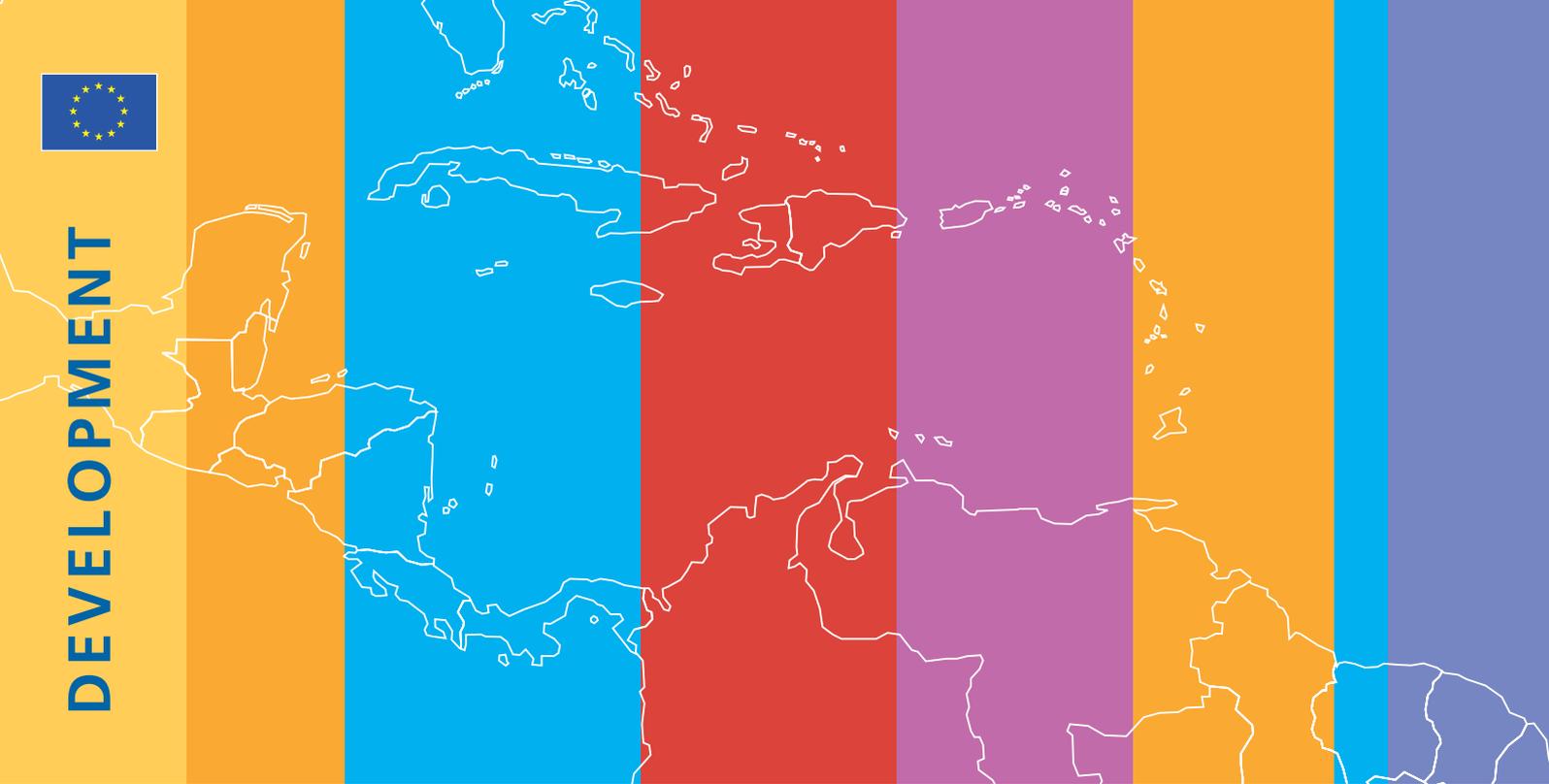




DEVELOPMENT



The Caribbean

and the European Union



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Foreword

The Caribbean and the European Union

abide by the same values and share a common history. These commonalities have been interpreted in a vast and intense programme of co-operation and humanitarian assistance since the Caribbean adhered to the ACP-EU Agreements in 1975. The necessary bases now exist for facing the future with optimism and determination and moving towards new challenges.

In this framework, the European Union is strongly committed to the sustainable development of the Caribbean region. Central to this objective is the reduction and eventual eradication of poverty, consistent with the objectives of sustainable development and a beneficial integration of the Caribbean countries into the world economy. Investing in people, improving the health and education conditions, developing the economy and the infrastructures, assisting the Caribbean in entering upon a structural economic transformation and a strategic repositioning, are key elements in the relationship between the European Union and the Caribbean countries and their regional integration and co-operation mechanisms.

The Cotonou Agreement, signed between the African-Caribbean-Pacific States (ACP) and the European Union, will enable us to intensify our partnership, to enrich our dialogue, to involve all sections of the Caribbean society, including the private sector and the civil society organisations, in the mainstream of our political, economic and co-operation relations. Together, we will be able to improve the quality of co-operation, boost trade relations and enhance the impact of our efforts on the people of the Caribbean.

Likewise, the European Union – Latin America / Caribbean (EU-LAC) strategic bi-regional partnership is a great opportunity to consolidate and give a new dimension to this relationship. A fruitful political dialogue, solid economic and financial relations based on a progressive, equitable and balanced liberalisation of trade and capital flows, a dynamic and constructive co-operation in the educational, scientific, technological, cultural, human and social fields, will contribute to seizing the opportunities offered by, and facing the challenges of an increasingly globalised world.



Poul Nielson
Member of the European Commission
responsible for
Development and Humanitarian Aid

A handwritten signature in black ink that reads "P. Nielson". The signature is written in a cursive style. The background of the page features a faint, blue-tinted image of the European Union flag (a circle of twelve stars on a blue field) and other flags, creating a textured, layered effect.

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The European Union

United in peace and prosperity

The process of European integration has been marked by constant progress and change, ever since the European Coal and Steel Community (ECSC) was founded in 1952. The ECSC was designed to be the foundation for lasting peace and prosperity in a continent divided by its diversity and its different political and economic systems.

The EU is the result of a process of deep regional co-operation and integration that began in 1951 between Benelux (Belgium, the Netherlands and Luxembourg) and grew to include Germany, France and Italy. After nearly 50 years of political, economic and social co-operation, the EU expanded to include 15 Member States. Today, the region is still expanding to include countries to the east and in the 'deep' Mediterranean. Twelve countries are currently negotiating accession to the EU.

The European Single Market is based on four freedoms - the free movement of people, goods, services and capital. This is the foundation for building economic strength, political coherence and social cohesion across the region. Today, foreign trade, agriculture, fisheries transport and other sectors of the economy are governed by common policies. The main objectives are to:

- promote economic and social progress within a regional context;
- assert the identity of the EU on the international scene (through European humanitarian aid to non-EU countries, the common foreign and security policy, action in international crises, common positions within international organisations);
- introduce European citizenship (which does not replace national citizenship but complements it by civil and political rights for European citizens);
- develop an area of freedom, security and justice (linked to the operation of the internal market and more particularly the freedom of movement of persons);
- maintain and build on established EU law (all the legislation adopted by the European institutions, together with the founding treaties).

The institutions

The EU is governed by five institutions that reinforce the four freedoms and build upon the founding principles. The institutions are the expression of the will to create an ever-closer union of the peoples of Europe based on shared political responsibilities. The Commission proposes, the Parliament advises, the Council of Ministers decides, the Court of Justice rules and the Court of Auditors ensures transparency. As the EU responsibilities have broadened, the institutions have grown larger and more numerous.

The institutions work closely together in constructive co-operation for the benefit of all citizens and are supported by: The Economic and Social Committee, The Committee of the Regions, The European Central Bank, The European Ombudsman and The European Investment Bank (EIB).

The single currency

The Euro is the official currency of EU Member States, at present with the exception of the UK, Denmark and Sweden. On 1 January 2002, Euro coins and notes came into circulation. The Euro is the anchor of the Economic Union and completes the Single Market.

A foundation for peace

The founders of the European Union, Robert Schuman and Jean Monnet, were determined to build a strong, regional union out of the ashes of two world wars.

'World peace cannot be safeguarded without the making of creative efforts . . . A united Europe was not achieved and we had war.' The Schuman Declaration, May 1950.

'To build Europe is to build peace. Our nations today must learn to live together under common rules and institutions freely arrived at.' Jean Monnet, August 1952.

EU Member States

Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom.

Candidate Countries

Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey.

Largest trading block in the world

The EU's single market, comprised of 370 million consumers with high purchasing power, makes it the largest trading block in the world.

The Euro is making this trading block more competitive and stronger both economically and politically on the global stage.

