1

Trade policy, trade and food security in the Caribbean*

J. R. Deep Ford and Gregg Rawlins

Introduction

Trade, trade policy and its relation to development is arguably the most debated topic – in this era of globalization – among practitioners involved in promoting economic growth, food security and livelihood security, and rural development in developing countries. This is so for at least three reasons. First, there is the global mandate and established commitment to achieving the Millennium Development Goals (MDGs), especially MDG1, *Eradicate extreme poverty and hunger*. Second, trade is widely accepted to be an engine of growth, and trade expansion is promoted as one way to increase development and reduce poverty. But there is wide controversy over what trade policy should be pursued under different conditions to achieve the goals related to increased development. Third, there are continuing efforts to liberalize global trade through fora such as the World Trade Organization (WTO), African, Caribbean and Pacific Economic Partnership Negotiations with the European Union (ACP/EPA/EU) and the myriad of Regional Trade Agreements (RTAs) under negotiation. In relation to all of these contexts the major challenge remains: that of identifying and implementing appropriate trade policy to advance agricultural development and food security, and reduce poverty. This chapter and this document are intended as contributions to understanding and responding to this challenge.

MDG 1 calls for eradicating hunger and poverty and the 2005 MDG report on MDG 1 recognizes that "most of the world's hungry people live in rural

* In this document the Caribbean generally refers to the Caribbean Community (CARICOM), which is comprised of 15 member states: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. The Bahamas is not a member of the CARICOM Common Market.

areas and depend on the consumption and sale of natural products for both their income and their food."[1] The World Food Summit (WFS) Declaration recognized trade as a key element in the achievement of global food security[2] and thereby firmly established the link between MDG1 and increasing trade. Another directly-related MDG is MDG8, *Build a global partnership for development,* referred to as a global social compact, where developing countries will do more to ensure their own development, and developed countries will support them through, aid, debt relief and better opportunities for trade.[3] Thus, partnerships are recognized as an important dimension in enabling trade policy to contribute to resolving problems related to food security and rural development.

As stated above, there is considerable controversy over the impacts of trade policy and trade on food security and therefore what is an appropriate trade policy. A dimension that has received a lot of concern in agricultural negotiations is the relationship between lowering tariffs and domestic food security outcomes, as lowering tariffs has been the policy proposal that has dominated trade policy negotiations. The supporters of trade liberalization suggest that lowering tariffs will result in food becoming more readily available and accessible to consumers. The opposing view is more concerned with the adjustment impacts on small producers who might lose their livelihoods without being able to adjust to alternative income-earning opportunities. They see the majority of consumers and the poor living in rural areas and having livelihoods dependent on growing and selling agricultural products. Thus, the debate about what trade policy is most appropriate under specific circumstances is very alive and is central to this document.

Multilateral, regional and bilateral trade negotiations in the post-Uruguay Round period committed to paying more attention to the impacts of trade liberalization on the goals of developing countries. This occurred especially because the results of the Uruguay Round are generally considered to have failed to deliver the expected gains from liberalization to a wide cross-section of developing countries. Further, most of the countries that have not realized expected benefits are poor, small and vulnerable economies. Within the WTO negotiations they are represented by various overlapping groups that participate in the negotiations mainly through the presentation of proposals reflecting group concerns. Most of the Caribbean countries participate in several of these groups, especially the G33 and the G90.[4] The G33 represents

---

1 United Nations. 2005. *The Millennium Development Goals Report*. New York p. 8.

2 United Nations (1996).

3 *Ibid*., p. 5.

4 The G33 and G90 are groups of countries that have come together within the context of the WTO negotiations to represent particular needs and positions. The members of the G33 and G90 and other groupings in the WTO negotiations are shown in the list of negotiating groups in **Appendix 1.1**.

countries concerned about food security, livelihood security and rural development, while the G90 represents poor and small countries. The G90 is an umbrella body of the African Group, the least-developed countries (LDCs) and the African, Caribbean and Pacific Group of States (ACP). The G90 is the largest grouping of members in the WTO. The difficulties in concluding trade agreements at all levels is a clear indication of the different views on, among other issues, what is the best trade policy and how economic and rural development would be affected by the choice of policy.

This chapter provides an overview of the interface between trade, trade policy and food security in the Caribbean. The first section outlines the conceptual linkages between trade policy, trade and food security, including various views on trade policy and related outcomes. The second section reviews the trade and food security situation in the Caribbean, emphasizing the importance of trade to the welfare of the region. The third section presents regional agricultural and trade policy in the Caribbean in the context of multilateral negotiations and highlights the challenges to develop a regional agricultural trade policy across diverse states. The final section presents conclusions and critical areas for attention as the Caribbean seeks to establish a regional agricultural trade policy that advances food security and development.

1.1 Linkages and issues related to trade policy, trade and food security

The accepted definition of food security has changed considerably over the last three decades since the concept was first introduced in the 1970s. At that time the emphasis was mainly on volume and stability of food supplies.[5] In the 1980s, two additional dimensions were added: *access*, of all peoples at all times; and *enough* food for an active and healthy lifestyle.[6] A more recent and perhaps most widely used definition is the 2001 refinement by the Food and Agriculture Organization of the United Nations (FAO) of its earlier 1996 World Food Summit definition. The refined definition is:

> *"Food security is a situation that exists when all people, at all times, have physical, social, and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life."*[7]

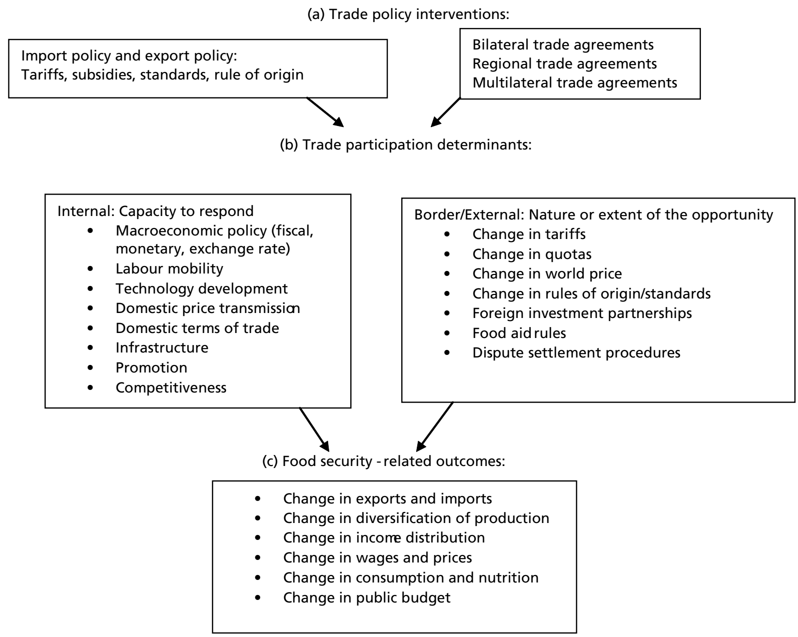
The key variables that characterize food security concepts and approaches have therefore come to be: accessibility, availability, stability and utilization. It is generally accepted that improved trade policy linkages, interfacing

[5] United Nations (1975).

[6] The aspect of "access" is credited to FAO (1983); and "enough food for an active and healthy lifestyle" to the World Bank (1986).

[7] FAO (2002a).

FIGURE 1.1
Trade policy, trade and food security: linkages



effectively with the larger internal and external policy environments, can positively affect these variables. **Figure 1.1** presents these linkages, placing the critical determinants into two categories: those affecting the nature of the *internal* capacity to respond; and those related more to border[8] and external measures that affect the nature and extent of the *external* opportunity.

The internal dynamic linkages relate primarily to the fact that trade liberalization will not result in increased food security unless domestic producers and traders are able to participate in increased trading opportunities. The domestic policy and production environment have to stimulate and be conducive to the required changes. These factors critically affect the ability of firms (including farms) to increase their productivity and/or switch to alternative activities successfully. The result of the linkage between policy

[8] Border measures generally refer to the regulations governing the entry of products moving from one country into another. The most common and accepted border measure is a tariff. Under the Uruguay Round of the World Trade Organization all non-tariff barriers, including quantitative restrictions, were to be replaced by tariffs.

and outcome also depends on the situation before the policy change, both in terms of the objectives and nature of the policy, as well as production and trading capacity.

Given the increased openness of economies globally, cost reductions in one place have almost immediate impacts in other locations. Hence, countries that are not able to participate in cost reduction in the area where they are currently operating (for whatever reason) and have not prepared to be effective in alternative areas, could face increased food insecurity. Increases in productivity globally have been determined largely by technological advances – and most Caribbean countries have lost research and development capacity over the past two decades.

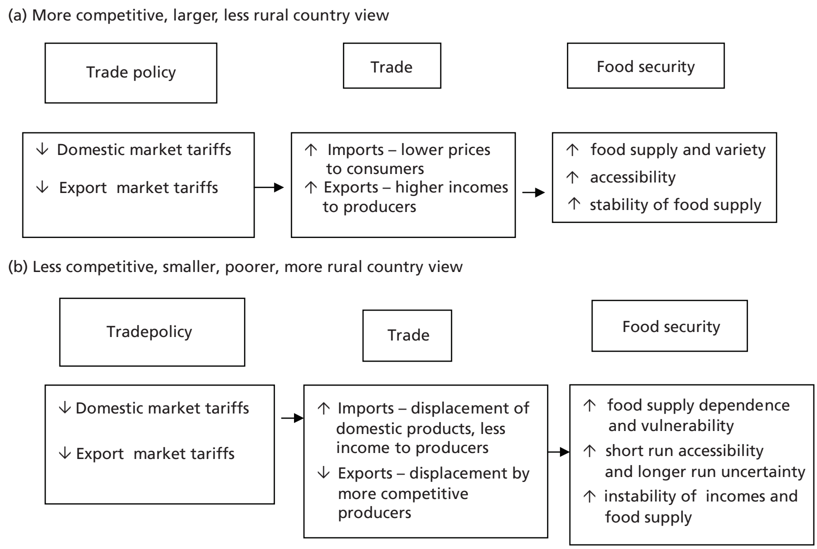
Generally, in the Caribbean, the national research and development agencies and the government's extension systems are a shadow of what they were in the 1970s. The same applies to both regional technology institutes (such as the Caribbean Agricultural Research and Development Institute (CARDI)) and to regional agricultural coordination units (such as within the CARICOM Secretariat). Falling commodity prices (sugar and tropical beverages) and increasing international debt have contributed to these and other crucial areas such as infrastructure and institutions not being adequately funded. As a result, the productive sectors, for both the domestic and export markets, have not sufficiently increased their efficiency and do not currently have the capacity to respond. Thus, the countries could potentially suffer negative consequences as they open their domestic markets to imported commodities.

The border and more external related dynamic linkages are mainly the changing relations globally, and especially between the small and poor countries and their historic trading partners. This process of change needs to be managed carefully, in terms of both policy and product scope, and time must be allowed for adjustment, to ensure that the process does not contribute to increasing food insecurity in these countries. The most critical factors affecting these external linkages are policies within the framework of the WTO, policies designed to create a fairer trading environment, through reducing domestic subsidies and tariff barriers that distort trade, and establishing and enforcing agreed rules that enable trade to expand. As **Figure 1.1** implies, these linkages affect the flow of imports and exports but equally importantly they affect what is produced, how it is produced, by whom it is produced, how benefits and costs are distributed and the resulting impacts on consumption and nutrition.

Within the above generalized policy framework there remain two different emphases based on different views of dependence on trade for food security and how trade works to increase food security.

One approach is the pursuit of food self-reliance. This approach reflects a strategy that allows the sources of food to be determined by international

FIGURE 1.2
Trade policy, trade and food security: two views



These views can also be situated within one country when related to producer size and products, and thereby points to the importance of policies in spreading development.

trade patterns and accepts the benefits and risks associated with it. A second approach is the pursuit of varying degrees of food self-sufficiency, above that implied by free trade. This approach reflects the extent to which food supplies are produced in the country. Generally, in the latter approach the supplies of food sourced domestically are greater than would be expected if more liberalized trade were pursued. This latter approach is pursued by a wide range of countries that are committed to maintaining a significant agricultural sector, if only for domestic consumption.

Countries emphasize one or the other for a variety of reasons and may have different emphases at different stages of development. **Figure 1.2** presents two views, showing how a more liberalized trade policy can affect food security.

Figure 1.2(a) presents the dominant conventional wisdom that trade liberalization policies (reducing tariffs) and increased trade enables specialization, which increases the efficient use of resources and thereby expands economic growth – which in turn leads to enhanced economic welfare and food security. The fundamental linkages between trade policy, trade and food security here materializes through policy incentives that catalyse increased production and productivity, leading to increased incomes and reduced prices. Therefore, there would be increased food security, represented mainly by an increased and more stable food supply and an increased ability to purchase food.

The proponents of the above view recognize that the evidence to support it is questionable, particularly in terms of employment effects and impacts on the poorer strata of society.[9] Market failures related to production structure, the nature of competition and distribution of potential gains cause this view to remain contentious. More liberalized trade, as represented mainly by lower tariffs, implies major changes in the structure of production, affecting what is produced, with what resources and by whom. The assumptions related to the ease of transfer of resources into different activities, particularly local labour, and especially in terms of skills and location, have led to considerable disagreement about the possibility of realizing the posited outcomes.

For small, poor, developing countries general tariff reduction agreements have not resulted in the trade expansion that they might have anticipated and were promised. Given the low current tariff rates that the poor and vulnerable countries pay in the major developed country markets to which they export their products, further general tariff reductions alone are unlikely to be very beneficial. The experience of most developing countries, taken individually and collectively, makes the case. **Table 1.1** shows how agricultural trade shares and net trade balances have changed between 1988 and 2004.

While both developing and developed countries increased their exports over the period, the rates of increase were the same and global shares did not change. Further, developing country gains were highly concentrated by region, mainly Asian non-LDC countries and South American countries. The performance and participation of LDCs in both Asia and Africa was greatly inferior to other countries in their regions and they saw their share in global trade decline and their net agricultural trade balances turn or become more negative. In the Caribbean, there was a substantial decline in absolute trade as well as shares in global trade. For poorer and smaller countries the linkages between trade policy, trade and food security is better represented by a **Figure 1.2(b)** view.

Understanding the difference between these two views is important and is largely based on different assumptions or perceptions about the determinants of trade outcome – in other words, about the ability or capacity of countries to influence trade outcomes and participate in what might be an increased opportunity to trade. The challenge remains to manage the linkages in **Figure 1.1** effectively in order to narrow/eliminate the gap represented by the two views in **Figure 1.2**.

---

[9] FAO (2003).

TABLE 1.1
Developing countries: agricultural export shares and net agricultural trade

Regions	Shares in world agricultural exports (%)			Net agricultural trade (billion US$)		
	1988	1994	2004	1988	1994	2004
Developed countries	70.6	71.4	70.5	-34.9	-17.4	-26.8
Developing countries	29.4	28.6	29.5	8.4	1.5	-3.3
Asia (developing)	14.6	16.2	14.6	-7.7	-8.1	-33.6
LDCs	0.2	0.2	0.1	-1.3	-1.5	-3.3
Non LDCs	14.4	16.0	14.5	-6.4	-6.7	-30.3
SSA	3.1	2.3	2.1	3.4	1.8	-1.2
LDCs	1.3	0.9	0.7	0.1	-1.1	-3.5
Non LDCs	1.9	1.5	1.4	3.3	2.9	2.3
All LDCs	1.5	1.1	0.8	-1.3	-2.6	-6.8
Near East & North Africa	0.6	0.6	0.6	-6.1	-7.1	-8.4
Caribbean	**2.0**	**0.6**	**0.3**	**2.9**	**-1.1**	**-2.2**
Oceania (developing)	0.2	0.2	0.1	-0.2	-0.2	-0.4
South America	6.9	7.7	9.6	15.0	18.6	44.5
Central America	2.0	2.0	2.6	1.8	-1.0	-2.1

FAOSTAT, 2005

TABLE 1.2
CARICOM – trade openness of member countries (average 2001–2003)

	Merchandise exports (X)	Merchandise imports (M)	X + M	GDP	X + M / GDP
	(US$ million)				(%)
Antigua and Barbuda	44	397	441	729	0.6
Bahamas	431	1 801	2 232	5 087	0.4
Barbados	225	1 086	1 311	2 606	0.5
Belize	181	531	712	959	0.7
Dominica	42	124	166	257	0.6
Dominican Republic	5 304	7 627	13 718	19 913	0.7
Grenada	39	221	261	412	0.6
Guyana	497	568	1 065	720	1.5
Haiti	300	1 110	1 411	3 338	0.4
Jamaica	1 170	3 512	4 681	8 351	0.6
Saint Kitts and Nevis	35	198	234	356	0.7
Saint Lucia	50	356	406	671	0.6
St Vincent and the Grenadines	39	187	226	364	0.6
Suriname	503	552	1 056	912	1.2
Trinidad and Tobago	4 446	3 701	8147	9 399	0.9

Source: World Bank and FAOSTAT, 2006
For comparative purposes it is useful to note that for Brazil, Peru, Panama and Costa Rica the equivalent numbers (for the last column in Table 2) are .27, .22, .32 and 1.25, respectively.

