eliminating NTBs within intra-regional trade. This makes sense considering that SPS measures are the most commonly imposed NTB. The APP report addresses SPS issues from three different perspectives. It looks at suggestions for improving infrastructure, as well as the creation of a framework for the resolution of SPS disputes and the need for legislative review and reform in CARICOM Member States that relates to SPS.

The findings of the study provide justification for a serious consideration of the Caribbean Agricultural Health and Food Safety Agency (CAHFSA) draft document, 'Procedures for Resolving SPS Disputes among Member States'. This document is currently at the proposal stage and has yet to be formally considered by the Member States. As noted in the APP consultant’s report, the Revised Treaty of Chaguaramas (RTC), which was adopted in 1989 to transform the Common Market into a single market and economy, must lead the way on any system of resolution that is adopted, ensuring that the rights and obligations of Member States are supported in the framework for resolution.

“It is critical to undertake an examination of the consistency between the RTC and the Draft procedures, as a central element of the search for a flexible and rules-based framework to expedite the resolution of SPS disputes among Member States”, notes the report. Currently, the COTED does not have a specific role assigned for dispute settlement when it comes to SPS measures. The CAHFSA document proposes

amendments in this area and identifies specific SPS areas for resolution.

This is also true of the WTO SPS Agreement and the RTC. "As it stands now...there is a gap, if you wish, between the two agreements", said Dr. Antoine in his comments about this issue. "We've made the recommendation that going forward this (incorporation of the agreements) ought to be done in the way that other regional trading agreements have been able to incorporate into the RTC."

Addressing infrastructure development also arises as an important issue to tackle when dealing with SPS measures. "The inadequacies of testing facilities in the Region have been highlighted as major impediments impacting the trade in agricultural products, and can be directly linked to SPS and conformity assessment concerns", states the APP consultant's report. "Inability to execute required tests, pest treatment and certification has severely hampered the level and quality of trade in the Region."

Recommendations are made in the report for the expansion and upgrade of laboratory and testing facilities in order to conduct risk analysis testing, pest treatment, quality control testing, and assistance for exports in relation to limits for chemicals. It is the hope that these improvements can lead to higher product quality, lower testing and certification costs and the more timely completion of necessary actions.

The report specifically recommends the establishment of two laboratory Centres of Excellence (COEs) in CARICOM for testing to facilitate international trade. These labs will receive support from local Member State labs that feed into the COEs for specialized testing.

"Given the high costs and maintenance associated with the operating of laboratory and testing facilities", states the report, "the recommendation is made for Regional support to be channelled for the development of Labs in strategic Member State Hubs which will service neighbouring Members. This approach seeks to harness and develop both limited human and financial resources."

Finally, the report notes a need for the "establishment of a mechanism to assist in the redrafting of legislations and regulations (for SPS), as well as addressing the lengthy and onerous process involved in legislative changes." It calls the current legislation on these matters "inadequate" and "antiquated" and says that the inability to "address, enforce and control the application of NTMs and prevent NTBs is a major concern within the Region."

Standards and Procedures Development, Transparency and Harmonization Beginning at the CARICOM Level

Stakeholders also noted standards and procedures development, and transparency and harmonization of the same, as important to address in eliminating NTBs within CARICOM. Standards and procedures are often referred to as technical barriers to trade (TBTs). A 2013 article, 'Trinidad and Tobago: Company Perspectives - An ITC Series on Non-Tariff Measures', the International Trade Centre (ITC) states that "technical requirements and conformity assessment were among the most frequently reported barriers to trade".

In order to address this problem, standards and procedures need to be consistent and transparent. As part of the ASEAN plan, a committee on Standards and Quality is working on harmonizing national standards with international standards and implementing mutual recognition arrangements (MRAs) on conformity assessment to achieve its goal of "One Standard, One Test, Accepted Everywhere." The plan includes a Good Regulatory Practice Guide, which describes best practices in making technical regulations consistent and transparent in order to minimize obstacles to trade.

As noted in the APP consultants' report, similar actions could be taken by the CARICOM Regional Organization for Standards and Quality (CROSQ) and Member States by carrying out some recommendations extracted from the 'Report for the Standards and the Trade Development Facility', as noted below:

1. Ensure that regional policy frameworks focus on the most effective use of resources to enhance Member States benefits.
2. Develop the capacity for Member States to effectively participate actively in the International Standards Organization (ISO) and WTO SPS Committees.
3. Assist with the strengthening and training of national coordination bodies.
4. Increase awareness of SPS matters at the political and general public levels.
5. Focus capacity-building efforts on demand-driven activities, identified through capacity evaluations, and involve all relevant stakeholders.
6. Avoid multiplication of transparency requirements and use existing tools.

Also noted as important in the APP consultant's report was: timely communication by the appropriate means with regards to changes in import regulations and

other procedures; continued sharing of information on regulations and procedures; and, specific and clear tax categories and product classifications. It was also suggested that, “at the regional level, a harmonized approach to required documentation for the import and export of goods is also required” along with the creation of an online regional portal where information can be accessed.

Inter-Agency Cooperation and Dialogue

The recommendations laid out in the APP consultant’s report are ambitious yet attainable if relevant parties are committed to working together. Stakeholders at both national and regional levels need to be dedicated to these shared goals in order to strengthen intra-regional trade and feel the economic and social benefits that could result. Customs Departments, Ministries of Agriculture and Health, national and regional legislative bodies, farmers, traders and other members of the public and private sector in agriculture all need to work together. They must unite to improve communication and coordination between all levels in order to address burdensome NTBs and procedures and ensure their timely removal.

Cooperation, above all, will be the key in eliminating these barriers. As noted on the CARICOM website, “functional cooperation, in various, conceptions, has always been a quest for countries of the Caribbean.” It is this action that will ensure that ‘local’ food gets moved

within the Region and that the Region experiences all of the resulting benefits from the strengthened intra-regional trade of rich, Caribbean agricultural products.

See also:

TF #9: Mainstreaming Climate Change and Disaster Risk Management in Agricultural Policy and Planning (November 2016)

TF #10: Moving ‘Local’ Food within the Region - Part One: Connecting the Region (December 2016)

TF #12: Re-Building Regional Commodity-Based Industries (December 2016)

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Intra-ACP Caribbean Action Implementing Partners

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