The EU determines the legal framework for international trade

- Domestic and international trade laws
- Tariffs
- Competition law, acquisitions and mergers
- Product standardisation
- Environmental regulations
- Intellectual property rights – patent, trademark
- Bookkeeping, accounting rules, financial disclosure

Through agreeing to a single currency Member States have put aside national concerns to enter into a Stability Pact, a commitment to adhere to conditions that ensure price stability across the region and a level playing field for both EU and non-EU businesses. These conditions include not running excessive budget deficits.

The advantages of a single currency include:

- increased transparency;
- no costly exchange rate fluctuations;
- lower transaction costs;
- simplified accounting procedures;
- simplified cost-price comparisons;
- reduced multiple currency cost management;
- more intra-EU competition, which creates a more favourable business environment..

This market, unified by a single currency, brings with it reduced trade barriers, reduced risk and a more competitive market environment.

EU countries	Area km²	Population 1999	Gross Domestic Product (GDP) 1999		Human Development Index (HDI) 1999		Technology Achievement Index (TAI) 1999
			Total US \$ billion	Per capita PPP	Value	Rank	
Belgium	30,520	10,190,000	248.4	25,443	0.935	5	0.553
Denmark	43,090	5,284,000	174.3	25,869	0.921	15	..
Germany	356,910	82,071,000	2,119.9	23,742	0.921	17	0.583
Greece	131,957	10,522,000	125.1	15,514	0.881	23	0.437
Spain	504,782	39,323,000	595.9	18,079	0.908	21	0.481
France	551,602	58,607,072	1,432.3	22,897	0.924	13	0.535
Ireland	70,283	3,661,000	93.4	25,918	0.916	18	0.566
Italy	301,270	57,523,000	1,171.0	22,172	0.909	20	0.471
Luxembourg	2,586	421,500	19.3	42,769	0.924	12	..
Netherlands	41,526	15,607,000	393.7	24,215	0.931	8	0.630
Austria	83,849	8,072,180	208.2	25,089	0.921	16	0.544
Portugal	92,082	9,945,000	113.7	16,074	0.874	28	0.419
Finland	338,130	5,139,840	129.7	23,069	0.925	10	0.744
Sweden	449,964	8,849,440	238.7	22,636	0.936	4	0.703
United Kingdom	244,101	59,009,000	1,441.8	22,093	0.923	14	0.606
Total EU	3,242,652	374,225,032	8,505.4				

(.): data not available
Sources: HD Report 2001;
Atlaseco 2000, N.O.

The EU's Common Foreign and Security Policy

Global and regional crises and challenges, coupled with developments within the EU, have made new demands on the region's external activities. As a result, in 1993, the EU laid the groundwork for a Common Foreign and Security Policy (CFSP), further building upon Europe's solidarity.

A Common Security and Defence policy has been added to the CFSP framework. Its objectives are: preserving peace and strengthening international security in accordance with the principles of the UN Charter, promoting international co-operation and developing democracy and the rule of law as well as respect for human rights and fundamental freedoms.

Enlargement

The Treaty of Nice (2000) set the stage for the preparations for enlargement of the EU to include the countries of central and Eastern Europe, the Mediterranean and the Baltic. The basic principle of the negotiations is that the applicant countries must accept existing EU *acquis* and democratic principles including rule of law, a market based economy, respect for human rights and good governance.

These emerging market economies are characterised by an entrepreneurial culture, representing hope, prosperity and the opportunity to build a healthy and educated society as the EU continues to build upon its tradition of strong regional partnership bringing these nations into the European family.

Candidate countries include Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey.

The European Commission

As the EU's executive arm, the European Commission works in close partnership with the other European institutions and with Member State governments. Although the Commission has the right of initiative, all the major decisions on important legislation are taken by the Ministers of the Member States in the Council of the European Union, in co-decision or consultation with the democratically elected European Parliament.

The Commission's task is to ensure that the EU is attaining its goal of an ever-closer union of its members. It must also ensure that the benefits of integration are balanced between countries and regions, business and consumers and among European citizens. It works closely with the Union's two consultative bodies, the Economic and Social Committee and the Committee of the Regions.

It proposes legislation, acts as the guardian of the EU treaties to ensure legislation is correctly applied and functions as the executive body responsible for implementing and managing policy. It also manages the Union's annual budget, which amounted to some €96.2 billion in 2001 and provides Structural and Regional Funds, whose main purpose is to even out economic disparities between the richer and poorer Member States or regions. It also negotiates and implements trade and co-operation agreements with third countries and groups of countries.

The European Commission consists of a President, chosen by the EU Heads of State and 19 Commissioners, who are nominated by the Governments of the EU Member States with the approval of the Commission President, subject to a collective vote of approval by the European Parliament. The Commissioners, who have specific portfolios, are responsible for the Directorates-General (DGs) and Specialised Services which report to them. There are 36 DGs and Specialised Services.

The Commission's scope and responsibilities have broadened to include flanking policies to the Single Market, such as environment, education, health, consumer affairs, external affairs, the development of trans-European networks in transport and communications, R&D policy, culture and economic and monetary union. It also has important responsibilities for aid and development programmes in third countries.

The three pillars

The EU is made up of 'three pillars' – the European Community, the Common Foreign and Security Policy (CFSP) and Justice and Home Affairs. This three-pillar structure was set up by the 1992 Maastricht Treaty.

Pillar One: the European Community – incorporates the three existing European Community Treaties (the European Coal and Steel Community or ECSC of 1951, the European Economic Community or EEC and Euratom, the European Atomic Energy Community, both from 1957). The legal document establishing the EEC is known as the Treaty of Rome and it was signed by the Community's founding members: Belgium, France, West Germany, Italy, Luxembourg and the Netherlands.

Pillar One also includes the Single European Act of 1986, completing the Community's internal market, enshrining the principle of freedom of movement of people, goods and services. It encompasses the institutions (Commission, European Parliament, Council) and the legislative procedures, agricultural policy, including the Common Agriculture Policy, environment, citizens' rights, Economic and Monetary Union and regional policy.

Pillar Two: Common Foreign and Security Policy – represents a major step towards achieving a political union.

Pillar Three: Justice and Home Affairs – provides for co-operation between member states in areas such as asylum policy, immigration, the fight against drugs and police co-operation.

The European Union on the international stage

EU external relations

The EU has demonstrated that regional integration promotes equitable distribution of prosperity and regional stability. It is perhaps the most powerful tool countries can use to meet the economic and social challenges of globalisation. In its relations with other countries, the EU seeks to encourage sustainable world trade, equitable economic development of the poorer countries.

The EU is focusing on the objective to reduce – and eventually eradicate – poverty. Aid and development assistance are powerful catalysts for change and are helping to create conditions in which the poor are able to raise their incomes and to live longer, healthier and more productive lives. At the heart of this process is the beneficial integration of the developing countries into the global economy.

The past 50 years have been marked by some remarkable successes as well as failures in development assistance. The EU is determined to build upon these successes and recognises that assistance is most effective when recipient countries are the drivers of their own reform and institutional development.

A powerful global voice for change

Europe has reached a turning point in the way it relates to the rest of the world and as a result, is determined to achieve its potential to be a meaningful force for positive global change. To this end, the EU is also determined to create an environment in which civil society can flourish. This involves collaborating with the civil society and the social and economic actors in all areas of external co-operation to realise development objectives.

Ownership, partnership and accountability are at the core of its development programme. It is supporting governments in developing poverty reduction strategies and is strengthening the voice of developing countries in global institutions.

The European Commission plays a key role in implementing the EU's foreign and other policies, working through its 128 Delegations and Offices around the world. They are gradually being strengthened so that EU external assistance can be delivered more effectively.

EU national governments are powerful stakeholders in the G8, the World Trade Organisation (WTO), the International Monetary Fund (IMF), the World Bank and the United Nations.

Working in partnership

The EU provides 60% of global aid, taking together the European Commission-managed multilateral programmes and the bilateral programmes of Member States. The EU is the second largest multilateral donor, spending €6.8 billion annually in assistance. It is also the largest donor of humanitarian aid in the world.

In many instances, the EU is the developing countries' main trading partner. It represents the single biggest market for imports and exports, more than twice the trade between developing countries and the US, Japan and Canada put together.

Within the Commission's external relations architecture, Directorate-General Development closely co-operates with other Commission services, in particular the External Relations Directorate-General, the Co-operation Office (EuropeAid) and the European Community Humanitarian Aid Office (ECHO). It has also very close links with the Directorate-General for Trade. Community development co-operation is co-ordinated with Member States' policies and, as far as possible, with major international donors.

Equity at the centre

Putting equity at the center of its policies, the EU gives priority to defending the interests of the most disadvantaged developing countries and the poorest sections of the population in economically more advanced developing countries.

The ACP-EU Conventions are an innovative model of international co-operation based on equal partnership and a contractual relationship, aid and trade, mutual obligations and joint institutions to ensure a permanent dialogue.