The next section elaborates more fully the trade policy experience and its linkages to food security outcomes in the context of Caribbean economies.

1.2 Trade and food security in the Caribbean

Trade and food security are tied together in the Caribbean through a variety of linkages rooted in the importance of exports and imports to their economies. On the one hand, export-oriented economic activity is a major source of foreign exchange and employment-based income-earning opportunities (linked to both the supply and accessibility dimensions of food security). On the other hand, imports are equally critical to nutritional and stability dimensions of food security, as most of these countries are net food importers. Further, much of the production for national, regional and international trade is dependent on imported inputs, thereby underlining the dynamic synergies between imports, exports and food security. This section highlights trade and food security linkages in the Caribbean.

The smaller a country is, the more open to trade it must be, in order to enlarge its markets and purchase commodities to expand the variety of resources and food products available to it. **Table 1.2** presents an evaluation of the openness of Caribbean economies using trade to gross domestic product (GDP) ratios. (Two of the most open countries in the world as measured by this ratio are Malta and Singapore.) Obviously countries of a similar size can have different levels of openness depending upon their policies; a less externally engaged country would be expected to have a lower ratio. On the basis of these ratios all Caribbean countries would be considered small, open economies. The Caribbean economies' high ratios indicate potential vulnerability to food insecurity due to high dependence on trade (for national-level economic activity), foreign exchange earnings and food imports.

Table 1.3 shows that agricultural exports form a high proportion of total merchandise trade for most Caribbean countries, reflecting the importance to the economy of that sector. This share has declined over time; in several countries it is also indicative of an absolute decline of agricultural output and exports. Increasingly, earnings from the services sector fill the gap. Agricultural exports have represented a very high share of agricultural GDP, greater than 40 percent for 11 of the 15 countries, reflecting the dependence of the rural sector on external markets for their livelihoods.

The dependence on trade is also demonstrated by the high share of agricultural production that is exported, most often comprising one or two commodities that go mainly to one market. **Table 1.4** shows factors that indicate the vulnerability associated with the existing trade regimes: crop dependence, trade dependence and market dependence.

TABLE 1.3

Share of agricultural exports in total merchandise exports (percentage)

	1990-992	2001-2003
Antigua and Barbuda	2.7	0.2
Bahamas	1.8	1.0
Barbados	27.9	28.8
Belize	69.0	64.1
Dominica	67.4	39.7
Dominican Republic	54.8	63.8
Grenada	65.2	40.5
Guyana	42.9	32.9
Haiti	18.4	6.5
Jamaica	21.2	21.3
Saint Kitts and Nevis	41.5	10.3
Saint Lucia	65.4	68.3
Saint Vincent/Grenadines	77.5	69.4
Suriname	9.7	7.2
Trinidad and Tobago	5.7	5.3

Source: FAOSTAT, 2006

TABLE 1.4

Top agricultural export (1), its percentage in total agricultural exports (2), percentage of production exported (3), percentage shipped (4) to main market (5)

Country	1	2	3	4	5
	Product	2001-03	2001-03	2002	
Antigua and Barbuda	Beverages (dist alcoholic)	31.3	-	76	CARICOM
Bahamas	Beverages (dist alcoholic)	55.4		89	EU
Barbados	Sugar (centrifugal, raw)	31.7	92.5	99	EU
Belize	Orange juice (concentrate)	28.3	75.5	99	CARICOM
Dominica	Bananas and Plantains	63.1	75.9	82	EU
Dominican Republic	Cigars (cheroots)	40.6	-	66	USA
Grenada	Nutmeg, Mace, Cardamons	57.4	89.4	75	EU
Guyana	Sugar (centrifugal, raw)	41.3	94.2	62	EU
Haiti	Mangoes	25.7	3.2	96*	USA
Jamaica	Sugar (centrifugal, raw)	26.6	80.5	100	EU
Saint Kitts and Nevis	Sugar	83.8	39.6	99	EU
Saint Lucia	Bananas	68.2	38.5	97	EU
St Vincent and the Grenadines	Bananas	49.8	71.2	85	EU
Suriname	Rice, Husked	31.2	99.1	76	EU
Trinidad and Tobago	Beverages (non-alcoholic)	30.9	-	81	CARICOM

* Data for 1992

TABLE 1.5
Food import capacity indicator (import/export)

	1995	2000	2004
Antigua and Barbuda	25.23	66.54	20.58
Bahamas	6.78	8.11	4.29
Barbados	1.59	1.66	1.52
Belize	0.32	0.38	0.36
Dominica	0.86	1.05	1.46
Dominican Republic	1.02	0.66	0.83
Grenada	2.48	1.46	1.86
Guyana	0.25	0.36	0.38
Haiti	10.33	10.83	22.10
Jamaica	1.02	1.12	1.45
Saint Kitts and Nevis	1.20	3.49	4.71
Saint Lucia	0.98	2.12	1.19
Saint Vincent/Grenadines	0.62	0.75	1.57
Suriname	1.04	1.27	3.85
Trinidad and Tobago	1.25	1.12	2.97

Table 1.5 reports one more indicator related to food trade, the value ratio of food imports to food exports.[10] The figures underline the effect of the small size of some of the agricultural economies in the region, which implies the need to import considerably more food than the amount exported. For some countries, the indicator confirms the extent to which agricultural exports are a small part of the trade balance. Antigua and Barbuda, and to a lesser extent, Bahamas, are examples of countries where much more food is required than what is produced domestically and exported, reflecting mainly the size and the structure of the economy. In contrast, in countries like Haiti, the high figure indicates the low current capacity of the country to produce domestically and to rely on its exports to purchase the required food. The results for relatively larger-sized agricultural-based economies, such as Belize and Guyana, are as expected.

Given the high percentage of the population that depends on agriculture for its livelihood (**Table 1.6**) and that has limited opportunities to shift to other income-earning sectors, it is critical that trade policy facilitate and ease transitions to sectors that are economically sustainable. On the global level, limited understanding of how these economies function often leads to assuming too readily that labour mobility between sectors is possible. Trade policies that have not been phased carefully and have not been accompanied by policies enabling the transfer of labour between sectors have led, in some cases, to increased poverty and food insecurity.

[10] See Section 2.1, Chapter 12 for a wider discussion of the meaning and limitations of this indicator.

TABLE 1.6
Share of agricultural employment in total employment (2000)

Country	Total employment (000)	Agricultural employment (000)	%
Antigua and Barbuda	32	8	25.0
Bahamas	156	6.0	3.8
Barbados	147	6.0	4.1
Belize	83	25.0	30.1
Dominica	35	8.0	22.9
Dominican Republic	3 612	603.0	16.7
Grenada	37	9.0	24.3
Guyana	319	56.0	17.6
Haiti	3 458	2 156.0	62.3
Jamaica	1 284	264.0	20.6
Saint Kitts and Nevis	19	4.0	21.1
Saint Lucia	64	15.0	23.4
Saint Vincent/Grenadines	50	12.0	24.0
Suriname	159	30.0	18.9
Trinidad and Tobago	573	50.0	8.7

FAOSTAT, 2005

TABLE 1.7
Number of undernourished people (millions)

Countries	1969-1971	1979-1981	1990-1992	1995-1997	2001-2003 provisional	2002-2004 preliminary
The Caribbean	5.1	4.7	7.7	8.9	6.7	6.8
Dominican Republic	1.8	1.4	1.9	2.0	2.3	2.5
Guyana	0.1	0.1	0.2	0.1	0.1	0.1
Haiti	2.5	2.6	4.6	4.5	3.8	3.8
Jamaica	0.2	0.2	0.3	0.3	0.3	0.2
Suriname	0.1	0.1	0.1	0.0	0.0	0.0
Trinidad and Tobago	0.2	0.1	0.2		0.2	0.1

Source: FAOSTAT, 2006

Table 1.7 presents the countries that account for the largest numbers of undernourished people in the region and indicates that this number has increased over the last three decades, although there are clear signs of improvement in recent years. While Haiti has accounted for most of the increase it should be noted that, for example, the undernourished population increased in the Dominican Republic, at a considerable rate in the 1990s.

Income distribution in the Caribbean is also cited as a problem in some countries: these have very high per capita incomes with a disproportionate percent of their population being undernourished. **Table 1.8** shows that while the Bahamas and Saint Kitts and Nevis have high per capita incomes

TABLE 1.8
Prevalence of undernourishment in total population (percentage)

Countries	1969-1971	1979-1981	1990-1992	1995-1997	2001-2003 provisional	2002-2004 preliminary
Bahamas	7	12	9	14	7	8
Barbados	3	<2.5	<2.5	3	<2.5	<2.5
Belize	17	4	7	6	5	4
Dominica	42	27	4	7	8	8
Dominican Republic	40	25	27	26	27	29
Grenada	28	28	9	7	7	7
Guyana	19	13	21	12	9	8
Haiti	54	48	65	59	47	46
Jamaica	12	10	14	11	10	9
Saint Kitts and Nevis	47	26	13	19	11	10
Saint Lucia	34	19	8	7	5	5
Saint Vincent/Grenadines	19	14	22	27	12	10
Suriname	23	18	13	10	10	8
Trinidad and Tobago	16	6	13	15	11	10

Source: FAOSTAT, 2006

(US$17 000 and US$8 000, respectively, in 2003), they have almost twice the rate of undernourishment of Belize and Saint Lucia, with half the per capita income. In the latter two countries, the relatively higher importance of agricultural exports in total merchandise exports, and of agricultural employment in total employment, could be factors contributing to a greater degree of food security – especially if they indicate more vibrant and self-sufficient rural areas, where the poorest segments of the population live and earn their livelihoods.

A rough assessment of the average ability of a population to access food is provided by the size of the total supply of domestic food staples, acquired through either production or imports, in relation to the population. **Table 1.9** shows this indicator in per capita terms for the Caribbean countries.[11] In a number of cases the figure confirms expectations in terms of food security. For instance, in Dominican Republic, the indicator is consistent with the increasing levels of poverty observed recently, while some of the relatively better-off economies of the region show higher per capita supplies (e.g. Trinidad and Tobago and Saint Lucia). However, in a number of countries the relative importance of cereals in the diet (consumption of rice and wheat mainly), together with the uncertain accuracy of the information available, may explain the results (e.g. Antigua and Barbuda and the Bahamas).

The increasing amounts of essential foods per capita that are supplied by imports reflect increasing national dependence on imported sources of

[11] See Section 2.1 in Chapter 12 for a wider discussion of the meaning and limitations of this indicator.

TABLE 1.9
Cereal supply per capita in the Caribbean (kg)

	1995	2000	2003
Antigua and Barbuda	85.4	86.6	83.6
Bahamas	83.0	86.7	83.5
Barbados	98.3	103.5	105.7
Dominica	97.0	78.2	86.9
Dominican Republic	75.2	85.2	78.9
Grenada	100.8	90.2	88.6
Guyana	140.5	136.6	143.5
Haiti	91.0	104.4	116.6
Jamaica	104.4	98.4	103.7
Saint Kitts and Nevis	71.2	80.5	80.1
Saint Lucia	103.9	108.3	107.3
St Vincent and the Grenadines	97.6	113.3	118.9
Suriname	146.3	129.6	128.3
Trinidad and Tobago	116.9	119.8	122.5

Source: FAOSTAT, 2006

food. **Table 1.10** shows the per capita trends during three periods. For cereal products the increasing kilograms imported per capita may not be surprising, given the shift away from local food patterns associated with more root crops. This could be viewed as a trading opportunity for the two countries that are the main cereal product producers in the region. The results for fruits and vegetables and their products points to increased per capita consumption of imported fruits and vegetables in a region that, with the exception of Bahamas, Barbados, Saint Kitts and Nevis and Trinidad and Tobago, have domestic supplies to cover their needs **(Table 1.11).**

The agricultural production and trading situation and food insecurity assessment described in this section has several implications for Caribbean regional agricultural trade policy – especially as the Caribbean states design regional economic strategies that lead to higher levels of agricultural and rural development and food security for the region. The following section addresses some of these policy challenges.

1.3 Trade policy and food security in the Caribbean

Agricultural trade and trade policy have been critical to achieving high levels of food security and human development in many Caribbean states. Few would question the conclusion that it is benefits derived from the sugar trade of Barbados and Saint Kitts and Nevis – including sugar market and trade policies towards these countries by developed countries – that have contributed to their ranking among the top fifty countries on the Human

TABLE 1.10

Food imports – selected food groups (kg/person/yr)

Country name	Cereals &prod. excl beer			Meat (slaughtered) & prod.			Fruits &prod. (excl. wine)			Vegetables & products			Milk & products		
	1969-1971	1990-1992	2001-2003	1969-1971	1990-1992	2001-2003	1969-1971	1990-1992	2001-2003	1969-1971	1990-1992	2001-2003	1969-1971	1990-1992	2001-2003
Antigua and Barbuda	95	101	82	27	76	52	31	29	47	14	38	10	46	77	70
Bahamas	118	107	118	84	97	101	66	119	215	45	60	54	142	129	99
Barbados	137	285	272	51	43	37	49	72	119	13	14	32	115	86	106
Belize	100	99	115	18	16	8	6	9	14	9	11	21	116	147	78
Dominica	78	117	109	20	48	57	7	16	10	5	10	14	46	95	110
Dominican Republic	25	106	164	0	0	0	1	1	4	1	1	2	19	29	9
Grenada	104	211	324	18	48	81	6	27	40	5	8	12	72	148	144
Guyana	72	78	92	4	6	6	5	0	13	5	0	39	50	14	69
Haiti	10	48	79	0	0	4	0	0	1	0	1	2	4	9	8
Jamaica	157	172	222	11	13	16	5	3	18	4	2	9	61	42	41
Saint Kitts and Nevis	110	163	163	21	75	126	4	41	87	7	22	58	87	109	138
Saint Lucia	90	156	182	20	68	86	17	55	71	5	16	25	48	105	144
Saint Vincent/Grenadines	93	342	297	11	53	64	2	10	35	3	2	8	72	70	84
Suriname	85	137	108	12	3	29	3	1	4	9	10	18	25	46	24
Trinidad and Tobago	192	213	201	9	9	12	11	41	32	8	16	22	115	96	103

Source: FAOSTAT, 2006

TABLE 1.11
Imports as a percentage of domestic supply of selected food groups

	Fruits	Milk	Vegetables	Cereals
Antigua and Barbuda	14.7	48.9	15.9	98.7
Bahamas	45.9	95.1	27.1	99.5
Barbados	78.9	78.4	28.5	110.4
Belize	0.3	86.3	25.9	29.2
Cuba	0.0	38.1	0.7	63.2
Dominica	0.1	54.9	9.7	97.7
Dominican Republic	0.9	11.5	1.2	65.0
Grenada	0.4	95.0	18.7	176.2
Guyana	0.5	61.4	14.1	19.5
Haiti	0.0	46.8	3.3	62.0
Jamaica	0.3	80.6	5.9	100.0
Saint Kitts and Nevis	33.8	81.5	68.7	100.0
Saint Lucia	0.6	94.5	76.4	100.0
Saint Vincent/Grenadines	0.4	86.6	13.8	205.9
Suriname	1.4	35.6	13.8	22.5
Trinidad and Tobago	11.6	95.5	50.4	103.9

Source: FAOSTAT, 2006

Development Index.[12] Other factors contributing to increasing levels of rural welfare include national trade policies in the 1960s and 1970s, negative lists to promote import substitutes and guaranteed prices for isolated remote areas, and marketing boards to facilitate exports of non-traditional products. Many of these trade policies were implemented to provide market space and time to achieve competitiveness for many segments of the domestic agricultural sector.