Trade relations

Together with development policies, economic co-operation and trade policy form the main pillar of the EU's relations with the rest of the world, providing for a comprehensive and integrated approach to enable developing countries to integrate into the world economy.

Humanitarian assistance

The Humanitarian Aid Office of the EU (ECHO) was created in 1992 with the mandate to provide emergency assistance and relief to victims of natural disasters or armed conflict outside the EU. Working through national and regional partners, the initial response involves providing essential relief such as food aid, emergency non-food packages, medical care, temporary shelters, rehabilitation of water and sanitation systems as well as epidemiological surveillance.

Food security

The European Commission is redoubling its efforts to tackle hunger as part of its overall development policy. Previously, policy focused on increasing food supply through providing food aid and support to local production. Today, it is recognised that food insecurity is caused by unavailability as well as by lack of economic and physical access to food, due to the weak purchasing power of poor and rural households.

Strategies to fight poverty and food insecurity focus on supporting poor and vulnerable groups. The EC overhauled its food security policy to integrate it with the objectives of sustainable development and the fight against poverty. An annual amount of €500 million is allocated to the EC food security budget line.



The EU-ACP Partnership Agreement – Cotonou



Following 25 years of four successive Lomé Conventions (the fourth with two financial protocols), the 20-year Cotonou Agreement, signed June 2000, is an innovative framework for a deeper partnership with a view to addressing – together – the major challenges of poverty, conflict and war, environmental threats and risks of economic and technological marginalisation.

The agreement marks a turning point in the objectives, the ways and means to achieve them and the nature of the partnership. It makes a clear association between the political dimension, trade and development and partnership, based on clearly defined performance criteria. In this framework, from the European Development Fund (EDF), the EU provides assistance to 77 African, Caribbean and Pacific (ACP) countries, and to Overseas Countries and Territories (OCTs).

Development co-operation shall be pursued through integrated strategies that incorporate economic, social, cultural, environmental and institutional elements that must be locally owned. It shall thus provide a coherent enabling framework of support to the ACP's own development strategies, ensuring complementarity and interaction between the various elements.

The new trade regime envisaged by the Cotonou Agreement represents a radically different perspective for ACP partners. To promote sustainable development and the eradication of poverty, ACP and the EU have agreed to conclude WTO-compatible trade agreements that will progressively remove barriers to trade between them and enhance co-operation in all areas relevant to trade. This commitment will take the form of negotiations on Economic Partnership Agreements (EPAs) starting in September 2002 and to be concluded by December 2007.

Reducing and eventually eradicating poverty

The ACP-EU Partnership is centred on the objective of reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.

Political dialogue and reinforced participation

Dialogue plays a key role in the success of development co-operation activities and is at the heart of the ACP-EU relationship. It is conducted within and outside the institutional framework at national, regional or ACP level, in order to encourage the introduction of all sections of society, including the private sector and the civil society organisations, into the mainstream of political, economic and social life.

Respect for all human rights and fundamental freedoms, democratic principles, good governance and the rule of law are essential elements of the partnership and transparent and accountable governance is an integral part of sustainable development. A participatory approach, by including civil society and economic and social actors in the ACP-EU partnership, will help define strategies and priorities that were previously the exclusive jurisdiction of governments.

A new spirit of development co-operation

The Cotonou Agreement defines a general strategic framework reflecting international commitments and simultaneously taking into account the political, economic, social, cultural and environmental components of development. Co-operation strategies will reflect international commitments including conclusions of UN conferences and the OECD (Organisation for Economic Co-operation and Development) Development Assistance Committee's strategy. Priorities are established on a country-by-country basis and focus on poverty reduction. Development strategies promote local ownership of economic and social reforms.

In past Lomé Conventions, trade co-operation was based on generous preferential tariffs. The new ACP-EU Agreement aims to support the mutually reinforcing effects of economic and trade co-operation and development aid. The objective of integrating the ACP countries into the global economy involves enhancing production, supply and trading capacity as well as increasing ACP capacity to attract investment, to formulate strong trade and investment policies, and to handle all issues related to trade. Economic Partnership Agreements (EPAs), integrated with development assistance including Trade Related Technical Assistance, will progressively remove barriers to trade between the ACP and the EU and enhance co-operation in a wide range of trade-related areas.

The EU's development co-operation gives great importance to regional integration and co-operation. It is based on the principle that this approach fosters economic and social development, raises and locks-in improved governance as well as promotes stable and peaceful relations among nations. It also better enables countries to meet cross-border challenges, particularly in the area of the environment and the management of natural resources.

The EU's political and financial weight enables it to participate in improving the macroeconomic framework of ACP partner countries. This involves policies and institutional framework for fiscal balance, debt sustainability and external economic and trade balance as well as for encouraging competition and private sector development.

Efficient transport systems are essential to economic and social development and to access to basic social services. The involvement of partner countries is a condition of the sustainability of these efforts.

⊠ The ACP group

Founded in 1975 with the signing of the Georgetown Agreement, the ACP group is made up of 77 African, Caribbean and Pacific countries.

⊠ Institutions

The Council of Ministers: the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies and examines ACP-EU co-operation as well as intra-ACP matters.

The Committee of Ambassadors: composed of the ACP Ambassadors to the EU or their representatives, it assists the Council of Ministers and supervises the implementation of the Cotonou Agreement.

The ACP General Secretariat: co-ordinates the activities of the ACP institutions. Located in Brussels.



Eliminating hunger and malnutrition is a cornerstone of sustainable development. Poverty remains the principal challenge for feeding the world's population in a sustainable manner. Food security and sustainable rural development are fundamental to the EU's anti-poverty strategies and contribute to reducing poverty, while food aid is an instrument of humanitarian aid.

Co-operation shall pay systematic attention to institutional aspects and will support the efforts of the ACP States to develop and strengthen structures, institutions and procedures. The objective is to help to promote and sustain democracy, human dignity and social justice and pluralism, the full respect of human rights and fundamental freedoms, to develop and strengthen the rule of law and the professionalism and independence of the judiciary and to ensure transparent and accountable governance and administration in all public institutions.

Support to LDLICs

Specific provisions and measures have been foreseen to support Least-Developed Countries, Landlocked and Island ACP States (LDLICs). In regard to the latter, they are directed at supporting Island ACP States in their efforts to overcome the natural and geographic difficulties hampering their development.

The instruments

The Cotonou Agreement has rationalised the wide range of instruments that existed under previous Lomé Conventions. Available grant resources to support long-term development are channelled through National and Regional Indicative Programmes and the Investment Facility, a revolving fund aimed at stimulating investment and strengthening the capacity of local financial institutions, which is managed by the European Investment Bank.

Development finance co-operation is implemented on the basis of objectives, strategies and priorities established by the ACP partners at national and regional levels. This co-operation will promote local ownership and a partnership based on mutual rights and obligations. It recognises the importance of predictability and security in funding and is flexible to address individual situations.

Each ACP country and region receives an indication from the European Community of the volume of resources available over a five-year period to finance activities included in the National or Regional Indicative Programmes (NIPs and RIPs). The access of non-state actors to these funds has improved with Cotonou. The resources available to non-state actors form part of the allocation granted to each ACP State or region.

Once a Country (or Regional) Support Strategy has been agreed to in consultation with the stakeholders, the EU Member States and bilateral and multilateral donors, it is developed and implemented through a work programme. This programme serves as a blueprint for all ongoing and intended EC activities in the country or region, broken down by sector and by instrument and following a defined timeline.

To help alleviate the debt burden of ACP countries and their balance-of-payment difficulties, resources are provided to contribute to debt relief initiatives agreed to at international level. Support is provided for macroeconomic and sectoral reforms. Within this framework, the parties ensure that adjustment is economically viable as well as socially and politically feasible.

The agreement on additional support in case of fluctuations in export earnings recognises a partner's vulnerability resulting from high dependence on export earnings from the sectors of agriculture and/or mining. Eligibility is linked to whether the loss jeopardises overall macroeconomic stability and in principle will be used to finance the national budget.

Co-operation focuses on:

- social and economic sectoral policies and reforms;
- measures to enhance productive sector activity and export competitiveness;
- measures to expand social sector services;
- thematic and cross cutting issues.

Support is provided through sectoral programmes, budgetary support, investments, rehabilitation, training, technical assistance and institutional support.

A redefined policy framework on decentralised co-operation places the actors at the heart of development co-operation and supports programmes initiated by non-state actors. This approach funds programmes that support decentralisation to foster the emergence of efficient systems of local governance, local development initiatives and political and social dialogue.

Recognising the important role of markets and of the private sector as engines of economic growth, the Cotonou Agreement provides for an integrated approach that involves the private sector in most areas of ACP-EU co-operation. Emphasis is placed on building the capacities of representative private sector organisations to engage in this dialogue. Domestic and foreign investment is promoted through a support package in linked forms of investment: promotion at national and regional levels, finance and support, guarantees and protection.

Technical co-operation assists ACP partners in developing national and regional manpower resources and the sustained development of institutions critical for development success.

Economic and trade co-operation

Economic and trade co-operation builds on regional integration initiatives of ACP countries and takes into account their different needs and levels of development. The Cotonou Agreement aims at smoothly integrating the ACP States into the world economy by strengthening their production, supply and trading capacity. This involves increasing capacity to attract investment, formulating strong trade and investment policies and handling all issues related to trade

Economic Partnership Agreements (EPAs)

As part of the drive to achieve these objectives, non-reciprocal trade preferences will be replaced by WTO-compatible trading arrangements. EPAs are based on three principles: trade liberalisation (on both sides; ACP partners will gradually open their markets to European products in a flexible way), regional integration (EPAs will build on and deepen ACP regional integration initiatives) and differentiation in accordance with the level of development (with special attention for Least Developed Countries).

EPAs have built in objectives such as integrating development assistance (including Trade Related Technical Assistance) and market access, but also pay attention to important global issues such as services, intellectual property, standardisation, sanitary and phytosanitary measures, labour standards and the environment.



⊠ Preparation for Economic Partnership Agreements (EPAs)

A €20 million EU programme has been prepared to assist the ACP countries in negotiating EPAs with the EU. Capacity building activities include:

- specific study work aimed at developing negotiating positions;
- training in negotiating techniques for ACP officials leading negotiating teams;
- technical assistance support to regional economic groups in the area of trade policy;
- targeted technical assistance to regional groupings aimed at consolidating economic integration initiatives.

⊠ Everything But Arms – a world first

The Everything But Arms (EBA) initiative launched in February 2001 allows the world's 48 poorest countries full duty free, quota free access to the EU for all products except arms. This initiative makes the EU the world's first major trading power to commit itself to opening its market fully to the world's poorest countries and sends a signal to the rest of the world that Europe is serious about the most disadvantaged sharing in the fruits of trade liberalisation.

Duty and quota elimination for essentially all products took effect in March 2001.

⊠ Highlights of the new ACP-EU Agreement

The major innovations aim to:

- enhance the political dimension;
- explicitly address corruption;
- promote participatory approaches;
- involve civil society in the reforms and policies to be supported by EU;
- refocus development policies on poverty reduction strategies;
- base the allocation of funds not only on an assessment of each country's needs but also of its policy performance;
- create an Investment Facility to support the development of the private sector;
- rationalise instruments and introduce a new system of rolling programming; allowing the Community and the beneficiary country to adjust regularly their co-operation programme;
- decentralise administrative, and in some cases financial, responsibilities to local level with the aim of making co-operation more effective;
- improve the policy framework for trade and investment development;
- enhance co-operation in all areas important to trade, including new issues such as labour standards and the linkages between environment and trade.

Performance criteria:

- progress in implementing institutional reforms;
- country and regional performance in the use of resources;
- effective implementation of current operations;
- poverty alleviation or reduction;
- sustainable development measures;
- macroeconomic and sectoral policy performance.

⊠ Co-operation in international fora

The EU assists ACP countries in their efforts to become active members of international organisations. This involves co-operating closely in identifying and furthering their common interests in international economic and trade co-operation, particularly the WTO, and participation in setting and conducting the agenda in future multilateral trade negotiations.

⊠ Trade in services

The EU and its ACP partners recognise the growing importance of services in international trade. Both parties observe their respective commitments under the General Agreement on Trade in Services (GATS) and underline the need for special and differential treatment to ACP suppliers of services. Particular attention is paid to services related to labour, business, distribution, finance, tourism, culture, construction and related engineering services with a view to enhancing competitiveness and increasing both the value and volume of trade in goods and services.

⊠ 9th European Development Fund

The European Development Fund (EDF), to which all EU Member States contribute, finances projects and programmes in the ACP states and the Overseas Countries and Territories (OCT).

It is administered by the European Commission, with the exception of risk capital, administered by the European Investment Bank (EIB). Each EDF is supplemented by EIB loans.

Through the €13.5 billion 9th European Development Fund (EDF) covering the Cotonou Agreement's first five years, the EU is supporting ACP governments:

- Long-term allowance: €10 billion
- Regional allowance: €1.3 billion
- Investment Facility: €2.2 billion
- Remaining balances from previous EDF: €9.9 billion
- EIB own resources: €1.7 billion

EU-LAC – a new partnership for a new century



Madrid – meeting the challenges of the 21st century

Reaffirming their perseverance with the advancement of democratic processes, social justice and equity, modernisation efforts, trade liberalisation, structural reforms, sustainable development, equitable sharing of the benefits created by economic globalisation and the new technologies as well as their support the progress made by the integration processes in both regions, the second EU-LAC Summit of May 2002 in Madrid, provided the opportunity for the Heads of State and Government to give through **the Madrid Commitment** a fresh impetus to bi-regional relations and to set the agenda for the years to come

From Madrid in 2002 to Mexico in 2004

In the political field:

- To strengthen the multilateral system on the basis of the purposes and principles of the United Nations Charter and international law.
- To reinforce the democratic institutions and the rule of law, strengthening judicial systems ensuring equal treatment under the law and promoting and protecting the respect for human rights.
- To welcome the imminent establishment and functioning of the International Criminal Court, and to seek universal adherence to the Rome Statute.
- To combat terrorism in all its forms and manifestations, in accordance with the UN Charter and with full respect for international law, including human rights and humanitarian law provisions.
- To strengthen co-operation to combat the scourges of illicit drugs and related crimes, corruption and organised crime.
- To eradicate racism, racial discrimination, xenophobia and related intolerance and to work together in the implementation of the commitments of the 2001 Durban Declaration and Programme of Action.
- To promote gender equality and the empowerment of women, as well as the well-being of each child in accordance with the UN agreed document 'A world fit for children'.
- To reinforce bi-regional political dialogue in international fora and consultations in the UN system and in major UN Conferences on the main issues on the international agenda.

In the economic field:

- To promote economic growth to combat poverty through, inter alia, the strengthening of democratic institutions, macroeconomic stability, the closing of the technological gap, wider access to, and better quality of education, health care and social protection.
- To promote trade and investment flows for sustainable economic growth and the equitable distribution of the benefits. To work expeditiously on the Doha Work Programme in order to achieve further trade liberalisation and the clarification, improvement and strengthening of multilateral rules.
- To work together to contribute to the success of the 2002 World Summit on Sustainable Development. To protect the environment with emphasis on the modification of unsustainable patterns of production and consumption, the conservation of biological diversity, the global ecosystem and the sustainable use of natural resources, working to achieve the ratification and entry into force of the Kyoto protocol at the earliest possible stage.
- To act on the commitments of Monterrey Conference on Financing for Development, especially by mobilising international and domestic resources, putting in place internal and international environments for poverty reduction, substantially increasing co-operation for development and by pursuing relief measures to deal with the problem of unsustainable external debt in developing countries. To promote in this framework a speedy and effective implementation of the enhanced Heavily Indebted Poor Countries Initiative (HIPC).

- To address the challenges faced by small economies and in particular by small island states.
- To improve the functioning of the global financial system taking into account the concerns of developing countries and to actively participate in ongoing international efforts to reform the international financial system. To welcome the introduction of the euro, whose contribution to increased transparency of economic relations and to further stimulate trade and investment growth between the two regions is acknowledged and recognised.
- To firmly reject all measures of unilateral character and with extraterritorial effect, which are contrary to international law and the commonly accepted rules of free trade and pose a serious threat to multilateralism.
- To work together to develop the Information Society by enhancing access to information and communication technologies in all priority areas including government services.

Co-operation in cultural, education, scientific, technological, social and human fields:

- To preserve the capabilities to develop, promote and respect cultural diversity, to create more opportunities to education, culture and access to knowledge as keys to success in the 21st century.
- To build a European Union – Latin America and Caribbean Common Area of Higher Education.
- To carry out an integrated analysis in order to implement solutions and to guarantee the rights of migrant workers and their families, in accordance with international law and national legislation.
- To combat HIV/AIDS through programmes of prevention, treatment and support, in particular in the countries more affected, bearing in mind the right to adequate levels of health care and the need to promote greater access to medicines.
- To co-operate in the promotion of preparedness for natural disasters and the mitigation of their consequences.

Trade and economic dimensions

A great potential in trade relations

EU exports to LAC have increased from approximately €17,000 million in 1999 to €54,000 million in 2000, while EU imports from LAC increased from approximately €27,000 million in 1999 to €48,000 million in 2000. However, despite continued expansion, trade exchanges between the EU and LAC still account for just over 5% of the EU's foreign trade.