These policies are not dissimilar to trade policies in developed countries and larger developing countries that provided subsidies and delayed the opening of their markets. In many of the developed countries, export subsidies and high import tariffs have contributed to enabling their rural areas to achieve the levels of productivity and competitiveness they now enjoy. These developed country policies also contributed cheap food imports that increased food security in some of the poorest developing countries. Thus, trade policy in both developed and developing countries has been, and continues to be, characterized by government interventions to increase food security and rural welfare.

Trade liberalization was promoted to many Caribbean countries in the 1980s as a part of a package of policies that established conditions for receiving structural adjustment programme loans from the World Bank. Further, Caribbean countries participated in the Uruguay Round negotiations

[12] United Nations Development Programme (2006a).

FIGURE 1.3
Caribbean agricultural trade trends

Source: FAOSTAT, 2006

and joined the WTO at its formation in 1994 committing themselves to a multilateral trade policy directed at lowering tariffs, and – especially important from the Caribbean standpoint – agricultural product tariffs.

The outcome in terms of agricultural exports and imports for CARICOM countries, after more than ten years of embracing this trade liberalization policy, is shown in **Figure 1.3**. The decrease in tariffs has opened their markets to more imports and has led to lowering of their preferential margins in developed country markets, resulting in loss of markets for their major export commodities. As a result, the gap between agricultural exports and imports continues to widen in several countries with significant percentages of their populations living in rural areas and dependent on livelihoods related to agricultural activity.

The underlying policy assumption is that through the effective functioning of factor and product markets there will be adjustments into alternative areas of production and trade that are more competitive and economically sustainable. This has not happened to date largely because trade policy does not function in isolation and requires complementary and compensatory policies that would facilitate such a transition. Perhaps most importantly are the aspects related to the timing of the reductions in tariffs, including the time over which the reductions are spread. The timing is dependent on the policy efficiency of Caribbean countries in two general areas. The first area is the policies they can implement behind the border to enable markets to work better, essentially building their supply-side capacity. The second area is what they can negotiate both at and beyond the border to protect their domestic and regional markets and at the same time increase market opportunities. The two areas are closely intertwined and support each other.

Behind-the-border policies

In light of the increasing liberalization faced by their agricultural sectors, Caribbean states introduced national policies to increase the competitiveness of the agricultural sector. At the regional level in 1996 heads of government agreed to a specific initiative, the Regional Transformation Programme for Agriculture (RTP)[13]. The RTP was developed on the basis of the following subprogrammes:

- policy support;
- human resource development;
- technology generation, validation and transfer;
- agribusiness development;
- marketing development;
- water resource development;
- forestry development;
- fisheries development; and
- institutional arrangements.

Various regional organizations such as the Caribbean Agricultural Research and Development Institute (CARDI), the University of the West Indies (UWI), the CARICOM Secretariat, the CARICOM Fisheries Resource Assessment and Management Programme (CFRAMP) and the Caribbean Development Bank (CDB) were given leadership and supporting responsibilities with respect to different subprogrammes. A Finance Committee was also established to examine means of mobilizing resources to support the implementation of the programme. A Committee of Lead Agencies was subsequently established to assist with coordination and implementation of the programme.[14]

In most countries of the region the agricultural sector has declined relatively and absolutely as the behind-the-border policies have not led to either revived traditional agricultural product sectors or to viable alternative production and trading activities. A number of explanations are offered for this failure, among them being a lack of:

- adequate resources, whether technical or financial, to support the subprogrammes;
- clear and precise priority areas and associated actions required to tackle constraints and access opportunities;
- awareness by producers and traders of potential opportunities;
- a truly integrated approach that effectively links resources and opportunities at the national, regional and international levels; and

[13] Established through Articles 56 (The Community Agricultural Policy) and 57 (Implementation of the Community Agricultural Policy) of the Revised Treaty.

[14] Rawlins (2005).

- certainty in the global trade policy environment, with losses of market access much more visible than gains.

The slow progress experienced in implementing the overall programme dimensions of the RTP led to an emphasis on commodity studies within the framework of the RTP and on another regional agricultural policy initiative, the Jagdeo Initiative.

The Jagdeo Initiative (JI) was established to achieve a resurgence of regional agricultural potential through the identification of critical constraints affecting agriculture in the region and the crafting of programmes and strategies for their alleviation. In one sense it could be interpreted as providing sharper focus on aspects of the RTP. The JI itself indicates that it is fully complementary to and finds its legitimacy in the RTP, which is premised on the harmonized regulations and convergence of policies across CARICOM Member States. **Appendix 1.2** provides a matrix showing the key JI constraints facing the agriculture sector and the interventions suggested to alleviate them.

Policies at, and beyond, the border

The open nature of the Caribbean economies has meant they are greatly affected by changes in the international economic environment. The oil shocks of the 1970s and the 1980s, together with changes in the preferential arrangements accorded these countries, led to adverse movements in their terms of trade and resulted in problems with balance of payments. Efforts to address the problem have relied on increased external financing which has exacerbated the precarious external debt situation in several of the countries. The efforts to develop an at the border policy (through CARICOM Economic Integration) and negotiate beyond the border policies (through multilateral negotiations) continue despite the immense hurdles in both areas.

CARICOM at the border policies are tied to the commitment to establish a CARICOM Single Market and Economy. This commitment is of major significance to national, regional and international policies, especially in terms of trading relations. The essential features of the proposed Single Market and Economy include:

- a common external trade and economic policy;
- free movement of goods;
- free movement of services;
- free movement of persons;
- free movement of capital; and
- right of establishment.

One key dimension of the first feature, the common external trade and economic policy, is the common external tariff (CET) which is at various stages of implementation throughout the region. Member countries of CARICOM started introducing the CET in 1995 with a goal of completing implementation by 1998 through a four-phase schedule of tariff reductions.

TABLE 1.12
Summary of agricultural tariff statistics for Caribbean countries

	Number of matched lines	Simple average		Standard deviation		Minimum rate		Maximum rate	
		Bound	Applied	Bound	Applied	Bound	Applied	Bound	Applied
Antigua and Barbuda	603	106	16	16	14	100	0	220	45
Barbados	533	113	21	28	15	100	0	223	224
Belize	598	101	19	4	17	70	0	110	91
Dominica	608	113	21	22	25	100	0	150	135
Grenada	611	99	18	29	15	0	0	200	40
Guyana	613	100	21	0	21	100	0	100	100
Jamaica	611	97	17	15	17	0	0	100	75
St Kitts and Nevis	597	110	13	29	20	10	0	250	40
St Lucia	614	115	16	26	15	100	0	250	45
St Vincent/Gren.	596	116	17	27	15	100	0	250	40
Suriname	353	20	24	1	18	10	0	20	50
Trinidad and Tobago	612	91	17	27	16	0	0	156	60

Note: Data on tariffs was compiled from the World Integrated Trade Solution (WITS). Corresponding applied and bound tariff lines were matched using the SAS 9.1 software. The Bahamas is not a member of the WTO and Haiti, while a member, is an LDC. Thus, these two countries do not have tariff cutting commitments and are not included in the analysis here.

Under the CET the general commitment was to a maximum CET level of 40 percent on agricultural goods; across the region most applied tariffs for agricultural goods are below this level. Rates are now linked to multilateral trade negotiations and are affected by commitments made in these negotiating arenas. For the Caribbean, currently the two most important arenas are the WTO negotiations under the Doha Round and the European Union–Africa, Caribbean and Pacific Group of States Economic Partnership Agreements (EU–ACP EPAs).

Under the Uruguay Round CARICOM countries generally set similar bound rates and with their CET commitment these tariff rates largely reflect external trade policies for different products or tariff lines.[15] **Table 1.12** shows the gross summary across total tariff lines for Caribbean countries. It indicates that generally the simple average of applied tariffs for the Caribbean countries is 19 percent while that of bound tariffs is almost five times that (90 percent). These rates can be compared with the applied and bound tariffs 21 and 48 percent respectively for developing countries globally.

These average levels disguise specific trade policies associated with particular products. **Table 1.13** presents a summary of CARICOM CET

[15] This of course is not the case for some countries, particularly developed countries, which have much more complex trade regimes, reflected in their capacity to provide domestic and export subsidies, and to implement complex procedures related to standards and safety measures.

TABLE 1.13
Summary of CARICOM CET agriculture product rates by HS Code

HS code	Description of goods	Rate of duty	Indicative comments
1	Live animals	Free; 40%	Free for breeding purposes; 40% for rearing. Other live animals other than horses, cattle, pigs, small ruminants and poultry 40%
2	Meat and edible offal	List A; 5%; 20%	List A - Cattle, pigs, small ruminants and poultry; Edible offal - 5% with exception of poultry - List A; Salted Meats- 20%
3	Fish and crustaceans	List A; 40%; free; 20%	Almost all 40%; for processing; Dried, salted, smoked - 20%.
4	Dairy produce	List A; 5 - 20%; 40%	Concentrated, Powder, Condensed; Other milk products, butter, cheese; Eggs and Products
5	Products of animal origin	0 - 5%	Hair, Skin , Bones.
6	Live trees	15%;40%	Food Plants; Cut Flowers
7	Edible vegetables and; for industry; roots and tubers;	List A; 40%; 0-5%; 40%	For food; for industry; fresh, chilled, frozen or dried.
8	Edible fruits and nuts	40%; 15%	Fresh or dried; Minor fruits preserved and imported
9	Coffee, tea, spices	40%; 5%; 40%; 0-5%	Coffee; Teas; Cinnamon cloves, thyme, pimento, pepper, ginger; other spices
10	Cereals	List A; Free; 25%	Major Cereals Consumed; Rice based;
11	Milling products	0-5%; 40;	Wheat, maize; cassava, banana, plantain, arrow root
12	Oil seeds	List A; 0-5%; 0%	Feed, flour, industry; for sowing.
13	Lac, gums, resins	0-5%	
14	Vegetable plaiting materials	0-5%	Bamboo, rattan and similar materials
15	Animal or vegetable fats	0-5%; 40%	Animals; vegetable
16	Meat preparations	20%	Fish, cattle, swine, poultry
17	Sugars and confectionary	40%; 20%	List A; Cane, beet, maple sugars; chewing gum
18	Cocoa and preparations	0-5%; 20%	Beans, paste; powder and bars.
19	Cereal preparations	20%; 15%	Pastry products; cake mix
20	Vegetable and fruit and nut preparations	0-5%; 20%; 40%	In packages <50 kg; other - jellies and mixtures; fruit juices
21	Liquid extracts	20%	Essences, sauces, soups
22	Beverages, spirits vinegar	20%; List C; 20%	Water and aerated drinks; alcohol- beer, rum, whisky; vinegar;
23	Food industry residue	Free; 15%; 20%	Bran, bagasse, oilcake; livestock feed; pet feed
24	Tobacco and products	List C	Minimum rates agreed but set by member countries

Source: Prepared from CARICOM Secretariat, Revised CET of the Caribbean Community (HS 2007), May, 2006.

tariff rates by HS code and reflects the fact that some commodities such as milling products are rated at between 0 and 5 percent, while others such as fresh and frozen fish or fresh and dried fruit are rated at 40 percent. Table 1.13 includes reference to List C, which applies to products for which minimum tariff rates have been agreed and for which Member States set their rates above the agreed level. The products are mainly luxury products and are associated with raising tax revenues, e.g. race horses, liquor and tobacco.

TABLE 1.14

Summary of List A - items on which suspension of the CET has been granted with rates to be applied by Member States

Tariff heading number	DESCRIPTION	CET rate	Antigua and Barbuda	Barbados	Belize	Dominica
2.01 9 HS - 8 lines	Meat of bovine animals, fresh or chilled.	40%	30%	30%	40%	Free
2.02 9 - HS8 lines	Meat of bovine animals, frozen.	40%	30%	30%	40%	Free
2.03 7 - HS 8 lines	Meat of swine, fresh, chilled or frozen.	40%	30%	Free	40%	30%
2.04 8 - HS8 lines	Meat of sheep or goats, fresh, chilled or frozen.	40%	30%	Free	40%	Free
2.07 18 - HS8 lines	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen.	40%	30%	15%	40%	Free
3.05 12 - HS8 lines	Fish, dried, salted or in brine; smoked fish, flours, meals and pellets of fish	35%	Free	30%	35%	Free
4.01 3 - HS8 lines	Milk and cream, not concentrated nor containing added sugar or other sweetening matter.	40%	20%	Free	Free	Free
4.02 7 - HS8 lines	Milk and cream, concentrated or containing added sugar or other sweetening matter.	35%	20%	Free	Free	Free
407	Birds' eggs, in shell, fresh, preserved or cooked.					
0407.00.20	Hatching eggs, not for breeder flock	40%	20%	30%	Free	30%
0701.90.00	Potatoes, fresh or chilled. Other, not including seed potatoes	40%	20%	30%	42¢/100 lb	5%
0703.10.10	Onions	40%	20%	30%	42¢/100 lb	Free
0710.10.00	Potatoes	40%	20%	30%	40%	30%
10	Maize (corn)	40%	20%	Free	40%	Free
1005.90.00	Other, not seed corn	40%	20%	Free	40%	Free
1201.00.90	Soybeans, Other, not for sowing	5%	10%	5%	10%	Free
17	Cane or beet sugar and chemically pure sucrose, in solid form.	25%	20%	25%	20%	25%
1701.99.10	Icing sugar	25%	20%	25%	20%	25%
1701.99.90	Other sugar (excluding raw sugar and sugar containing added flavouring or colouring matter)	40%	20%	25%	45%	5%

Source: Summarized from List A, CARICOM Secretariat, Revised CET of the Caribbean Community (HS 2007), May 2006.

Grenada	Guyana	Jamaica	St. Kitts and Nevis	St.Lucia	St. Vincent and Grenadines	Suriname	Trinidad and Tobago
30%	40%	40%	5%	Free	5%	20%	15%
30%	40%	40%	5%	Free	5%	20%	15%
30%	40%	40%	5%	Free	5%	20%	40%
30%	40%	5%	5%	Free	5%	20%	15%
30%	40%	40%	5%	Free	5%	10%	40%
Free	35%	Free	Free	Free	Free	25%	Free
Free	40%	40%	5%	Free	Free	10%	40%
Free	Free	30%	5%	Free	Free	10%	5%
30%	30%	Free	5%	Free	30%	40%	30%
Free	30%	40%	5%	$1.65/100 kg	20%	5%	Free
Free	30%	40%	5%	$1.65/100 kg	40%	5%	Free
30%	30%	40%	5%	$0.88/100 kg	40%	5%	Free
Free	30%	Free	5%	Free	40%	5%	Free
Free	30%	Free	5%	Free	40%	5%	Free
5%	5%	Free	Free	30%	5%	5%	Free
25%	30%	20%	25%	25%	25%	10%	25%
25%	30%	20%	25%	25%	25%	10%	25%
$6.60/100 kg	40%	40%	$6.60/100 kg	$6.60/100 kg	10%	10%	40%

There are also products for which suspension of the CET has been granted for an indefinite period with the rates to be applied by Member States (List A). The CET level and the rates applied for some of these products are shown in **Table 1.14**.

Some sectors are characterized by the highest applied tariffs, for varying reasons. Sugar is associated with high levels of rural area employment, vegetables with vulnerable small farmer incomes and alcohol as a source of tariff revenue. In general, the tariff structure offers higher protection to final agricultural products than to inputs and capital goods, while final goods that compete with domestic or CARICOM production face the highest rates. Some countries apply additional protective charges and provide domestic price support and subsidies on a number of agricultural products.