Potential exists for increased trade exchanges. LAC represents a market of around 500 million consumers with an average per capital income of US\$6,880 (€7,568) in purchasing power parity (PPP) terms. The region is rich in natural resources. With improved governance and a positive trade agenda, LAC will benefit from accelerated economic performance. This will have a multiplying effect.

A major destination of FDI

Since the mid-1990s, the region has become a major destination for EU foreign direct investment. During this period, the EU has displaced the US as LACs main direct investor, accounting for an average €23,614 million against €12,127 million from the US. At the end of 1998 EU investments in LAC stocks amounted to €115,524 million compared to the US' €113,150 million.





Co-operation initiatives

The EU is the main provider of development assistance to Latin America and the Caribbean (60% of the total received by that region). The European Community provides about 16% of this assistance, with the remainder granted by EU Member States bilaterally.

Bridging the digital divide

It is critical that the LAC region moves towards creating the policy and regulatory frameworks needed to bridge the digital divide by fostering a thriving Information Society. Boosting interconnections between research networks and communities, stimulating business and technological partnerships, setting up networks of stakeholders, users and intermediary institutions are important first steps to this end.

The @LIS programme, Alliance for the Information Society, fosters dialogue between the EU and LAC regions and strengthens the networks of business support organisations and other stakeholders, including educational and cultural institutions as well as research & development partners. Particular emphasis is placed on the needs of local communities and citizens. Other areas for future development include e-commerce, e-central and local governance, e-education and cultural diversity, e-public health and e-inclusion. A global interconnectivity will enable the vertical integration of regional technology and business communities, promoting new opportunities and fostering regional competitiveness.

The programme is prepared to accept Caribbean participation.

The war against drugs

The EU-LAC Co-ordination and Co-operation mechanism, based on the principles of shared responsibility, is the foundation to tackle one of the most serious problems sapping social and economic development in LAC drug producing and transit countries. The Panama Plan of Action against drugs, agreed in April 1999 and endorsed at the Rio Summit, bears in mind the importance of promoting inter-regional and intra-regional co-operation and co-ordination on drug issues and the need to enhance a regular interchange of ideas and experiences among the political and technical authorities from both regions.

The EU-LAC parties are committed to: dismantle all the components of the world drug problem as an important contribution in the fight against terrorism and eliminate one of the underlying causes of destabilisation of democratic systems; place drug co-operation higher than in the past among the priorities for the bilateral co-operation, among the European Commission and Member States of the EU and the Latin American and Caribbean countries; co-ordinate between both regions the development of common positions in other international fora on drugs.

Bi-regional efforts in drugs control focus on priority areas like demand reduction, money laundering, alternative development, maritime co-operation. They will not neglect other areas, such as prevention and control of chemical precursors diversion, police and judicial co-operation, the strengthening of institutions and the development of laws for the adequate formulation of regional and national policies.

@LIS

(..) : data not available
Sources: HD Report 2001;
Poeth and Kirton,
March 02; Atlaseco 2000, N.O.

LAC countries	Area km ²	Population 1999	Gross Domestic Product (GDP) 1999		Human Development Index (HDI) 1999		Technology Achievement Index (TAI) 1999
			Total US \$ billion	Per capita PPP	Value	Rank	
Bolivia	1,098,581	7,767,000	8.3	2,355	0.648	104	0.277
Colombia	1,138,914	40,042,000	86.6	5,749	0.765	62	0.274
Ecuador	270,667	11,937,000	19.0	2,994	0.726	84	0.253
Peru	1,285,216	24,371,000	51.9	4,622	0.743	73	0.271
Venezuela	916,050	22,777,000	102.2	5,495	0.765	61	..
Andean Community	4,709,428	106,894,000	268.0				
El Salvador	21,041	5,927,780	12.5	4,344	0.701	95	0.253
Costa Rica	51,060	3,464,000	15.1	8,860	0.821	41	0.358
Guatemala	108,890	10,518,740	18.2	3,674	0.626	108	..
Honduras	112,088	5,985,670	5.4	2,340	0.634	107	0.208
Nicaragua	130,000	4,676,700	2.3	2,279	0.635	106	0.185
Panama	75,517	2,719,000	9.6	5,875	0.784	52	0.321
Central America	498,596	33,291,890	63.1				
Antigua and Barbuda	442	66,290	..	9,277	0.833	..	..
Bahamas	13,935	289,000	..	15,528	0.844	42	..
Barbados	431	264,870	2.5	14,353	0.864	31	..
Belize	23,667	229,500	0.7	4,959	0.776	54	..
Dominica	751	73,820	..	5,425	0.793	..	..
Grenada	344	95,500	..	6,817	0.785	..	..
Guyana	214,969	847,700	0.7	3,640	0.704	93	..
Haiti	27,750	8,200,000	4.3	1,464	0.467	134	..
Jamaica	10,991	2,544,000	6.9	3,561	0.738	78	0.261
St. Kitts and Nevis	267	40,820	..	11,596	0.798	..	..
St. Lucia	616	159,150	..	5,509	0.728	..	..
St. Vincent & Grenad.	346	112,420	..	5,309	0.738	..	..
Suriname	163,265	411,550	0.8	4,178	0.758	64	..
Trinidad and Tobago	5,128	1,307,300	6.9	8,176	0.798	49	0.328
CARICOM	462,902	14,641,920	> 22.8				
Cuba	110,860	11,059,000	..	..	0.783	..	..
Dominican Republic	48,734	8,107,000	17.4	5,507	0.722	86	0.244
CARIFORUM	622,496	33,797,920					
Argentina	2,776,889	35,676,200	283.2	12,277	0.842	34	0.381
Brazil	8,511,965	163,689,184	751.5	7,037	0.750	69	0.311
Paraguay	406,752	5,085,000	7.7	4,384	0.738	80	0.254
Uruguay	176,215	3,266,000	20.8	8,879	0.828	37	0.343
Mercosur	11,871,821	207,716,384	1,063.2				
Mexico	1,958,201	94,348,864	483.7	8,297	0.790	51	0.389
Chile	756,945	14,622,000	67.5	8,652	0.825	39	0.357
Total Latin America and Caribbean (LAC)	20,417,487	490,681,058	> 1,985.7	6,880	0.760		

The EU and the Caribbean – a strong regional partnership

A region characterised by diversity

The Caribbean spans 4,000 kilometres from east to west and 3,000 kilometres from north to south. It is a diverse mix of southern and Central American continental states and island nations of widely differing size, culture, language, population and economic development.

The Dominican Republic with a population of 8.5 million, Haiti, 8.3 million, and Cuba, 11 million, have vast populations compared to their neighbours, which range from the 44,000 of St. Kitts and Nevis to the 2.6 million of Jamaica. But they also differ in terms of geography, and natural resources.

Four countries (Cuba, Dominican Republic, Haiti and Jamaica) account for the great majority of the group's GDP, while per capita PPP varies widely for the group from high levels for Bahamas, Antigua, Barbados, St. Kitts and Trinidad/Tobago, to low income levels for Haiti and Guyana.

Vulnerable member states

Most Caribbean-ACP countries share common features making them vulnerable:

- They are small and open economies with an un-diversified range of domestic resources.
- They are dependent on imports to support local production and on exports to sustain economic growth.
- They have a narrow export base heavily dependent on mainly agricultural commodities and/or tourism.
- They experience volatility caused both by economic or financial factors and by frequent natural disasters.
- The main source of government revenue is taxes on trade.
- There has been an historic dependence on trade preferences from the US, the EU and Canada, which counterbalance adverse external conditions but discourage export diversification.

Hurricanes and tropical storms frequently sweep the area, there are long periods of drought and rainfall is often irregular. Climate change exacerbates the region's vulnerability to natural disasters. Fragile ecosystems are susceptible to damage as a result of human settlement, industrial development and tourism.

By means of the relevant instruments, the EU has continuously helped offset the damages caused by natural disasters and the losses in agriculture and mining export earnings.

EU-Caribbean political dialogue

The EU and most of the Caribbean's political systems are based on pluralist democracy, fundamental rights and the rule of law. Political co-operation is very active in several fields and has helped the Caribbean to diversify political, economic and trade relations. The two regions often act together in meeting global challenges through multilateral approaches.

Fifteen independent countries in the Caribbean region are signatories of the ACP-EU Conventions, having established in October 1992 the Forum of the Caribbean ACP States (CARIFORUM) aimed at making CARICOM members to act in concert and pursue common goals with Haiti, the Dominican Republic and Suriname, as well as to enhance co-ordination of EDF support to regional co-operation. Since then, Suriname and Haiti have become CARICOM members while the Dominican Republic in 1998 signed on to a Free Trade Agreement (FTA) with CARICOM, which entered into force in 2001.

Prior to the establishment of CARIFORUM, the main partners for EU-Caribbean regional co-operation were CARICOM and other regional and sub-regional institutions, such as the Organisation of Eastern Caribbean States (OECS), the University of the West Indies (UWI) and the Caribbean Export Development Agency (CEDA).

An annual regional dialogue at Ministerial level takes place every year between CARIFORUM and the Commission.



CARIFORUM

Headquarters: Guyana. **Member states:** Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. Cuba became a member in October 2001. The UK and Dutch OCTs have observer status while active co-operation is pursued with the French DOMs.

A **Council of Ministers**, serviced by a **CARIFORUM Secretariat** comprising a Secretary-General and a Programming Unit, is the highest political body of CARIFORUM. The Secretariat General is based in Guyana and chaired by the Caribbean Member States. An Ambassador of the CARIFORUM Member State holding the chair represents the organisation in Brussels.

Within the Caribbean regional integration and co-operation architecture, the CARIFORUM Secretariat is also involved in the co-ordination and monitoring of the European Development Fund (EDF) resources and has been to date the European Commission's main partner for all regional co-operation matters.



Regional integration and co-operation

Regionalism has emerged as a response to overcoming development constraints of small size. It can also help to reduce poverty because of the positive effect of integration on economic growth. Successful regional integration leads to larger markets, more efficient allocation of resources, increased competition and a better investment climate. EU support builds on such efforts, essentially undertaken by CARICOM, aimed at:

- fostering economic integration through creating a single market and economy;
- strengthening the region's external position through coordinating foreign policies;
- pooling scarce resources through functional co-operation in social, environmental and technical areas.

A major change for the 9th EDF is that the EU's response strategies are based on Caribbean owned strategies at both country and regional level through, which are or can also be supported by other donors.

CARIFORUM's Regional Integration and Development Strategy (RIDS)

The strategy's economic objective is to prepare CARIFORUM economies to respond to the various challenges posed by their integration into the world economy. Key elements designed to meet this objective include a focus on:

- regional economic integration and trade;
- private sector development and competitiveness;
- regional functional co-operation;
- governance.

The ultimate objective of the RIDS is to improve the quality of life of the Caribbean people. Significant components of this strategy are improved regional education and health systems and social stability, which is threatened by illegal drugs and other forms of international organised crime. Involving civil society in development is part of the region's good governance strategy.



The Caribbean Community and Common Market (CARICOM)

Member States

Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Trinidad & Tobago, Suriname, and OECS members: Antigua & Barbuda, Dominica, Grenada, Montserrat, Saint Kitts & Nevis, Saint Lucia and Saint Vincent & the Grenadines. The British Virgin Islands and the Turks and Caicos became associated members of CARICOM in 1991. Twelve other states from Latin America and the Caribbean have an Observer Status in various Community institutions.

Background

The main objective of the Treaty establishing CARICOM in 1973 was to promote the integration of the economies of its Member States through the creation of a single market and economy, co-ordinating foreign policies of its independent states and functional co-operation. A distinction was made between more developed countries and less developed ones. The more developed countries are: Barbados, Jamaica, Trinidad and Tobago and Guyana. The less developed countries are the Organisation of Eastern Caribbean States (OECS) member states plus Belize. To date, the latter receive special and differential treatment in the implementation of policies.

The principal organs of the Community are:

- The Conference of Heads of Government.
- The Community Council of Ministers.
- Others include: The Council for Trade and Economic Development (COTED), The Council for Foreign and Community Relations (COFCOR), The Council for Human and Social Development (COHSOD), the Council for Finance and Planning (COFAP).
- Associate Institutions include the Caribbean Development Bank (CDB).

Main achievements

Since the signing of the Treaty, nine protocols have been put into place to provide the institutions with the necessary policy and regulatory framework to achieve an effective integration:

Regarding free trade, the removing of licensing requirements for CARICOM goods is being progressively implemented, while harmonisation and development of regional standards is ongoing with the creation of the Caribbean Common Market Standards Council.

On the free movement of services, the right of establishment, provision of services and movement of capital is applicable to almost all member states. Free movement of persons is not yet fully operational with member countries applying different rules. A single CARICOM passport does not yet exist but facilities have been provided for CARICOM citizens at immigration points. Since 1995, university graduates move freely in most CARICOM countries.

The 2nd protocol provides for free movement of persons to establish business but the necessary legal provisions still need to be implemented.

Free movement of capital is slowly taking place with only Guyana, Jamaica and Trinidad having abolished foreign exchange controls. However, much further progress is required for the realisation of a single currency. In general, these measures have increased intra-CARICOM trade significantly over the past 20 years mounting up to 13% in the 1990's.

Foreign policy: representation in international organisations and on the international scene in general has become more effective with the combined forces of CARICOM states.

Recent developments

- The full accession to membership of Haiti in CARICOM now only awaits the ratification of the accession treaty by the Haitian Parliament, following elections.
- Advances were made in preparations for the setting up and establishment of a Caribbean Court of Justice.
- Soon, all but the last two of the nine Protocols amending the Treaty of Chaguaramas will have been signed by all Member States:
 - Protocol I - Organs and Institutions of the Community
 - Protocol II - Right of Establishment, Provision of Service and Movement of Capital
 - Protocol III - Industrial Policy
 - Protocol IV - Trade Policy
 - Protocol V - Agricultural Policy
 - Protocol VI - Transportation Policy
 - Protocol VII - Disadvantaged Countries, Regions and Sectors

A CARICOM/Dominican Republic Free Trade Agreement has been ratified in 2001 and is now in implementation.

CARICOM Member States adopted the 'consensus of Chaguaramas', reviewing progress and aiming to give new direction to the Community.

Faced with the challenge of a structural transformation and strategical repositioning of Caribbean economies, CARICOM countries are undertaking the necessary efforts to adjust and take advantage of freer trade.



Organisation of Eastern Caribbean States (OECS)

At sub-regional level, the Eastern Caribbean countries are pursuing economic integration through the Organisation of Eastern Caribbean States (OECS). Established in 1981, OECS combines the smallest states in the region and established a Monetary Union. In 1983, the Eastern Caribbean Central Bank was created to maintain the Eastern Caribbean Dollar, the single currency.

The secretariat represents the interests of its member states at CARICOM level and supports Member States in implementing regional integration measures and programmes.

Headquarters: Castries, St. Lucia.

Member states: Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

Associate members: Anguilla, British Virgin Islands.



CARIBBEAN SINGLE MARKET AND ECONOMY (CSME)

The objective of the CARICOM Single Market and Economy (CSME), decided by Caribbean Heads of Government in 1989, is to integrate the economies of CARICOM into a unified market in which people, goods, services and capital move freely, and into a single economy that functions under the same co-ordinated and harmonised economic policies. Underlying this objective is the belief that the CSME will bring a competitive strength allowing CARICOM economies to face up to the challenges of globalisation and the erosion of trade preferences from developed countries.

Nine Protocols were drafted to reform the Treaty of Chaguaramas and so facilitate the adoption of the CSME, providing therefore the legislative and policy framework for non-discriminatory access to a single enlarged economic CARICOM space.

In order to fast track the full implementation of CSME, on 6 February 2002 CARICOM Heads of Government signed four new instruments: Protocol on the Provisional Application of the Revised Treaty of Chaguaramas; Agreement Establishing the Caribbean Regional Fisheries Mechanism; Agreement Establishing the Caribbean Community Climate Change Centre; Agreement Establishing the CARICOM Regional Organisation for Standards and Quality (CROSQ).

The completion of the CSME and its full implementation will be completed by 2005, in time to take full advantage of the opportunities offered through ongoing international trade negotiations.

CARICOM/Dominican Republic Free Trade Agreement

The CARICOM/Dominican Republic Free Trade Agreement (FTA) provisionally entered into force on December 2001 in the Dominican Republic and all CARICOM States, with the exception of Guyana and Suriname. Both countries still need to complete the administrative procedures, while The Bahamas is not a party.

This is the first free trade agreement concluded by Caricom. In addition to making special arrangements for trade in goods and agricultural products, it foresees arrangements for trade in services and for promoting and protecting each other's investments. A Joint Council will supervise FTA implementation.

Regional Negotiating Machinery (RNM)

CARIFORUM countries are pursuing a joint approach to international trade negotiations. This is beneficial for countries that share similarities in production structures and other interests because it reduces negotiation costs and raises effectiveness and visibility. CARICOM established the RNM in 1994. Its objectives are to:

- Provide comprehensive negotiation services to Caribbean countries as a means of facilitating the successful global integration of their economies through trade.
- Provide services in preparing technical documentation, mobilising for a common regional position on various issues, supporting Ministers and Ambassadors and leading negotiations.

The main tasks involve formulating and advising on negotiation strategies as well as leading negotiations not only with WTO, but also with the FTAA and the EU. The Dominican Republic also benefits from the RNM.