For example, Trinidad and Tobago applies import surcharges of 60 percent on sugar, 75 percent on icing sugar, 86 percent on some poultry cuts and 15 percent on some fruits and vegetables. It also provides price support for the main traditional exports (sugar and cocoa) and some fruits (citrus and sorrel). These subsidies are a very tiny proportion of agricultural GDP (less than 2 percent) and well within WTO regulations. Trinidad and Tobago is one of the few countries in the region that could afford some of the additional policies and they are generally justified in a food security context, mainly to provide income-earning opportunities.

Trade policy beyond the region is now very much the mandate of the Caribbean Regional Negotiating Machinery (CRNM), acting on behalf of CARICOM. The CRNM was formally established on 1 April 1997 as a creation of CARICOM governments to develop and execute a cohesive negotiating strategy for the various trade-related negotiations in which the region was involved. Trade liberalization and importantly the threat of continued preference erosion was very much the backdrop against which the CRNM received its mandate.

The CRNM spearheads Caribbean-wide positions at the WTO negotiations on critical issues, especially related to developed country policies that might reduce Caribbean country opportunities. This often means supporting the arguments for reduction of subsidies by developed countries for products which as a result might enter Caribbean markets or compete with Caribbean products in third-country markets unfairly. This trade policy concern is obviously linked to Caribbean government efforts to maintain and improve rural livelihoods and food security, and to contribute to poverty alleviation.

The CRNM also focuses on clauses within the WTO negotiations that are directed at developing countries and referred to as special and differential treatment (SDT) clauses.[16] These clauses relate to exceptions for developing

[16] These are clauses such as numbers 41, 42, 43 and 44 in the Decision ("the July package") adopted by the General Council of the WTO on 1 August 2004. See http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm.

countries such as lower tariff reductions over longer time periods, special products, a special safeguard mechanism, tropical agricultural products and preferences. Fundamentally, they are measures to be developed to assist the adjustment of countries to increased trade liberalization. They include measures that allow developing countries to maintain some degree of protective policies for specific commodities, which in the case of the Caribbean are mainly agricultural products produced and marketed nationally and regionally. There is considerable disagreement among developed and developing countries on these issues and a lot of work must be done to develop an adequate agricultural trade policy and strategy that assists in achieving the national and regional food security and rural development goals of the Caribbean region. The final section outlines conclusions and critical elements of such a policy and strategy.

1.4 Conclusions and key considerations for a Caribbean agricultural trade policy and strategy

The experience in the Caribbean reinforces the point that trade liberalization alone is not enough for development – and if it is not pursued in an integrated manner it can actually lead to increased food insecurity and poverty. Thus, it is necessary to work on several policy and programme areas, and ensure that the work is based on sound analytical processes. The processes themselves should be responsive to changes in the international and national environments and should pay particular attention to the sequences and complementarities between the various policy and programme interventions.

Agricultural trade policy changed considerably in the 1980s and 1990s as most countries moved to more liberalized economic systems generally and committed to more liberalized trading systems. It is important to understand the situation before the recent changes and to accurately assess the performance of the agricultural sector. There has been a tendency for multilateral agencies to promote certain policies without paying sufficient attention to the peculiar circumstances of individual countries. This has resulted in policy reversals, particularly in several South American countries that formerly embraced more liberal policies.

These policy reversals generally stemmed from policies being introduced too quickly, based on wrong assumptions about the structural conditions in some countries and consequently on their capacity to adjust. This has been due in large part to misperceptions of the *factor markets* because the focus remained on *product markets*. For instance, it was generally assumed that labour would shift out of the rural and agricultural sector as less competitive commodity production systems were closed. Often this did not happen because unemployment was already high and there was no demand for the labour force that was being displaced. Similarly, the rural capital markets were disrupted as the government withdrew services and subsidies associated with agricultural and rural development banks. The assumption that private sector financial agencies would fill the gaps created was unrealistic and hence unfulfilled given the nature of the demand for agricultural credit and the risks that characterize rural areas in developing countries. The ensuing concentration of agricultural production systems with increasing rural unemployment exacerbated poverty and food insecurity, especially in more isolated rural areas.

Increasing food insecurity and loss of rural livelihoods has been the experience in several countries of the Caribbean as well. Global trade liberalization contributed to this as it resulted in traditional export crops losing access to markets. Further, it led to increased food imports as tariffs were lowered, crowding out domestic food crops and livestock activities. The changing consumption patterns and increasing health problems associated with the new diets are considered related to the recent trends in trade policy.

Thus, it is critical to design trade policies that are responsive to the peculiar circumstances and challenges facing small open economies in the CARICOM/CARIFORUM region. These policies should be coherent and integrated into a larger policy and institutional framework which promotes agricultural development and food security.

In a policy context, a re-orientation of the existing policy formulation processes is needed, with trade policy playing a central and pivotal role in conjunction with macro-economic, agricultural sector, health, social and other related policies. An improved understanding of the roles, capacities and interests of government, the private sector, community stakeholders and the international community is a critical step from an institutional standpoint.

In designing and implementing a policy and strategy for improving agriculture and rural development and promoting food security in the Caribbean, the following considerations are among those that require increased attention:

- **Vision and future for the agricultural sector.** A clear vision and programme for the agriculture sector should be articulated within the context of a broader national development strategy for each country and for the region as a whole. This agricultural sector vision should include an assessment of options for the future of traditional commodities, and the role of non-traditional commodities and non-farm rural activities. This vision should be informed by the goals of the region as a whole, and anticipated changes in the global trade and economic environment, and should include the achievement of food security as an integral component. For the latter purpose an integrated food security policy and strategy should be prepared and implemented with the active participation of the government departments responsible for agriculture, food policy, international trade, domestic trade, health, social transformation, education, economic planning and finance.

- **Agricultural trade policy and programme processes.** Given the significant impact that trade policy measures have on agricultural development and food security, there is a need for an ongoing coordinated and dedicated agricultural trade policy and programme development process. This includes strengthening agricultural negotiations capacity and agricultural policy planning units in each country and at the regional level to facilitate the effective monitoring of all relevant trade related activities, the conducting of trade policy analysis and the sensitization of stakeholders with respect to trade matters. Upgrading statistical and information systems for analytical studies (including assessing competitiveness), and designing, negotiating and managing agricultural trade policy instruments such as special safeguard and special product mechanisms, are important dimensions of this work.
- **National and regional institution and private sector strengthening and interface.** The challenges facing the CARICOM/CARIFORUM region in relation to agricultural development and food security require institutional strengthening at several levels. Deliberate collaborative action by public sector institutions at both the national and regional levels and the private sector (farmers and agribusiness operators) is needed to drive the production and marketing processes to be competitive at the domestic, regional and international levels. Regional institutions such as the Caribbean Agricultural Research and Development Institute (CARDI), the CARICOM Regional Organisation for Standards and Quality (CROSQ), the University of the West Indies (UWI), the Organization of Eastern Caribbean States (OECS) and CARICOM Secretariats and their national counterparts are fundamental to the policy and programme development, technology development, innovation and application needed to enable the private sector to meet the standards and quality required by the different markets. Sanitary, phytosanitary and food safety systems are critical for facilitating trade and protecting animal, plant and human life and health.
- **Increased and more effective participation by a broad cross-section of stakeholders.** Efficient and effective institutional arrangements should be put in place to facilitate the active participation of rural households, especially the farming and agribusiness community, in all aspects of the planning, policy and programme formulation and implementation processes. In this connection, increased support should be provided through community and technical organization outreach mechanisms, such as extension systems, industry and commodity associations. It is the responsibility of the private sector community to ensure this participation and make it count. Thus, the sector needs to be committed to and invest in its own organizational development so that it is adequately prepared to represent its interests.

- **An enabling environment for investment.** A new domestic support regime should be developed based on a package of incentives that stimulates investment and expansion in agricultural and rural activity. It should target specific commodities, especially those related to the food security strategy. The incentive framework should include both product-specific and non-product-specific domestic support instruments. While the private sector is often described as the engine of growth, the State still has a pivotal role to play in creating a suitable economic environment and making strategic interventions that facilitate and support the activities of the farming, rural and agribusiness community. In addition to the macroeconomic environment this includes strengthening sectors that are critical to productivity increases, such as the education and health sectors. While incentives are introduced to promote growth and development it should be recognized that there will be winners and losers. With regard to the latter, particular emphasis will have to be placed on identifying vulnerable groups and monitoring the impact of various policy shifts and unforeseen events on their food security status. Some attention should also be focused on emergency planning and the guaranteeing of food supplies in the aftermath of events such as tropical storms and hurricanes.
- **Technical and financial resources.** Repositioning and transforming the agricultural sector will require significant technical and financial resources. Therefore, governments should play a leadership role in mobilizing resources and facilitating a coordinated approach at the national, regional and international levels. In the trade policy and trade promotion context it is important for the Caribbean to participate in programmes such as the Aid for Trade initiative and the Integrated Framework, as their qualification under many of the more conventional international financial institution options are reduced due to their high debt–to–GDP ratios. It is essential that the technical and financial assistance programme have considerable breadth so that it can include strengthening of national and regional institutions related to trade policy, and especially so that it can provide supply-side capacity development critical to seizing new trading opportunities.

References

CARICOM Secretariat. 2006. *Revised CET of the Caribbean Community.* (HS2007) May. Georgetown, Guyana, CARICOM.

European Union (EU) Parliament. *Resolution on trade and poverty: designing trade policies to maximize trade's contribution to poverty relief*. (2006/2031(INI)). Brussels, EU Parliament.

FAO. 1983. *World food security: a reappraisal of the concepts and approaches. Director General's report*. Rome.

FAO. 2002a. *The State of Food Insecurity in the World 2001*. Rome.

FAO. 2002b. *Trends and challenges in agriculture, fisheries and forestry in the Caribbean.* Santiago, Chile.

FAO. 2003. *Trade reforms and food security: conceptualizing the linkages*. Commodities and Trade Division. Rome.

FAO. 2004a. *Small island developing states: agricultural production and trade, preferences and policy.* FAO Commodities and Trade Technical Paper Number 7. Rome.

FAO. 2004b. *The state of agricultural commodity markets*. Rome.

FAO. 2005a. *Commodity market review, 2005–2006.* Rome.

FAO. 2005b. *The state of food and agriculture, agricultural trade and poverty.* Rome.

FAO. 2006a. *Report from regional workshop on agricultural trade, trade policy and development in the Caribbean.* June. Kingstown, St Vincent and the Grenadines.

FAO. 2006b. *The state of food insecurity in the world.* Rome.

Ford, J.R.D. 2003. *Towards a new food policy strategy for the Caribbean: food security, health and surveillance.* Paper presented at Caribbean Food and Nutrition Institute conference. Kingston, Jamaica. (mimeo)

Jagdeo, B. 2005. *A proposal for interventions to alleviate the key binding constraints to the agricultural sector in CARICOM countries*. 16 February, Paramaribo, Guyana. (mimeo)

Koroma, S. & Ford, J.R.D. 2006. *The agricultural dimension of the ACP–EU economic partnership arrangements*. FAO Commodities and Trade Technical Paper No. 8. Rome, FAO.

Rawlins, G. 2005. *Trade and trade policy measures in the CARICOM/CARIFORUM region: Impact on agricultural development, food security and economic development.* FAO CARICOM/ CARIFORUM Food Security Project. Rome, FAO.

United Nations. 1975. *Report of the World Food Conference*. Rome, 5–16 November 1974. New York.

United Nations. 1996. *World Food Summit. Rome Declaration on World Food Security*. New York.

United Nations. 2005. *The Millennium Development Goals Report*. New York.

United Nations Development Programme (UNDP). 2006a. *Human Development Report 2005*. New York.

UNDP. 2006b. *Asia–Pacific Human Development Report. Trade on human terms: transforming trade for human development in Asia and the Pacific*. New York.

World Bank. 1986. *Poverty and hunger: Issues and options for food security in developing countries*. Washington, DC.

Appendix 1.1

List of Negotiating Groups and their member countries in the context of the WTO negotiations[17]

G10	Bulgaria, Iceland, Israel, Japan, Korea (Republic of), Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei.
G20	Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela (Bolivarian Republic of).
G33	Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea (Republic of), Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Trinidad and Tobago, Turkey, Uganda, United Republic of Tanzania, Venezuela (Bolivarian Republic of), Zambia, Zimbabwe.
G90	Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia. Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea (Conakry), Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Togo, Trinidad and Tobago, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.
CAIRNS	Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

[17] Source: WTO (http://www.wto.org/English/tratop_e/agric_e/negs_bkgrnd04_groups_e.htm)

EU (25)	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.
AFRICAN GROUP	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.
ACP GROUP	Angola, Antigua and Barbuda, Belize, Cape Verde, Comoros, Bahamas Barbados, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Cook Islands, Cote d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Republic of Guinea, Guinea-Bissau, Equatorial Guinea, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Micronesia, Mozambique, Namibia, Nauru, Niger, Nigeria, Niue, Palau, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Solomon Islands, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Suriname, Swaziland, Timor Leste, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Zambia, Zimbabwe.
SMALL VULNERABLE ECONOMIES[18]	Antigua And Barbuda, Barbados, Bolivia, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago.

[18] Based on communication submitted to WTO to the Committee on Trade and Development entitled "Work Programme on Small Economies: An Assessment of Progress To Date" (WT/COMTD/SE/W/20). Note that this list may be interpreted as an illustration of the small, vulnerable economies group members and it should not prejudice the interests of other WTO member countries that may seek to be part of this group.

Appendix 1.2

Matrix of interventions to alleviate key binding constraints to agriculture

Specific areas/ actions Key constraints	Increase the level of financing and investment in agriculture A	Expand supply capacity and improve competitiveness B	Address fragmented and unorganized private sector C	Improve efficiency natural resources management D
• Limited Financing and Inadequate New Investments	• Establish Agricultural Modernization Fund (AMF) taking into account the Regional Development Fund; • Conduct study on CARICOM's AgriFood Needs at 2005 to 2015 to identify investment opportunities (incl. tourism);	• Increase investment in farm roads, drainage and factory shells and facilitate machine leasing strategy; • Implement and expand CABEX type projects.	• Mandatory farmer and business registration to facilitate channeling of financing and investment from AMF;	
• Deficient and uncoordinated risk management measures including Praedial Larceny	• Operate disaster fund within AMF. • Provide incentives to general insurance firms to insure farm assets.		• Support mandatory farmer and fresh produce trader registration	• Develop multi-peril insurance scheme with regional insurance companies • Also for Praedial Larceny
• Fragmented and Unorganized Private Sector	• Facilitate joint ventures at all levels of industry, especially in restaurant sector	• Implement mechanisms that facilitate increased application of technologies, including machine leasing strategy		
• Inadequate Research and Development	• Adopt CARTF model to increase financing for R&D; • Provide adequate funding for CARDI and NARIs	• Establish, upgrade, consolidate R&D facilities & infrastructure, esp. modernized laboratories;	• Increase industry collaboration and investment in research and infrastructure;	• **Govt:** *prioritize and facilitate* skills training;
• Outdated and inefficient Agriculture Health and Food Safety Systems	• Provided funds from AMF to operationalize CAHFSA	• Strengthen the legislative and regulatory trade framework through establishment of CAHFSA	• Collective financing of GAP and HAACP protocols to improve industry competitiveness	

Key constraints / Specific areas/ actions	Increase the level of financing and investment in agriculture A	Expand supply capacity and improve competitiveness B	Address fragmented and unorganized private sector C	Improve efficiency natural resources management D
• Inefficient land and water distribution and management systems	• Improved land tax policy and administration to facilitate investment.	• Develop wells, ponds, other water-sources, including drainage and irrigation services; • Incentives for well and water management (inc. lower rates for farm water, duty free equipment etc);		• Incentives for improved water management, (incl. farmer training in water management; • Institute land bank and zoning systems; • Legislation for Land Tenure_
• Inadequate Transportation System, particularly for Perishables	• Conduct study on total CARICOM freight needs to identify areas for investment	• Establish and upgrade freight and port infrastructure and consolidate services	• Provide (invest in) freight service (physical transport and freight database) based on study findings	
• Weak and non-integrated Information and Intelligence Systems and Services		• Consolidate and link national marketing intelligence and information systems; • Evaluate the role of overseas services (eg. Embassies, Joint Intelligence Units)	• Strengthen and link industry information systems	•
• Marketing- weak linkages and participation in growth market segments;	• Facilitate access to EXIM-type financing.	• Establish Central Packing Houses; • Strengthen opportunities for joint promotion and marketing;	• Support national distribution channels.	
• Lack of skilled (quantum/ quality) human resources		• Expedite arrangements to facilitate labour mobility within region; • Realign Ministries of Agriculture and related departments; • Continued restructuring of agricultural curricula (secondary, vocational tertiary institutions)	• Support and engage in business management and industrial relations training; _	

2

Caribbean countries as small and vulnerable economies in the WTO

J.R. Deep Ford and Hansdeep Khaira

Introduction

The World Trade Organization (WTO) groups countries into three categories: developed, developing and least developed. The developing countries are self-identified and generally display certain characteristics common to them all (e.g. less industrial, more rural). A subgroup among them is characterized by especially small and vulnerable economies (SVEs), although the WTO does not afford the group any special recognition or treatment. The SVEs' characteristics are related both to structure (physical area and population) and susceptibility (to climate and economic shocks). The characteristics pose several challenges to the countries and impede their fuller participation in world trade, particularly in relation to the agricultural sector. It is more difficult for them to benefit from some of the critical gains of increased trade, especially trade's important role as an engine of growth and development.