Economic integration in the Caribbean

Regional economic integration started with the establishment in May 1968 of the Caribbean Free Trade Area (CARIFTA) involving 12 Commonwealth countries. The creation of CARICOM deepened the regional integration process through establishing a Common Market. Heads of Government of the Caribbean Community gave a greater push towards integration in 1989 with the establishment of the CSME. The CSME should function as a harmonised economic platform to facilitate the integration of the region into the international environment. At the heart of CSME is the protocol on the right of establishment, trade in goods and services and free movement of capital and people.

Integration will be further deepened through the establishment of the Caribbean Court of Justice (CCJ) by 2003, with original jurisdiction and empowered to interpret and adjudicate on the revised CARICOM Treaty and disputes arising from implementation of the CSME.

Regional trade

Although showing positive signs during the 1990s, CARICOM intra-regional trade remains limited. Nevertheless, intra-regional imports averaged about 10% of the region's total imports during the 1990s. Intra-regional imports increased by an annual average of 8% while extra-regional imports grew by 6.74%. During the same period, intra-regional exports increased by an annual average of 9.6%, compared with negligible annual growth for extra-regional exports. Significantly, intra-regional exports in 2000 accounted for 22% of total CARICOM exports, rising from 12% in 1990.

There has been marked difference in the growth rates of the region's total exports to and imports from extra-regional sources during the 1990s with exports growing by only 4% while imports rose by 55%. Trade is expected to increase significantly with the strengthening of CARICOM and the benefits to be derived from the Free Trade Agreement of the Americas (FTAA), the Doha Development Agenda and an Economic Partnership Agreement (EPA) with the EU.

EU-LAC – a new window of opportunity

The EU-Latin America and the Caribbean (EU-LAC) process brings together CARIFORUM/CARICOM relations with their bi-regional partners in Latin America and in Europe. To this end, the Caribbean countries are geared towards engaging in the post-Rio Summit initiatives and taking advantage of the dialogue and co-operation in the areas resulting of the Madrid Summit decisions.

LAC co-operation enables partners to:

- foster a common approach to world problems, share a common support for multilateralism and co-ordinate positions on many important items of the global agenda;
- be part of a partnership that has the conviction that open regional integration plays an important role in growth promotion, trade liberalisation, economic and social development, democratic stability and a more equitable inclusion in the process of economic globalisation;
- foster enhanced economic and trade relations within a wider context and from the perspective of moving towards global liberalisation, but in linkage with co-operation support to deal with the necessary adaptation;
- participate in co-operation programmes which, by concerning a greater number of partners within a larger context, enable to reach critical mass, optimise the use of resources and thus open greater perspectives in terms of achievement and sustainability.

Widening co-operation – OCTs and DOMs

The Cotonou Agreement foresees that regional co-operation and integration can also involve Overseas Countries and Territories (OCTs) and outermost regions. Because of geographic proximity, a shared Caribbean Sea, common traditions and cultural similarities, the Caribbean and the European Union believe that regional co-operation and development should develop in close co-ordination with OCTs and the EU outermost regions that are the French Overseas Departments (DOMs) of French Guyana, Guadeloupe and Martinique.

The Caribbean Overseas Countries and Territories (OCTs)

The difference between the OCTs and the ACP States lies essentially in the special status of the OCTs. While they do not form part of the territory of the Community, they are constitutionally linked with a EU Member State and are not independent countries. Many OCTs became independent in the 1960s as the colonial period came to an end, and joined first the Associated African and Malagasy States (AAMS), which was signed in Yaoundé on 20th July 1963 and then the African, Caribbean, Pacific (ACP) group. Others, however, remained 'overseas countries and territories'. Part Four of the 1957 Treaty of Rome defined special arrangements for the association of the Community with the overseas countries and territories, setting up the European Development Fund (EDF) and providing for measures concerning the right of establishment and trade.

Since then, the European Council has adopted decisions at five-year intervals regulating this association on a basis similar to a certain extent to the ACP-EU Conventions. Of the seven OCTs in the Caribbean, five are British – Anguilla, Cayman Islands, Montserrat, Turks and Caicos Islands, British Virgin Islands – and two are linked with The Netherlands – Aruba and the Dutch Antilles (Curaçao, Bonaire, Saint Maarten, Saint Eustache, Saba). However, since 1991 the OCTs have increasingly differentiated themselves from the ACP, given their different legal status and dimension.

Co-operation between the Caribbean ACP States and the neighbouring French Overseas Departments (DOMs)

Greater regional co-operation in the Caribbean involving ACP States and the neighbouring French DOMs is also encouraged in the Cotonou Agreement. The parties are expected to consult each other on the procedure for promoting such co-operation and, in this context, to take measures in line with their respective policies and situation in the region that will permit initiatives in the economic field, including the development of trade, as well as in the social and cultural fields.

☼ INTERREG III as a framework for Inter-regional co-operation in the Caribbean (DOMs)

The EC INTERREG III programme for the period 2000-2006 presents an operational framework to develop co-operation on the ground. Its overall objectives are to promote a balanced and harmonious development as well as the regional integration of the areas involved, which is in line with the priorities set for the regional programmes under the 9th EDF.

The aim is to contribute to:

- promoting the dialogue between the different countries and territories in the Caribbean liaising with authorities, organisations and actors involved in the region;
- building broad partnerships involving a wide set of stakeholders, not only from the institutional level, but also socio-economic actors and organisations, thereby improving institutional capacity building;
- identifying common issues and problems and developing joint strategies to build a common identity;
- providing support to translate political agreement into active co-operation mechanisms on the ground;
- creating the conditions for joint projects to be implemented involving partners from within the Union supported by the ERDF and those from third countries and territories supported by the EDF.

The focal fields of interest could concern transport (in particular maritime transport and safety), sustainable tourism, environmental protection and the prevention of natural disasters waste treatment, the promotion of renewable energies, as well as information and communication technologies.

☼ A renewed partnership between the European Community and the OCTs: the 'Overseas Decision'

History of an association: Part Four of the European Economic Community (EEC) Treaty created 'the association of the overseas countries and territories'. The purpose of this association is 'to promote the social and economic development of the countries and territories and to establish close economic relations between them and the community as a whole'.

The association is governed by Council decisions adopted periodically in parallel to the ACP/EU Agreements. It covers numerous sectors including environment and health, industry, agriculture and food security, fisheries and trade, transport and communications, mining commodities, energy, tourism and regional integration.

Institutional innovations: The partnership procedure introduced in 1991 has been widened, clarified and strengthened, responding to the OCTs request for improved dialogue with the Community. An annual forum will bring together the main actors of the co-operation, including, if need be, Member States which are not responsible for an OCT, while *ad hoc* partnership meetings may be held on specific issues.

EDF and other financial supports: Aid funds under the 9th EDF have been allocated to eligible OCTs following criteria that are uniform, transparent, objective and fully consistent with the recently agreed guidelines on EU development policy. These guidelines favour the least developed and lower-income countries and focus, inter-alia, on good governance, the environment and the social sectors. Procedures will in future be strongly decentralised, following the model of the European Structural Funds. The OCTs also become eligible for additional funding from other Community budget lines covering a wide range of sectors, as well as support of the EIB, via a new Investment Facility for the private sector as set out in the Cotonou Agreement.

The trade regime: The new association arrangement contains rules of origin and sets new quotas, which are intended to strike a balance between the legitimate interests of the OCTs and Community operators as well as being in the interest of real economic development in the OCTs.



🌐 The ACS – widening regionalism

The Association of Caribbean States (ACS), established in 1994, involves all countries in the Caribbean basin, including the countries of Central America and those in the northern part of South America. Significantly, Cuba is a founding member.

The ACS' goals include enhancing mutual co-operation in economic and trade-related areas such as tourism, transportation, agriculture, sustainable use of natural resources and the prevention/mitigation of natural disasters. ACS activities are limited to co-ordination and co-operation on tourism development, telecommunications and transport. The inclusion of OCTs and DOMs creates an important opportunity for greater consistency and complementarity in overall Caribbean development efforts.

Membership:

Full members (25): The Group of Three (Colombia, Mexico and Venezuela), the Central America Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua), CARICOM, 'Non-grouped countries' (Cuba, Dominican Republic, Panama).

Associate members (3): Aruba, The Netherlands Antilles and France (on behalf of French Guyana, Guadeloupe and Martinique)

Observer countries (16): Italy, The Netherlands, Spain and the United Kingdom, India, Brazil, Ecuador, Argentina, Russia, Canada, Egypt, Peru, Chile, Morocco, Korea, Turkey.

Challenges and opportunities

The most urgent challenges facing CARIFORUM/CARICOM countries are to undertake a strategic global repositioning of their economies and at the same time face the challenges posed by its vulnerabilities.

There is scope for a repositioning that takes into account a number of elements including a well-established economic integration process, a highly educated and skilled labour force, niche marketing, strategic alliances and deeper co-operation involving governments, the private sector and civil society.