This chapter focuses on one subset of the SVEs: countries that are situated in the Caribbean region (henceforth addressed as Caribbean countries).[19] It highlights some of the unique trade-related issues of the Caribbean countries, particularly as they might hamper economic development. As the global trading environment becomes more integrated, the inability to partake of the benefits of trade increases differences between levels of development in the Caribbean and other developing countries, especially the levels

[19] Although the focus of this chapter is on the Caribbean countries, it is not intended to prejudice the interests of other small and vulnerable economies. Rather, the intention is to showcase specific information on Caribbean countries that exemplifies the need for special treatment in the WTO. Similar arguments could be made for other SVEs.

of development achieved through trade expansion. This chapter aims to contribute to the on-going debate on the need for special treatment for the group of SVEs in the WTO using the case of the Caribbean countries as an example. Data included in the paper demonstrates that in addition to facing trade-related problems typical to SVEs, the Caribbean countries display characteristics that differentiate them from both least-developed countries (LDCs) and other developing countries.

Although the general notion of development has long been acknowledged within the General Agreement on Tariffs and Trade (GATT) system, reflected in the Special and Differential Treatment (SDT) provisions for all developing countries, these provisions have failed to acknowledge the differences in development objectives between SVEs (for instance) and other developing countries. Instead, the provisions are applicable to all developing countries in equal measure (although LDCs are accorded "deeper" SDT measures than developing countries). The WTO Doha Development Round aimed to provide developing countries with increased opportunities through trade liberalization, seeking to take the development agenda to a more evolved level. One aspect of the Round that stands out is its willingness to address problems defined by *situations* faced by subsets of countries, thereby indirectly acknowledging the significant heterogeneity of developing countries.

Some examples of such *situations* were referred to in the WTO Doha Work Program (DWP) of 1 August 2004 as follows:

- concerns of "recently acceded Members" (paragraph 47, Annex A);
- "economies where cotton has vital importance" (1b);
- "developing countries that allocate almost all *de minimis* support for subsistence and resource-poor farmers" (paragraph 11, Annex A); and
- trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system (1d).

The last point is particularly important for Caribbean countries as they seek recognition and concessions for their peculiar characteristics. In fact, it was a result of increased efforts by small economies, reflected in their several negotiating proposals, that Ministers at the start of the Doha Round agreed to establish a work programme on small economies. Paragraph 35 of the Doha Ministerial Declaration states:

> *"We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference."*

It should be noted that the Declaration agreed only to examine issues related to trade of small economies. The Caribbean countries, along with other SVEs, need to pursue differential and/or additional flexibilities in the WTO provisions for this purpose. To achieve this they must identify clearly the type and severity of the vulnerabilities that give rise to their trade-related problems; only then can tangible and well-targeted measures be developed and negotiated.

This chapter seeks to address this challenge and calls for: i) recognition of the constraints to trade linked to characteristics that typify SVEs; and, ii) recognition of the need to strengthen current SDT measures and develop additional specific measures aimed at resolving these trade issues.

Section 2.1 presents information on the characteristics of the Caribbean countries that typify them as small and vulnerable and make them susceptible to trade-related risks. It postulates the links between these characteristics and their impact on trade and food security. Section 2.2 expands the scope of the chapter beyond the Caribbean region to all SVEs, reflecting the structure of the WTO discussion on SVE issues. Section 2.3 frames some appropriate responses to Caribbean countries' trade-related problems, including additional and enhanced SDT measures. Section 2.4 provides a summary and conclusion of the chapter's discussion.

2.1 Caribbean countries and their trade-related issues

This section outlines some of the trade-related issues that arise from characteristics of smallness and vulnerability in the Caribbean countries. It begins in Section 2.1.1 by defining some characteristics that classify them as small and vulnerable and goes on, in Section 2.1.2, to look at the effects of these characteristics in a trade impact context. This will facilitate in identifying potential beneficiaries of extended special treatment in the WTO. Some characteristics and related problems are not shared by all the countries in the group because, like all developing countries, the Caribbean group includes countries with different levels of economic development and competitiveness in agricultural markets (FAO, 1999). However, while characteristics may vary, it is the combination and intensity of several characteristics across countries that give rise to vulnerability in the region (WTO, 2005).[20]

2.1.1 Characteristics that classify Caribbean economies as small and vulnerable

a) Physical vulnerability

Some of the peculiarities of the Caribbean countries include fragile ecologies and the frequency of natural disasters such as hurricanes and floods.

[20] The Commonwealth Secretariat, as part of its programme on SVEs, has developed a Composite Vulnerability Index (CVI) to measure vulnerability in countries. For more details on the CVI, including a list of all countries with a high vulnerability index, see **Appendix 2.1**.

Hurricanes in particular are worrying not only because they cause severe damage, but also because they strike the Caribbean region with such regularity. Between 1995 and 1999, regions of the eastern Caribbean, western Caribbean and Bahamas/Turks and Caicos were struck by 8, 10 and 11 hurricanes respectively.[21] In 2004 alone, hurricane Ivan (which struck large parts of the Caribbean region) caused damage of US$1.85 billion in the Cayman Islands, US$815 million in Grenada (destroying or damaging 90 percent of all buildings), US$360 million in Jamaica, US$40 million in Saint Vincent and the Grenadines, and US$2.6 million in Saint Lucia; while Hurricane Jeanne swept across the northern coast of Haiti, leaving more than 2000 dead and the area's economy in disarray. Due to the small size of the countries, the damage per unit of area and cost per capita is high. Further, the effects of winds and waves is higher than in other countries because of their larger exposure to coasts in relation to land mass.

b) Small population

Small land mass, coupled with low population density, results in limited opportunities to benefit from economies of scale and diversification. In most countries, the population is largely rural and dependent on agriculture.

Table 2.1 presents indicators that highlight the relative smallness of the Caribbean countries when compared with LDCs[22] and other developing countries in the world. It shows that the population of the larger grouping of 15 Caribbean countries is less than 50 percent of the average in other developing countries. Total population is less than 24 million. The average population per country is just over 1.6 million; when Haiti and Dominican Republic are excluded, it falls to just 0.5 million, compared to an average of 14 million for LDCs. Caribbean countries are small when compared to either developing countries as a whole or to LDCs.

The problem of small populations in these countries is compounded by the narrow resource base, especially arable land. Per capita availability of arable land in the Caribbean countries is about half that of the LDCs and developing countries. Most land is ecologically fragile, located on steep slopes that are susceptible to soil erosion. Limited land often restricts agriculture to small plots that yield little. Small population and limited arable land constrains domestic demand and the capacity of agricultural producers to supply beyond the border.

The rural population in Caribbean countries (B) constitutes almost half of the total population. (This is less than for LDCs and other developing countries, but still a high proportion.) Low levels of demand and supply and

[21] According to the Internet-based service Caribbean Hurricane Network (http://stormcarib.com).

[22] Throughout this chapter, data on LDCs exclude all Caribbean countries except Haiti, while data on other developing countries exclude both LDCs and all Caribbean countries.

TABLE 2.1
Demography and land availability data for country groups (average 2001–2003)

	Caribbean (A)	Caribbean (B)	LDCs	Other developing countries
Total population for group (million)	6.5	23.6	710.6	4230
Average for group	0.5	1.6	14.5	48.7
Smallest in group	0.04	0.04	0.01	0.002
Largest in group	2.7	8.7	146.7	1282
Per capita availability of arable land (hectare)	0.1	0.1	0.2	0.2
Rural population (as % of total pop)	42.3	48.8	73.5	55.6

Source: FAOSTAT, 2005.
Notes: i) Average of population is calculated as total population of the group divided by the number of countries in the group. Caribbean (A) includes 13 countries (Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname and Trinidad & Tobago), while Caribbean (B) includes Dominican Republic and Haiti in addition to the above 13 countries.

the high proportion of rural population put strains on the rural economies, especially in countries where a large proportion of the population depends on agriculture for its food security and livelihood.

c) Openness of economy

Caribbean countries have high levels of economic integration; they rely heavily on external trade because of their narrow range of resources and the small scale of their internal markets, which makes them unable to support certain types of production. Because of these conditions, most of the Caribbean countries have generally open economies (see Chapter 1, Table 1.2). **Figure 2.1** shows that they are even more open in an agricultural context: it compares the value of their agricultural trade (sum of exports and imports) to their agricultural gross domestic product (GDP).

For 12 out of the 14 countries presented in the figure, the value of agricultural trade is more than 100 percent of their agricultural (value-added) GDP. In the cases of Saint Kitts and Nevis and Trinidad and Tobago, it is more than 500 percent.

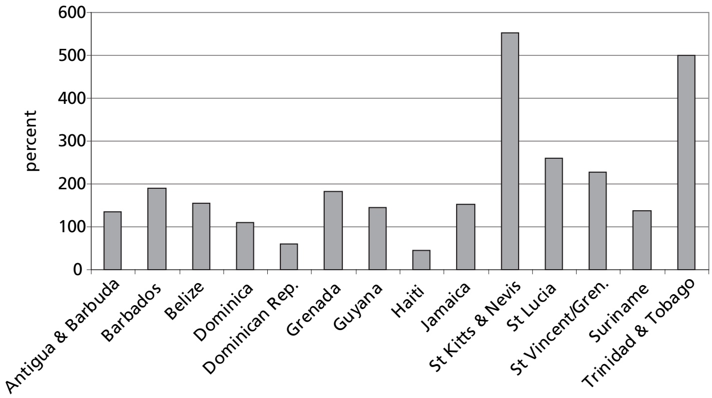
d) High dependence on food imports, particularly cereals

Imports constitute a major portion of the agricultural trade of the Caribbean countries (see **Table 2.2**). The lack of production diversity means that countries rely on imports both as inputs to their own production processes and as direct imports to increase the choice of goods available domestically.

A ratio of imports to total trade close to 1 indicates a high dependence on imports. Except for in Belize and Guyana, agricultural imports constitute more than 60 percent of agricultural exports (i.e. a ratio of 0.60). The imports

FIGURE 2.1

Openness to trade: share of agricultural trade (exports + imports) in agricultural GDP (average 2001–2003)



Source: FAOSTAT, 2005; World Development Indicators, World Bank, 2005

TABLE 2.2

Significance of agricultural imports in total agricultural trade (average for 2001–2003)

	Imports (million US $)	Exports (million US $)	Ratio of imports to total trade
Antigua and Barbuda	30	1	0.97
Bahamas	249	45	0.85
Barbados	169	71	0.71
Belize	70	118	0.37
Dominica	29	15	0.66
Grenada	35	18	0.66
Guyana	90	177	0.34
Jamaica	455	289	0.61
Saint Kitts and Nevis	41	7	0.86
Saint Lucia	69	32	0.68
Saint Vincent/Grenadines	40	27	0.6
Suriname	93	28	0.77
Trinidad and Tobago	372	193	0.66
Caribbean (A)	**1 742**	**1 020**	0.63
Dominican Republic	798	604	0.57
Haiti	419	20	0.96
Caribbean (B)	**2 959**	**1 644**	0.64
LDCs	**10 208**	**4 734**	0.68
Developing countries	**157 895**	**154 707**	0.51

Source: FAOSTAT, 2005

TABLE 2.3
Cereal dependency (average 2002–2004)

	Production ('000 tonnes)	Consumption ('000 tonnes)	Production/ Consumption (%)	Cereals (as a % of total agricultural imports)	Cereals including preparations (as a % of total agricultural imports)
Antigua and Barbuda	0	7	0.8	8.7	17.6
Bahamas	0	38	0.8	5	14.5
Barbados	0	61	0.4	8.9	22.8
Belize	53	79	66.2	13.8	26.1
Dominica	0	9	1.9	13.3	23.8
Grenada	0	19	1.6	11.8	23
Guyana	323	185	174.6	13.3	26
Jamaica	2	497	0.3	25.6	37.3
Saint Kitts and Nevis	0	6	0	7.8	18.5
Saint Lucia	0	26	0	11	24
Saint Vincent/ Grenadines	1	21	2.8	24	34.6
Suriname	121	124	97.2	15.9	23.8
Trinidad and Tobago	5	238	2.1	16.4	25.5
Caribbean (A)	**504**	**1 309**	**38.5**	**15.7**	**26.6**
Dominican Republic	502.3	1 813.2	27.7	36.2	45
Haiti	344	1 037	33.1	39.5	44.9
Caribbean (B)	**1 350**	**4 159**	**32.5**	**23.7**	**33.3**
LDCs	**102 576**	**115 596**	**88.7**	**35.8**	**42.4**
Other developing countries	**922 991**	**1 016 689**	**90.8**	**25**	**30.1**

Source: FAOSTAT, 2005.

dependence for Caribbean countries is much higher than for developing countries.

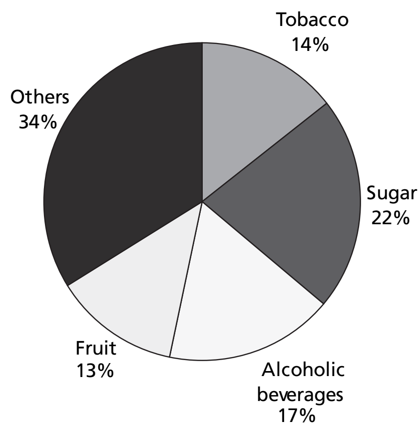
As an aggregate of all Caribbean countries, almost one-fourth of food imports entering the region are cereals. This figure is higher (33 percent) if imports of cereal preparations are also included (see **Table 2.3**).

The level of cereal production is zero or miniscule in all but three Caribbean countries. In a volatile global agricultural market, the issue of dependency on cereal imports can assume serious proportions given that cereal demand is high and relatively inelastic.

e) Limited export commodity range

There is a limited range of economic activity in the agricultural sector of the Caribbean countries. Most countries' economies are concentrated in one to three exports, with a relatively high reliance on primary commodities (see **Figure 2.2**). Almost two-thirds of all agricultural exports that leave Caribbean shores are concentrated in four commodity categories: sugar, alcohol, tobacco and fruit (primarily bananas).

FIGURE 2.2
Main exported commodities of the Caribbean countries (average 2000–2002)



Source: Data from FAOSTAT, 2005.

Table 2.4 shows the region's top agricultural exports disaggregated by country and the share of the top exported product in the respective country's total agricultural and merchandise exports. The importance of these products in total agricultural exports is clear; several of these products also contribute highly to the total merchandise exports of some countries. These products also have high relative importance in the entire economy of selected Caribbean countries: sugar exports from Guyana account for more than 14 percent of its total GDP, while orange (juice) exports from Belize account for almost 6 percent of its total GDP.

f) Export market concentration

The few commodities that are exported go to a limited number of markets (see **Table 2.5**). The European Union (EU) and United States markets alone account for more than two-thirds of all markets to which Caribbean countries export agricultural commodities. About 20 percent of exports are intraregional (between Caribbean countries themselves, as shown in the column for the Caribbean Community and Common Market (CARICOM)); only 12.7 percent of exports go to "other" destinations.

g) Small, fragmented and highly imperfect markets

From a global perspective, agricultural exports from Caribbean countries constitute a minor share of imports into world markets. **Table 2.6** illustrates

TABLE 2.4
Commodity dependence of Caribbean countries: top exported commodity (average 2001–2003)

Country	Share of top single agricultural commodity exports in: Total agricultural exports (%)	Share of top single agricultural commodity exports in: Total merchandise exports (%)	Export earnings of top agricul. commodity as % of GDP	Top single agricultural export commodity
Antigua and Barbuda	31.3	0.4	0.7	Beverages (dist. alc.)
Bahamas	55.4	3.5	2.4	Beverages (dist. alc.)
Barbados	31.7	8.6	0.8	Sugar (centrifugal, raw)
Belize	28.3	24	5.6	Orange juice (concentrate)
Dominica	63.1	26.1	4.7	Bananas and plantains
Dominican Republic	40.6	26.3	1.1	Cigars (cheroots)
Grenada	57.4	21.4	3.4	Spices
Guyana	41.3	20.1	14.1	Sugar (centrifugal, raw)
Haiti	25.7	2.3	0.2	Mangoes
Jamaica	26.6	4.8	0.9	Sugar (centrifugal, raw)
Saint Kitts and& Nevis	83.8	14.2	2.2	Sugar
Saint Lucia	68.2	65.5	4.3	Bananas
St Vincent and the Grenadines	49.8	38.6	4.6	Bananas
Suriname	31.2	3.7	2.2	Rice, husked
Trinidad and Tobago	30.9	1.8	0.8	Beverages (non-alc.)

Source: FAOSTAT, 2005; World Development Indicators, World Bank, 2005

the share of imports into EU, United States and developing country markets from developed, developing and Caribbean countries. Two implications that may be derived from this information are that given the low share and the potential to compete the opportunity exists to expand trade with developing countries, and that the Caribbean has a low potential to distort world trade. Most trade takes place between developed and developing countries, with the EU sourcing almost two-thirds of all its agricultural imports from non/ Caribbean developing countries.

Even the total share in the world market of the four main exported products ranges between 0.86 percent (fruits) and a mere 2.47 percent (sugar) (see **Table 2.7**). What is critical to underscore is that while the products are insignificant on the global trade scale, the opportunity to trade in them is of vital importance to the economies and livelihood systems of the Caribbean countries. Thus, efforts to increase both intraregional trade and extra-regional trade are essential.

Domestic markets are not only small, but affected by the dispersal of populations across the countries and weak communication and transport

TABLE 2.5

Percentage of agricultural exports going to major export markets (average 2001–2003)

	CARICOM	EU	USA	Other
Antigua and Barbuda	74.5	4.2	13.8	7.5
Bahamas	0	69.7	27.9	2.4
Barbados	41.8	35.3	12.9	10.1
Belize	13.9	48.5	32.6	5
Dominica	24.7	66.8	2.4	6.1
Dominican Rep.	1	19	60	20
Grenada	26.6	55.8	9.5	8.1
Guyana	25.9	63.3	3.4	7.5
Saint Kitts and Nevis	6	87.7	1.2	5.1
Saint Lucia	28.2	69.1	1.6	1.1
St Vincent and the Grenadines	48	47.3	1.6	3.2
Trinidad and Tobago	67.6	13.4	8.6	10.4
Total Caribbean	**19.6**	**39.4**	**28.4**	**12.7**

Source: WITS, World Bank, 2005

TABLE 2.6

Share of the Caribbean group in global agricultural trade, by importing countries or groups

		Exporters		
		Developing	Developed	Caribbean
Importers	EU	67.0	31.6	1.4
	USA	44.3	54.3	1.4
	Developing	49.9	50.0	0.1

Source: WITS, World Bank

Note: Developing countries exclude Caribbean countries; EU imports exclude intra-EU trade.

systems. It is mainly small and micro-enterprises that are involved in production, with very few suppliers of inputs and few market agents. Market imperfections abound. Most para-statals have been dismantled, in part due to the structural adjustment programmes of international financial institutions; in the past they assisted smallholders by performing a number of crucial activities, including achieving scale economies to get better returns. Gaps created with regard to both backward and forward linkages of small rural enterprises remain, undermining possibilities for change or increased competitiveness.

h) Importance of revenue from tariffs

Tariffs on imports are an important source of revenue, not only for the agricultural sector, but for the entire economy in some Caribbean

TABLE 2.7
Share of the Caribbean group in global exports, by commodity (average 2002/03)

HS No.	Product description	Share in world exports (%)
1	Live animals	0.06
2	Meat and edible meat offal	0
4	Dairy prod; birds' eggs; natural ho	0.04
5	Products of animal origin, nes or	0.07
6	Live tree & other plant; bulb, root	0.06
7	Edible vegetables and certain roots	0.26
8	Edible fruit and nuts; peel of citr	0.86
9	Coffee, tea, matn and spices	0.67
10	Cereals	0.22
11	Prod.mill.indust; malt; starches	0.23
12	Oil seed, oleagi fruits; miscell gr	0.03
13	Lac; gums, resins & other vegetable	0.37
14	Vegetable plaiting materials; veget	0.02
15	Animal/veg fats & oils & their clea	0.07
16	Prep of meat, fish or crustaceans	0.08
17	Sugars and sugar confectionery	2.47
18	Cocoa and cocoa preparations	0.62
19	Prep.of cereal, flour, starch/milk	0.29
20	Prep of vegetable, fruit, nuts or o	0.37
21	Miscellaneous edible preparations	0.39
22	Beverages, spirits and vinegar	1.14
23	Residues & waste from the food industry	0.08
24	Tobacco and manufactured tobacco	1.3

Source: WITS, World Bank, 2005

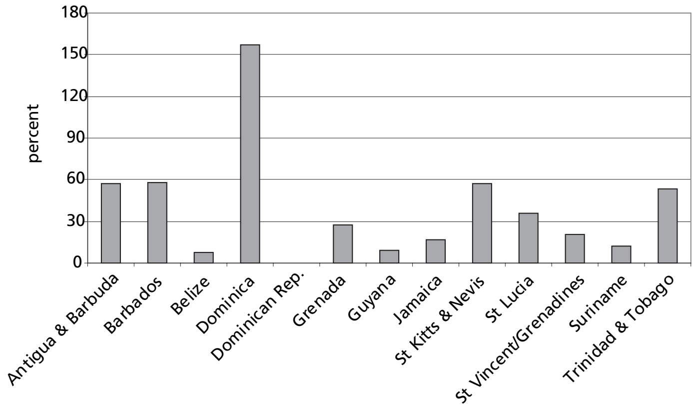
countries. **Figure 2.3** presents the approximate share of revenue derived by Caribbean countries from import tariffs on agricultural commodities[23], within agricultural GDP. The information presented demonstrates the importance of tariffs from an economic perspective: for 5 of the 13 countries shown in the figure, tariffs from agricultural imports equal more than 50 percent of total agricultural GDP.

i) High transport and transit costs

Small developing economies in general spend more than large countries do on transportation and freight costs as a percentage of exports. Some studies

[23] The revenue is computed using the applied tariff rates (most-favoured nation) and the import values for each commodity and then adding together the resulting values of all commodities to give total agricultural tariff revenue. The revenue is calculated by averaging value of imports and tariffs at the 6-digit HS level (excluding any preferential tariff rates that may be imposed on imports from some countries). The results are therefore estimates.

FIGURE 2.3
Share of import tariff revenue from agriculture in total agriculture GDP



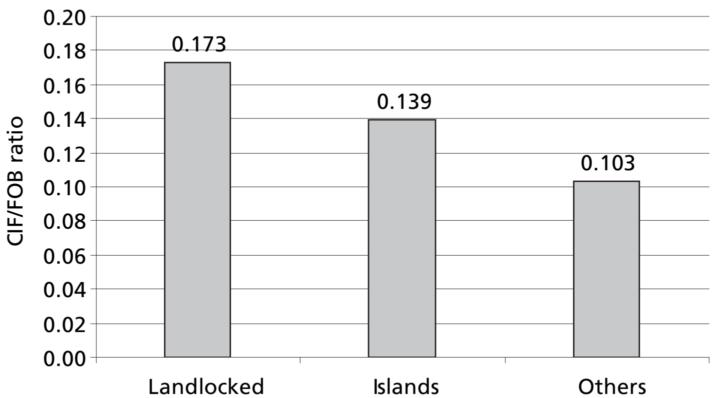
Source: Authors' calculations; World Bank, 2005

indicate that small economies (including Caribbean countries) pay an average of 10 percent of the value of merchandise exports as freight costs, compared to 4.3 percent for the OECD countries and 7.5 percent for countries in Latin America (Bernal, 2001). Three main factors lead to high transportation costs in the Caribbean countries: the relatively small size of volume due to lack of production capacity; small and limited dock and cargo-handling facilities; and physical isolation from the main importing markets. Concerning the third factor, some studies estimate that a 10 percent increase in sea distance is associated with a 1.3 percent increase in shipping costs (Radelet and Sachs, 1998) while others relate a 100 percent increase in distance to a 20 percent increase in transport costs (Clark, Dollar and Micco, 2002).

Figure 2.4 presents the ratio of cost insurance freight (CIF) and free on board (FOB) for some groups of countries. The CIF price measures the cost of the imported item at the point of entry into the importing country, including the costs of transport, insurance, handling and shipment, but excluding customs charges. The FOB price measures the cost of an imported item at the point of shipment by the exporter as it is loaded on to a carrier for transport. The higher the CIF/FOB ratio, the higher the share of transport cost in the value of traded goods.[24] Caribbean countries (as part of "islands")

[24] Two points should be borne in mind when interpreting the results presented in Figure 2.4. The group "islands" includes countries other than Caribbean countries; and transport costs include costs for all merchandise goods, not only agricultural goods.

FIGURE 2.4
Transport costs (1990): average CIF/FOB ratios



Source: Jansen, 2004 (data from the IFS Yearbook, 1995, International Monetary Fund (IMF))
Note: These figures are not a perfectly accurate measure of actual CIF/FOB ratios, since in many cases they are estimated based on incomplete information. For most countries, they show little variance over time, indicating that once the source has established a CIF/FOB conversion factor for a country, it revises it only infrequently. For many countries the ratios have not been updated since 1990 and the IMF has stopped publishing this ratio.

incur higher transport costs in traded goods as compared to many other countries.

j) Lack of competitiveness

The low factor endowments (small size of land and population) and high transport costs lead to severe constraints on material and labour inputs, creating diseconomies of scale and resulting in high costs of production. The high costs of production and delivery (of final product) compels countries to source markets that are either in geographic proximity (regional or United States market) or those which bestow preferences through quotas or fixed prices (EU market). This helps explain the high export-market concentration situation of the Caribbean countries. Limited resources, low volumes and the lack of economies of scale also affect activities related to research and development (for example on differentiation and promotion), which could otherwise increase the competitiveness of Caribbean products.

k) Inflexibility for adjustment

A limited resource base coupled with lack of competitiveness in an undiversified economy, combined with other factors, make it very difficult for countries to adjust to sudden, unexpected changes in the trading and physical environment. Lack of product diversity is further compounded when changes in trade policy lead to shrinkage of the countries' main export sectors. Starting new export activities is more costly and involves more risks than expanding existing ones (WTO, 2002f). Small economies lack state budgetary reserves (which can establish information systems, fill missing input markets, provide extension services, etc.), including the domestic instruments and technical expertise to manage shocks. Further, there is a general lack of "shock-absorbing" mechanisms (institutionalized market-based insurance and hedging schemes) and compensatory mechanisms (social welfare programmes) that could facilitate adjustment.

2.1.2 Trade-related problems of small, vulnerable economies

The combination and intensity of the characteristics discussed above lead to particular problems for the Caribbean countries and have serious implications for their international trading engagements and food security. Some of the main trade-related problems associated with smallness and vulnerability are outlined here.

a) The damage caused by natural disasters including hurricanes and flooding has widespread effects on rural communities and agricultural production systems that result in a decline in productivity and competitiveness. If the natural disaster affects the main export crops, (of which there are a limited number), there will be economic vulnerability at the national level. Imports will probably also increase, potentially leading to a crisis in balance of payments.

b) A drop in world prices of export-dependent commodities can have a serious impact on earnings, leading to balance of payment problems and debt escalation. This directly impacts the ability to purchase inputs; when supplier/market relationships are disrupted, it is costly to re-establish them. Overall, instability of world prices tends to be higher for agricultural raw materials and tropical beverages (FAO, 2004a), which are key commodities for export earnings in SVEs. Declining and volatile world prices can trigger unemployment and jeopardize livelihood security in rural areas, escalating poverty.

c) The concentration of export markets leads to an exposure to policies that govern both the international and the domestic trading environment of the importing country. A major part of exports of most Caribbean countries is dependent on trade preferences received mainly from the EU and the US. Therefore continued liberalization under the WTO will most certainly result in a further erosion of preference margins for these economies. Under increasing international pressure, EU domestic agricultural policies underwent substantial modifications through the Common Agriculture Policy (CAP) reform. These will change the terms and conditions under which preferences are granted. Under the Sugar

Protocol granted to African, Caribbean and Pacific Group of States (ACP) countries, many small economies are offered attractive prices, calculated as roughly 80 percent of the guaranteed prices received by EU sugar farmers, more than twice the price on world market. Under CAP reform, the price received by Caribbean producers is expected to fall by almost 40 percent, with ensuing adjustment pains. One Caribbean state (Saint Kitts) has already decided to stop exporting sugar.

d) The Caribbean economies' high degree of openness makes the domestic prices of agricultural goods susceptible to changes in world prices. The real prices of most agricultural commodities have shown a declining trend since the 1980s. While this may lead to cheaper imports for consumers, it has adverse effects on producers when the world prices of primary tropical commodities decline, as they have been doing since 1980.[25] In addition, given that large sections of the population consume imported cereals, global fluctuations in supply and price of cereals have grave food security implications. Econometric analyses undertaken in a number of studies have shown that openness to trade and export concentration lead to extreme trade volatility for a country (see Jansen, 2004).

e) As barriers to world trade are dismantled, the most competitive producers increase their market share. Caribbean economies have low levels of competitiveness due to higher unit costs of production (caused by scarce resources, high transport costs, low economies of scale, small size of firms, etc.) and thus their market share will decrease under the new conditions. Thus trade liberalization in the absence of complementary measures could have serious effects on food security in the Caribbean.

f) The small size of the market and the prevalence of small firms make it difficult for SVEs to attract private foreign investment and joint venture partnership even when domestic policies are conducive for it. Weather-related risks also play a role in discouraging foreign investment.

g) The small size of firms and prevalence of monopolies in the region lead to rigidities in the structure and operation of markets that complicate the process of resource re-allocation necessitated by policy changes in the international trading arena. This rigidity also results in low levels of private sector participation being reflected in the market structure, putting additional strain on the scarce government resources. Furthermore, small farmers in Caribbean countries cannot easily switch production to alternate crops, whether when crowded out in the face of inflow of cheaper imports or to take advantage of new trading opportunities.

[25] Between 1980 and 2002, real prices of cocoa fell from 143 US cents per pound to 32.8 US cents per pound while coffee prices fell from 196 US cents per pound to 40.4 US cents per pound during the same period (FAO, 2004a).

h) Given the importance of tariffs to government revenue, reduction of average import tariffs as part of overall external trade liberalization leads to a dramatic reduction in tax revenues. This reduction is not easily offset by raising other taxes, and creates problems of rising debt (Commonwealth, 2000). In cases where a substantive portion of tariff revenue is devoted to the development of the agricultural sector, reductions in import tariff levels can have a serious impact on rural poverty and food security.

i) High transport costs involved in exporting reduces the capacity of Caribbean countries to compete. From an export diversification viewpoint, this also limits the choice of products that can be exported. Value-added diversification into agroprocessed products is limited because these products usually require high levels of imported inputs which are also affected by high transport costs. Small lot sizes of exported products contribute to higher transport costs and raise per-unit costs further. High transport prices also increase the price of imported products consumed by the populace.

The trade-related problems discussed in this section bear heavily on the structural features of Caribbean states, their insignificant share in international trade and their limited capacity to participate in the WTO negotiations. The following section discusses the challenges faced by small and vulnerable economies in the context of the WTO framework.

2.2 Small and vulnerable economies in the WTO

This section broadens the discussion to include small and vulnerable economies overall, rather than the Caribbean countries alone. The recognition of trade-related issues of small economies based on their small and vulnerable characteristics have been examined at the international level by various organizations including the United Nations Development Programme, the World Bank, UNCTAD, FAO and the Free Trade Area of the Americas since the early 1960s. There is a general consensus in these studies that small economies are particularly vulnerable (WTO, 2002e). In particular, work done by the Commonwealth Secretariat in this regard has been extensive. It has been providing assistance to Commonwealth small states as part of its ongoing mandate to integrate these countries more fully into the multilateral trading system.

Through its various agencies and programmes the United Nations has been working on the issues that concern several groups of developing countries, including small island developing economies. The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) was established by the United Nations General Assembly in 2001 in part to undertake appropriate advocacy work in favour of this group of countries, in partnership with the relevant United Nations bodies as well as with the civil society, media, academia and foundations.

In the WTO, a concrete reference to the trade-related problems of small economies was not made until 1999, at the Second WTO Ministerial Conference in Geneva. Ministers stated that they "remain deeply concerned over the marginalization of Least-Developed Countries and certain small economies and recognize the urgent need to address this issue which has been compounded by the chronic foreign debt problem facing many of them…". The failure of the Ministerial Conference at Seattle in 1999 however meant that progress on the issue stalled.

Between the Seattle Round and the Doha Round, small and vulnerable economies tabled several proposals in the WTO. As a result of these efforts, three important Declarations/Decisions were taken regarding small economies.[26] They are:

The November 2001 Declaration of the 4th Ministerial Conference in Doha, Qatar, which includes a mandate to establish a work programme relating to the trade of small economies:

> *"We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members."* (Paragraph 35)

The General Council Decision of 1 August 2004, which reaffirmed the mandate given at Doha by stating:

> *"The trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, should also be addressed, without creating a sub-category of Members, as part of a work programme, as mandated in paragraph 35 of the Doha Ministerial Declaration."*

The December 2005 Declaration of the 6th Ministerial Conference in Hong Kong, China, which establishes:

> *"We reaffirm our commitment to the Work Programme on Small Economies and urge Members to adopt specific measures that would facilitate the fuller integration of small, vulnerable economies into the multilateral trading system, without creating a sub-category of WTO Members.*[…] *We instruct the Committee on*

[26] Between 2001 and 2005, a number of submissions were made to the WTO Committee on Trade and Development by Members of SVEs, several of which included Caribbean country Members (cf. WT/COMTD/SE/W/1, WT/COMTD/SE/W/1/Rev1, WT/COMTD/SE/W/3, WT/COMTD/SE/W/8, WT/COMTD/SE/W/11, WT/COMTD/SE/W/12, WT/COMTD/SE/W/13, WT/COMTD/SE/W/13/Rev1, WT/COMTD/SE/W/14).

Trade and Development, under the overall responsibility of the General Council, to continue the work in the Dedicated Session and to monitor progress of the small economies' proposals in the negotiating and other bodies, with the aim of providing responses to the trade-related issues of small economies as soon as possible but no later than 31 December 2006[...]" (Paragraph 41)

Two conclusions can be drawn based on an interpretation of the above: the WTO now recognizes the particular situation of SVEs (although not as a distinct category of countries); and it recognizes that the unique trade-related issues of these economies need to be addressed in order to facilitate their better integration into the world trading arena.

From the WTO perspective, SVEs are part of a heterogeneous group within the developing country group that face specific difficulties in integrating into the global economy. Their smallness, and persistent structural disadvantages and vulnerabilities, are some of the critical factors that have led to their marginalization in world trade. Their structural conditions and their role as "price-takers" in the world agricultural commodity market (they exert little market power) leave them particularly vulnerable to the vagaries of global agricultural trade.

There is concern that further liberalization under the WTO framework will lead to reduced market shares for the SVEs in the main exporting markets, with increasing food prices leading to higher food import bills. Studies that compare the period prior to the Uruguay Round with more recent years show a decline in the value of preferences received by the group of Caribbean countries. The decline in the value of banana and sugar preferences is hastened by questions over the legality of preferential regimes under which small and vulnerable countries export agricultural products to the EU. In the case of bananas,[27] the EU has been forced to modify its regime and the uncertainty has affected Caribbean production and exports. In the case of sugar, in November 2005 the EU announced that it would slash by 39 percent over four years the price it pays for sugar from ACP regions, causing alarm in the sugar sector of SIDS (FAO, 2004b).

Regional trade agreements such as the Economic Partnership Agreements (EPA) between the EU and the ACP countries (which includes many SVEs) add to the anxiety. EPAs that bring the EU trade preference regime further into conformity with its WTO obligations will serve to erode trade preferences even more dramatically as it could mean that small states will be forced to reciprocate to other large trading partners. This will mean that

[27] The value of banana preferences to SIDS declined considerably during the 1990s, from an average of US$37 million in 1990–1994 to US$21 million in 2000–2002. This reflects a decline in volume of exports from Saint Lucia, Saint Vincent and the Grenadines and Dominica from 223 000 tonnes in 1990–1994 to 74 000 tonnes in 2000–2002 (FAO, 2004c).

small states have little choice but to confront a more competitive trading environment (Commonwealth Secretariat, 1998).

The SVEs therefore need to participate actively in current rounds of negotiations. Recognition of their specific trade-related problems and concrete measures aimed at addressing them may prevent the marginalization of these economies and help them realize the potential benefits from trade liberalization and globalization.

However, certain challenges in the context of this round of negotiations may impede addressing trade-related issues of these economies. While it was the unique characteristics of SVEs that mandated the need for the Work Programme for Small Economies, there has been no operational definition in the WTO of what constitutes smallness and vulnerability. In the absence of clearly defined characteristics, it is difficult to find appropriate remedies for trade-related issues because particular characteristics give rise to their own needs and problems. In addition, there is a clear reluctance expressed by other developing-country Members to further divide the categories of developing countries and LDCs because they fear that would threaten the objective of having common and transparent rules and achieving a more unified trading system. The language of the WTO declarations mandates WTO Members to frame responses to trade concerns of SVEs, but prohibits the creation of a subcategory of states, which is a dilemma. Finally, the Doha Work Program (DWP) addresses some of the most important trade issues for SVEs (e.g. issues related to erosion of preferences and tariff escalation) in a manner too vague to be useful.

However, there are two dimensions within the framework of WTO that SVEs can explore to address their distinctive trade-related issues in the current round of negotiations. These dimensions are based on the principle of flexibility within the framework of SDT. The first is to negotiate for greater flexibility by extending the treatment currently enjoyed by LDCs to all SVEs. This treatment includes having no reduction commitments in the current round of WTO negotiations, and waiver for non-reciprocal preferential treatment in bilateral and regional trading arrangements. The argument is that LDCs have distinct trade-related problems and therefore have access to special measures; by the same token, SVEs have distinct trade-related problems and should also be granted special measures. The second dimension seeks specific provisions within the existing SDT provisions available to all developing countries.

The first dimension appears fairly straightforward in that it would simply require extending the favourable treatment currently extended to LDCs. If this dimension is rejected by Members, SVEs should seek greater flexibility in the current SDT measures. The next section addresses the second dimension and possible ways it could be attained.

2.3 Current challenges and options for increased flexibility for small, vulnerable economies

The fundamental premise that guided the formulation of the SDT concept in the WTO was based on the recognition of the differences in the capacities of developing countries to adjust to multilateral rules. SVEs should therefore pursue the case for flexibility within the framework of SDT using a two-pronged approach. One, SVEs should strive for strengthening/increasing the scope of current SDT provisions available to all developing countries. This would not only mobilize support of other developing countries but would also assist in improving the effectiveness of some of the current SDT measures that are ensconced in non-obligatory or "best endeavour" language. Two, SVEs should pursue the design of new measures for the particular situations they face. What follows therefore is an articulation of *strengthened* SDT measures currently available and formulation of *additional* specific provisions for SVEs.

2.3.1 Strengthening current SDT provisions

The Doha Work Program (DWP) takes into consideration some SDT recommendations based on submissions by WTO developing country Member States, special sessions of the Committee on Trade and Development and reports from agencies monitoring the progress on SDT negotiations. This subsection of the chapter examines the SDT provisions explicit in the DWP under the rubric of agriculture. Because these have limitations in terms of effectiveness for the developing countries, it proposes strengthening some of the proposals (both within the purview of the Agreement on Agriculture and outside of it) that directly impact agriculture and strongly reflect the concerns of all developing countries, including SVEs.

SDT under market access pillar

Market access is perhaps the most difficult of the three pillars[28] from an SDT perspective given that it is the area where changes for developing versus developed countries are most comparable. It is the main pillar through which developing countries (including SVEs) hope to gain market access to developed country markets and at the same time limit access to their own markets while they develop their own capacity. The critical points related to market access provisions and their SDT implications are addressed below.

[28] The categories in which WTO discussions on agriculture were debated and formalized under the Uruguay Round using the three "pillars" or categories (domestic support, market access and export subsidies); this format was carried over into the Doha discussions.

Tariff formulae, tariff peaks and tariff escalation

The DWP maintains the SDT provision of flexibility of commitments provided under the URAA. It states that proportionality will be achieved by requiring lesser commitments on tariff reduction or tariff quota expansion from developing-country Members. However, the issue of tariff escalation in developed country markets, which is vital for commodity-dependent economies in their attempts to diversify, is left too vague to pave the way for progress (Paragraph 36 of DWP).

Gap between bound and applied tariffs

Paragraph 29 of the DWP states that substantial overall tariff reductions will be achieved as a final result of negotiations. Substantial reductions could lead to situations where the gap between bound and applied tariffs is reduced to a very low level or completely eliminated; this would limit flexibility for raising applied tariffs in the future[29] This situation is more serious given the relative vulnerability of agriculture and small farmers in Caribbean countries and the countries' limited institutional and financial capability to rely on general WTO safeguards and to apply domestic policy instruments to offset the effects of external shocks. Thus, SDT for developing countries that rely on border measures for protection to promote food security and rural development requires that cuts are made in such a manner as to maintain some gap between bound and applied tariffs. The *level* of an appropriate gap needs to be negotiated among WTO Members.

Special products

One of the most notable SDT provisions in the DWP is the flexibility for developing countries to designate an appropriate number of 'special products' (SP), based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. In the WTO Hong Kong Ministerial of December 2005 it was agreed that these products could be self-designated based on indicators that reflect the agreed criteria.[30] The number of SPs to be allowed and how substitutes will be handled is a particular challenge in the negotiations. The SDT treatment of SPs also needs to be agreed on by Members. For instance, will these products face tariff reduction commitments, will they have access to the special safeguard mechanism and will they have flexibility related to tariff-rate quotas?

[29] See Chapter 3.

[30] Chapter 5 of this volume presents an approach to identification and treatment of SPs in a Caribbean context.

Special Safeguard Mechanism (SSM)
Paragraph 42 of DWP proposes a 'special safeguard mechanism' (SSM) for developing countries, most likely on similar lines as the 'special safeguard' (SSG) currently available to select countries. However the DWP does not mention the operational aspects for it. Developing countries entitled to invoke SSG in agriculture have complained about the complex and time-consuming nature of its implementation.[31] In order to curb these problems, the SSM measures could be established for a specified time limit and without requirements for proof of injury or compensation. Further, consideration should be given to the use of the mechanism beyond import surges, as flexibility may still be needed to address different kinds of impacts and policy choices, even after export subsidies and other distortions are removed.

In November 2005, SVEs made a submission to the WTO Committee on Agriculture (WTO, 2005b) indicating provisions for market access in agriculture that they considered acceptable to them.

These provisions were:

- Small, vulnerable economies (SVEs) will undertake linear cuts not exceeding 15 percent from the bound rate, with a minimum of 10 percent per tariff line. No further commitments will be expected from the SVEs with respect to other elements under the market access pillar.
- No tariff capping shall apply to the SVEs.
- Modalities shall provide for substantial improvement in market access for products of export interest to SVEs.
- SVEs will designate SPs based on their food security, livelihood security and rural development needs.
- SPs of SVEs will be exempted from tariff reductions and tariff rate quota commitments.
- All agricultural tariff lines will be eligible for the SSM. SPs of SVEs will have automatic access to the SSM.
- The SVEs insist that the SSM shall contemplate price- and volume-based triggers. Remedy measures should be effective and flexible to respond to the needs of the SVEs.

SDT under domestic support pillar
Almost 90 percent of all trade-distorting support classified as aggregate measurement of support (AMS) in the WTO is provided by developed countries; only 17 developing countries have AMS reduction commitments, with Korea accounting for a bulk of the share. Therefore, SDT provisions in the form of "longer implementation periods and lower reduction coefficients for all types of trade-distorting support" are not directly applicable to the

[31] Chapter 6 presents a discussion of an SSM in a Caribbean context.

majority of developing countries (except as the actions of the developed countries helped to reduce distortions in the world market).

Two other areas do warrant attention because any domestic support provided by developing countries falls mainly under them. They are:

De minimis *support*

The DWP indicates that "reductions in *de minimis* will be negotiated taking into account the principle of SDT". Developing countries would like to ensure that *de minimis* for developing countries not fall below the limit of 10 percent now admissible. At the Hong Kong Ministerial it was agreed that developing country members with no AMS commitments will be exempt from reduction in *de minimis*. The DWP also indicates that "developing countries that allocate almost all *de minimise* support for subsistence and resource-poor farmers" are to be exempt. It is not clear what constitutes "subsistence and resource-poor farmers" and "almost all *de minimis* support". The usefulness of this provision cannot be gauged until these two aspects are clarified by the WTO membership.

Green Box support

The DWP mentions review and classification of the Green Box criteria, which should lead to concrete action to discipline abuse of this box by developed countries. Developing countries argue that some Green Box provisions are difficult to apply in a developing country context or that there is no suitable explicit provision for them. WTO membership is discussing the introduction of new provisions or language that takes into account the types of programmes more suited to the realities of developing country agriculture.

SDT under export competition pillar

Although most developing countries do not provide export subsidies and it was agreed at the Hong Kong Ministerial to eliminate all forms of export subsidies by the end of 2013, SDT under three other areas of this pillar are significant to them. These three are: export subsidies related to marketing and transport (provisions under Article 9.4), state trading enterprises (STEs) and food aid. Following is a brief examination of each of these.

Article 9.4 of the Agreement on Agriculture

Article 9.4 allows developing country Members to maintain export subsidies related to marketing and transport activities. The Hong Kong Ministerial agreed to allow continuation of this benefit for five years after the end-date for elimination of all forms of export subsidies. These provisions need to be maintained and perhaps extended to provide some offsetting of the continued use by developed countries of distorting domestic support.

State trading enterprises (STEs)
Paragraph 25 of the DWP states that "STEs in developing country Members which enjoy special privileges to preserve domestic consumer price stability and to ensure food security will receive special consideration for maintaining monopoly status". The dual commercial and development roles of STEs should be recognized, especially in relation to developing countries. The privileges STEs enjoy in developed countries should not allow them to compete unfairly on the export market and sufficient SDT should be provided for developing country STEs that contribute to agricultural sector transformation and increased food security. The challenge is to differentiate between situations and to establish benchmarks. In some developing countries, private enterprises have considerable capacity to respond to increased market opportunities, accessing their own credit and establishing their own warehouses for bulking supplies. In SVEs, an STE is still often needed to provide these services.

Food aid
A number of developing countries, including LDCs and net-food-importing developing countries (NFIDCs), are active recipients of food aid. As envisaged in the DWP, "the provision of food aid that is not in conformity with operationally effective disciplines (is) to be agreed". Although the objective of such disciplines is to prevent commercial displacement, WTO rules should not compromise efforts to help the most vulnerable people in developing countries. In the Hong Kong Ministerial, it was agreed that a 'safe box' for bona fide food aid would be provided to ensure there is no unintended impediment to dealing with emergency situations. This aspect is critical for SVEs from two standpoints: i) they are most vulnerable to natural disasters and hence dependent on food aid; and, ii) they are highly dependent on cereal imports for domestic consumption.

SDT implementation issues
One of the main issues for developing countries, amply reflected in their negotiating proposals, has been the ineffectiveness of SDT provisions due to their non-mandatory character. In various agreements of the Uruguay Round, provisions were added that "developed countries had to take special account of the needs of developing countries in the application of the particular agreement". However many such provisions took the form of "best endeavours", rather than firm legal commitments. For example, Article 12.6 Agreement on the Application of Sanitary and Phytosanitary Measures is not legally binding and is at most a "best endeavour" clause. There is therefore a need to make SDT provisions more binding.

In addition to ensuring effective implementation procedures, it is important to ensure periodic evaluation of the SDT provisions. Enhanced monitoring mechanisms will facilitate an evaluation in terms of the effectiveness of the provisions. This step would also receive active support from the developed countries, which have been particularly concerned about the indiscriminate provision of SDT measures for all developing countries as a group. In order to facilitate this review process there need to be more timely and comprehensive notifications. Another consideration for improving implementation would be to institutionalize the review of SDT measures through the establishment of a monitoring mechanism (as proposed by the African Group (TN/CTD/W/23)), that would evaluate the utilisation and effectiveness of the provisions. Further, a notification procedure could be developed whereby Members inform the group about their fulfilment of the SDT rules.

Additional specific SDT measures for small, vulnerable economies

As discussed, any debate on the actual or potential contribution of SDT to economic integration efforts of developing countries and hence economic development must necessarily reflect the range of diverse situations among developing countries. If the principle is established that certain situations display unique characteristics and have unique trade-related problems that impede their fuller integration into the world trading system, the next step is to address these issues though provision of additional SDT measures that are specifically targeted.

The analysis in the preceding subsection of the chapter identified the need for some enhanced SDT measures that apply to developing countries and thereby to SVEs. In the following subsection, some additional SDT measures are developed that address the particular situation of smallness and vulnerability.

a) Lower level of obligations

The situation of smallness and vulnerability gives some countries limited flexibility to adjust and adapt to changing environments, including their trading environment. Such economies require longer time periods to adjust than larger developing economies. Hence, they should be allowed lower reductions and longer implementation periods in the three pillars of AoA as compared to other developing countries. This aspect is most important in the market access pillar since SVEs provide little domestic support and almost no trade-distorting support. Programmes that support product diversification for those SVEs dependent on one or two export crops should also be exempted from reductions. At present, in Article 6.2 exemption is limited to support for diversification from "growing illicit narcotic crops". Programmes that support diversification of production and export structures in order to reduce small developing countries' vulnerability to external shocks do not enjoy an exemption from the AMS (FAO, 2002b).

The WTO Agreement on Subsidies and Countervailing Measures[32] contains provisions that treat unfairly the minor cost incentives granted by the SVEs (which are essential for the development of export-oriented industries) as prohibited subsidies.

b) Preferences

This policy issue, normally addressed under the SDT section of market access for all developing countries, is treated separately here because of its importance to SVEs. Because of their dependence on a few agricultural export products and markets, the bulk of trade by SVEs takes place under preferences. The reduction of bound tariffs will likely put increasing pressure on the preference margins of preference-dependent countries. Under the WTO rules, Member countries have to discard all measures inconsistent with WTO rules, including preferential quotas and guaranteed prices. Since almost all the exports of small economies to the EU take place under one or the other of these measures, discarding these will have adverse impact on preferential trade. In order to mitigate some of the harmful effects of preference erosion on small economies, the WTO should explore options related to both flexibility in current rules and adjustment.

One option would be to amend the current WTO definition of LDCs to include small, vulnerable developing countries in the category of least-developed countries. Another option is to move from preferential tariffs set in absolute terms (whether specific or *ad valorem*) to ones defined in terms of preference margins. The preferences would thus be defined relative to most-favoured nation (MFN) tariffs, that is, a given number of monetary units below MFN tariffs (where the latter are specific) or a given percentages thereof (where MFN tariffs are *ad valorem*). Determining tariff preferences in this way would guard against preference erosion resulting from any further reductions of MFN tariffs. Ideally these preference margins would then be bound in WTO. For products where tariff preferences are limited by tariff rate quotas (TRQs), quotas could be enlarged (FAO, 2002a).

Another broad area that can be pursued is adjustment assistance for losses due to preference erosion. One option is a direct cash transfer in lump-sum form, paid annually, for an agreed number of years. Another option is additional financial and technical assistance for development projects, over and above the current financial flows.[33] Similarly, policy coherence at the international level could be made more meaningful and mechanisms available from other international institutions could be weaved into the WTO framework. For

[32] Paragraph 1(a) of Article 3.

[33] For instance, the European Commission has pledged an aid package worth €40 million for 2006, and its draft Action Plan of June 2005 indicated that an annual €100 million may be available to support restructuring and diversification in ACP countries up until 2013.

instance, refinement of the Trade Integration Mechanism (IMF, 2004) on preference erosion and expansion of financial arrangements in the context of the proposed Special Fund for Diversification linked to preference erosion (Commonwealth Secretariat, 2004) would be helpful in this regard. Progress on compensation in the context of preference erosion should be approached in addition to, not in place of, the design of a preferential regime referred to immediately above.

c) Aid for Trade

Paragraph 57 of the Hong Kong Ministerial Declaration provided the basis for the Aid for Trade (AFT) mandate. It states:

> *"Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade."*

SVEs should ensure that the AFT initiative should also include them as major beneficiaries since it is clear that they need assistance to reap the benefits of trade liberalization. They should also strive for early implementation of these initiatives, i.e. now, rather than only after WTO completes the Doha Round successfully. AFT should not be tied to liberalization commitments nor used to force commitments from developing countries. Funding should be provided in favourable forms including grants or long-term concessional loans.

In terms of the scope of AFT, SVEs should ensure that it is not too narrow or restrictive in its scope and definition. For instance, aid for infrastructural development should not deal narrowly with trade-related infrastructure alone but should include an element of permeability between trade-related and general infrastructural development insofar as a beneficiary country can make its case by demonstrating the greater relevance of investing in a particular type of infrastructure for its trade development projects. Supply-side capacity-building initiatives should promote competitiveness in the agricultural sector, value-added production, enterprise development and appropriate incentive structures and regulatory frameworks for private sector participation in SVEs.

2.4 Conclusions

The Doha Work Program has established a platform for more focused negotiations that aim to interweave development with trade liberalization. Although it is a step in the right direction, it falls short if it does not give adequate consideration to the heterogeneity of developing countries. Any agenda aimed at development will succeed only if it designs measures that take cognizance of the variety of characteristics and situations of developing countries.

SVEs are one heterogeneous subgroup of developing countries faced with daunting challenges to their economic integration into the global trading system. This chapter used the case of the Caribbean countries, as part of the group of SVEs, to illustrate challenges related to both the physical and economic vulnerabilities that typify these countries, and to argue the case for special treatment in the WTO that would lessen the adverse impacts on their food security and rural livelihoods. The data presented and analysed underscored the increasing dependence of these countries on a few markets and commodities both for economic sustainability and development. Therefore, global trade policy changes that affect those markets and those commodities could greatly undermine the SVEs' current development and future prospects.

The principle of SDT in the WTO was conceived and implemented as a means to address the heterogeneity in the levels of development between developed and developing countries through flexible treatment. SVEs need to continue to point out the heterogeneity *among* developing countries and therefore the need for additional flexibility, given that the vulnerabilities the SVEs face distinguish them from other developing countries. The data reported here demonstrated that indicators for natural endowments, import dependency (including cereal dependency), concentration of markets and exports, share in world agricultural export markets, etc., make the group of Caribbean countries distinct from LDCs and other developing countries. Analysis of data for all SVEs yields comparable results (FAO, 2004b).

Therefore, SVEs should either strive for obtaining SDT measures similar to the measures for LDCs; or seek increased flexibility through strengthening of current SDT measures available to all developing countries and additional SDT measures aimed specifically at addressing their trade-related issues. The emergence of discrete coalitions of developing countries in the Doha Round is not only an indicator of the different issues faced by different developing countries but also makes clear the differences in their priorities. Effective SDT should recognize this and ensure flexibility in rule-making that provides different options for the various situations. Increased flexibility should also involve setting timelines consistent with the stages of development of countries and with their capacity to accommodate changes in the global trading environment. Some WTO Member States may need to introduce changes more slowly than others, depending on their goals or capacities. Although developing countries have expressed resistance to the creation of new subgroups, it can be argued that the existence of developing country subgroups such as LDCs and NFIDCs is an indicator of the heterogeneity of situations faced by some subgroups.

It is important to clarify that the additional SDT measures proposed in this chapter to address the disadvantage of smallness and vulnerability do not intend to minimize the flow of SDT to other developing countries, but rather to build on them. Neither are these proposals intended to undermine the special treatment being extended to LDCs. They are intended to facilitate a fuller participation and better integration of SVEs into the global trading arena. After all, one of the important doctrines of multilateral trade under WTO is ensuring a fair trading environment. This can be achieved only if equal opportunities are given to all its Members, big and small.

References

Bernal, R. 2001. *Small developing economies in the World Trade Organization.* Paper presented at World Bank Conference "Leveraging trade, global market integration and the new WTO negotiations for development". Washington, DC (23–24 July). (Later published in M.D. Ingco, ed. 2003. *Agriculture, trade, and the WTO creating a trading environment for development*. Washington, DC, World Bank, pp. 108–122.)

Commonwealth Secretariat. 1998. *The trade policy implications for small vulnerable states of the global trade regime shift.*

Commonwealth Secretariat. 2000. *The Commonwealth Secretariat/World Bank Task Force study on small and vulnerable economies.*

CEC. 2003. *Agricultural commodity trade, dependence and poverty. An analysis of challenges facing developing countries.* Commission Staff Working Paper SEC(2003) 908. Brussels, Commission of the European Communities (CEC).

Clark A., Dollar, D. & Micco, A. 2002. *Maritime transport costs and port efficiency.* World Bank Working Paper 2781. Washington, DC, World Bank.

FAO. 1999. *Trade issues facing small island developing states.* Special Ministerial Conference on Agriculture in Small Island Developing States. 12 March. Rome

FAO. 2002a. *The future of preferential trade arrangements for developing countries and the current round of WTO negotiations on agriculture.* Rome.

FAO. 2002b. *FAO papers on selected issues relating to the WTO negotiations on agriculture*. Rome.

FAO. 2004a. *The state of agriculture commodity markets 2004.* Rome.

FAO. 2004b. *Small island developing states agricultural production and trade, preferences and policy.* FAO Commodity and Trade Technical Paper no. 7. Rome.

Jansen, M. 2004. *Income volatility in small and developing economies: export concentration matters*. Geneva, WTO.

OECS. 2003. *A perspective on external trade relations: the issue of special and differential treatment.* Organization of Eastern Caribbean States (OECS) Secretariat. July.

Radelet, S. & Sachs, J. 1998. *Shipping costs, manufactured exports and economic growth.* Harvard Institute for International Development. (mimeo)

United Nations. 2005. *Draft Mauritius strategy for the further implementation of the programme of action for the sustainable development of small island developing states.* (A/CONF.207/CRP.7) International meeting to review the implementation of the programme of action for the sustainable development of small island developing states. 10–14 January. Port Louis, Mauritius. United Nations (also available at http://www.un.org/smallislands2005/pdf/sids_strategy.pdf**)**.

World Bank. 2004. *World Development Indicators.* Washington, DC.

World Trade Organization (WTO). 2000. *Concerns regarding special and differential treatment provisions in WTO agreements and decisions.* Note by Secretariat WT/COMTD/W/66. 16 February. Geneva.

WTO. 2001. *Doha Ministerial Declaration*. WT/MIN(01)/DEC/1. November. Geneva.

WTO. 2002a. *Monitoring mechanism for special and differential treatment provisions*. TN/CTD/W/23. 11 December. Geneva.

WTO. 2002b. *WTO negotiations on agriculture. Proposal on special and differential treatment by Members of the Organization of the Eastern Caribbean States (OECS).* Special Session of the Committee on Agriculture, informal meeting 18–22 November. Geneva.

WTO. 2002c. *Work programme on small economies, framework and procedures*. WT/L/447 5 March. Geneva.

WTO. 2002d. *The WTO work programme on special and differential treatment.* Communication from the European Communities, Committee on Trade and Development. TN/CTD/W/26 11 December. Geneva.

WTO. 2002e. *Work programme on small economies. Issues relating to the trade of small economies*. WT/COMTD/SE/W/1. 18 April. Geneva.

WTO. 2002f. *Trade and economic performance: the role of economic size.* Note by Secretariat, Committee on Trade and Development, dedicated session. WT/COMTD/SE/W/5. 23 October. Geneva.

WTO. 2003. *Special and differential treatment provisions.* Joint communication from the African Group in the WTO. TN/CTD/W/28. 14 February. Geneva.

WTO. 2004. *Doha Work Program.* Decision adopted by the General Council on 1 August. WT/L/579. 2 August. Geneva.

WTO. 2005a. *Work programme on small economies. An approach to framing responses to the trade-related problems of small economies.* Communication from Antigua and Barbuda, Barbados, Bolivia, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines and Trinidad and Tobago. WT/COMTD/SE/W/13/Rev.1 27 May. Geneva.

WTO. 2005b. *Proposal by small, vulnerable economies on market access in agriculture.* Communication from Barbados, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Honduras, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay and Trinidad and Tobago. TN/AG/**GEN/11. 11 November. Geneva.**

WTO. 2005c. *Doha Work Program Ministerial Declaration.* Ministerial Conference Sixth Session. Hong Kong, 13–18 December. WT/MIN(05)/DEC. 22 December. Geneva.

WTO. 2006. *Recommendations of the Task Force on Aid For Trade.* WT/AFT/1. 27 July. Geneva.

Appendix 2.1
The Commonwealth Secretariats' Composite Vulnerability Index (CVI)[34] related to smallness and vulnerability

Population: <2 million	Population ('000)	CVI	CVI rank
Saint Kitts	42	6	29
Antigua and Barbuda	65	11	2
Dominica	71	8	12
Seychelles	72	6	28
Kiribati	78	5	59
Grenada	92	8	15
Tonga	93	10	3
Saint Vincent	120	7	24
Sao Tome	127	8	17
Saint Lucia	139	7	19
Vanuatu	161	13	1
Samoa	167	7	20
Belize	204	7	23
Maldives	236	9	9
Barbados	260	6	38
Bahamas	268	10	4
Solomon Islands	354	8	11
Malta	361	7	22
Cape Verde	370	5	73
Equatorial Guinea	379	7	21

[34] The CVI is derived from the following three variables using weighted least squares techniques: i) A country's openness, as measured by export dependence (the average exports of goods and non-factor services as a percentage of GDP); ii) a country's lack of diversification, as measured by the UNCTAD diversification index; and iii) for small states, a country's susceptibility to natural disasters, as measured by the proportion of the population affected by such events, as estimated over a relatively long period of time. **Appendix 2.1** above contains countries with a population of less than two million and a CVI of more than 5 (the higher the index, the higher the vulnerability).

Appendix 2.1 Continued

Population: <2 million	Population ('000)	CVI	CVI rank
Suriname	414	5	78
Bahrain	535	8	16
Djibouti	557	8	14
Comoros	607	5	43
Cyprus	726	5	42
Fiji	758	9	8
Swaziland	809	10	6
Guyana	816	8	13
Gambia	1,042	9	7
Mauritius	1,091	7	27
Gabon	1,248	6	32
Trinidad and Tobago	1,278	5	49
Botswana	1,401	10	5
Namibia	1,461	7	26
Bhutan	1,596	5	45
Lesotho	1,943	6	34
Oman	1,992	6	40