This will help the region seize the opportunities of globalisation to ensure economic growth and preserve and deepen democracy despite the threats of vulnerabilities, including transnational criminal activities and financial vulnerability.

Strategic location

CARIFORUM countries' proximity to North America, particularly the US, is an important advantage. Its large consumer market includes numerous Caribbean immigrants. The region is a major tourist destination for North America and offers potential benefits for North American firms to establish operations in the Caribbean. Many of these advantages have yet to be exploited by member countries. At the same time, the region experiences negative effects in the form of exposure to the problems of drug trafficking and money laundering.

Improved education standards

There has been considerable improvement in the education sector during the 1990s, with more than 85% of total investment in education in the region being obtained through public sector financing. All countries have some form of education for their students up to 14 years of age. Many CARIFORUM states have attained the target of universal secondary education. However, a new challenge now will be to bring the level of education of the male population to that of the females. The regional average of education expenditure as a percentage of GDP is about 4%, ranging from 2% in the Dominican Republic to 7% in Jamaica.

Human development

CARIFORUM states have fairly high levels of human development. Based on the UNDP's Human Development Index (HDI), members have performed fairly well with only Haiti falling into the category of low human development.

In 2000, Antigua/Barbuda, Bahamas, Barbados are classified as having high HDIs, however, Dominica, Grenada, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad & Tobago have fallen out of the high HDI classification since 1998. Life expectancy at birth averages over 70 years except in Guyana (65 years) and Haiti (54 years). Adult literacy rates average more than 80%, with the exception of Haiti at 48%.

ICTs opens a window of opportunity

The Caribbean is strategically located to take advantage of corporations looking to outsource information processing tasks using direct electronic communication. Such corporations seek information-friendly environments characterised by well-regulated markets and wide-ranging and integrated systems established, supported by a skilled labour force.

The region has the potential to create jobs provided the regulatory framework is in place and the infrastructure is available. Information and Communication Technologies (ICTs) allow for increased productivity and competitiveness, important elements for a region striving to find an edge in the global market.

CARICOM is in the process of liberalising telecom services, an essential underpinning to a successful ICTs environment. The Caribbean Telecom Union (CTU), created by CARICOM to mainstream the telecom sector, is driving policy reforms.

The purpose of the €750,000 EDF financed Institutional Strengthening of the CTU is the achievement of a regulated and integrated development of the sector. This will be pursued through establishing common and global telecommunications policies, implementing a consistent regulatory framework, developing cost models and tariffs as well as training.

Under the 9th EDF, the EU is prepared to support other crucial initiatives to:

- implement a competitive regulatory framework for communication services, through adopting policies that promote ICTs access through investment and partnerships;
- develop regional centres of excellence for training and education;
- establish and develop the Information Society in a wide range of applications in a framework of global interconnectivity that also fosters regional competitiveness;
- interconnect the Caribbean with the EU-LA @LIS Programme.



Tourism: a great potential

Tourism is a major source of GDP and employment in the region. As one of the most tourism-dependent regions in the world, the sector generates an estimated 25% of GDP and employment for the region. For some of the smaller island states, these figures exceed 50%. The Caribbean has also developed into the largest cruise ship tourist destination in the world, representing 53% of the world's cruise market.

In 1999, the sector accounted for 41% of the capital invested in the region. Tourism is labour intensive and encourages sectoral linkages, local entrepreneurship in agriculture, restaurants, entertainment, transport, sports facilities, trade and crafts. More local resources could be used; for example, hotels should increasingly rely on local inputs in terms of food.

The industry is expected to grow 4-5% in the next 10 years. The challenge is to maintain the region's competitiveness as a tourist destination, which involves fair competition practices, meeting environmental challenges, improving accessibility to some areas, developing utilities, using local resources more effectively, improving local infrastructure and addressing crime.

An EU programme under the 8th EDF (€8 million for 2002-2008) supports the development of a regional policy for sustainable tourism development and will strengthen the capacity of public and private sector institutions and associations.

Serious social challenges

Despite acceptable levels of human development, CARIFORUM member countries have experienced serious social problems in recent years. These include high levels of poverty, unemployment, growing inequality in the distribution of wealth and income, rising crime, increasing drug use, rising incidence of HIV/AIDS and curable/preventable diseases such as tuberculosis.

HIV/AIDS

The Caribbean is the hardest hit area of the world, after Africa, by the HIV/AIDS pandemic. In 2000, an estimated 2% of the region's population – more than 500,000 people – were infected. The rate of the disease is sharply increasing, particularly among the most productive age groups. It is the chief cause of death for men and women between the ages of 15 and 45.

The pandemic has spread to the general population in five countries where 5% or more of the population are infected – Haiti, Bahamas, Barbados, Dominican Republic and Guyana. By the year 2020, HIV/AIDS may account for 73.5% of deaths.

Governments in the region have put forward a CARICOM HIV/AIDS Regional Strategic Plan that emphasises prevention and control and developed a regional response.

To date, the European Commission and Member States provide the majority of external funding to assist the region, with more than €11 million committed or disbursed. In 2000, a €6.9 million project under the 8th EDF provided technical, material and financial support to six regional institutions to help co-ordinate, plan, implement and monitor a region-wide response.

The fight against drugs

Drug trafficking and consumption are increasing in the Caribbean. Cocaine shipments through the region have increased dramatically since the late 1990s – an estimated two-thirds of all cocaine leaving South America passes through the region, making it the world's biggest cocaine transit hub. The cocaine trade accounts for 85% of all income generated by drug trading and related activities in the region, while marijuana is commonly produced throughout the region.

Consumption is on the rise in the region. The use of crack and cocaine is increasing, but marijuana is the most prevalent. Drug traffickers typically use cocaine for transshipment payments, which has led to increased consumption. Growing trafficking and consumption has contributed to higher levels of violence by both drug organisations and addicts and increasing inflows of illegal firearms. Drug related corruption is also on the rise.

EC financing or co-financing of the Barbados Plan of Action (BPA)

Project	Beneficiary Countries
Treatment & Rehabilitation	T&T, Barbados, St. Lucia, Jamaica, DR, Bahamas, Haiti
Drug Abuse	All CARIFORUM countries
Epidemiological Surveillance System	
Penal Reform and Drug Treatment for Offenders in the Caribbean	Barbados, Jamaica, Dominican Republic, Grenada, St. Lucia, Dominica, St. Vincent, Trinidad and Tobago
Ganja Study	Region
Demand Reduction	Bahamas, Belize, Dominica, Dominican Republic, Jamaica, St. Lucia, Suriname, Trinidad and Tobago
PMO: Project Management Office (Maritime Co-operation)	All the Caribbean countries and territories
Training for National Joint Headquarters	12 Caribbean countries
CCLEC Regional Clearance System.	All Caribbean countries and some from Central America
CALP: Caribbean Anti-Money Laundering Programmes	25 Caribbean and Latin-American CFATF countries
Precursors Control Mechanism	11 Caribbean countries
Forensic Laboratories Upgrading Programme	17 Caribbean countries
Integration and Harmonisation of Forensic Services in the Caribbean.	All Caribbean members of CCLFH
CCM Caribbean Co-ordination Mechanism	All Caribbean countries involved in the BPA





The EU has contributed significantly to enhancing the capacity of the Caribbean region for an integrated and balanced approach of supply and demand reduction. Capacity has also been strengthened in the areas of maritime co-operation, money laundering and epidemiological surveillance.

The 1996 Regional Plan of Action on Drug Control – the Barbados Plan of Action (BPA) – identified a regional approach and has deepened regional co-operation. The European Community has been the main donor in support of the BPA. Long-term objectives are to ensure that drug-related policies become fully integrated into regional development strategies as well as into the social, economic and political fabric of Caribbean society.

In the framework of the Panama Plan of Action, drugs control efforts will be co-ordinated with similar efforts in Latin America through the EU-LAC Coordination and Co-operation Mechanism.

Food security in Haiti

Almost 80% of Haitians live below the poverty line. Food insecurity is a fact of everyday life, in this country where food production has stagnated for almost 20 years. Since 1995, the EU has allocated €36 million to put into place a national food security strategy, in partnership with the government and NGOs.

Political and institutional instability has created an obstacle to realising this goal, however, the rural development sector has benefited from the EC Food Security and Aid budget lines in the form of direct aid to the State and indirect funding via NGOs.

Humanitarian assistance and disaster mitigation

The European Community Humanitarian Office (ECHO) has funded about €6 million for the ACP Caribbean countries for natural disasters: drought in Guyana, the volcano eruption in Montserrat, Caribbean hurricanes including Georges, Floyd and Michèle, and Keith and Iris in Belize.

Through DIPECHO (Disaster Preparedness ECHO) the EU is funding small-scale projects implemented by NGOs or international organizations aiming at training, awareness-raising, setting up early warning system and institutional strengthening. The current DIPECHO programme has an amount of €2.1 million for the region, in addition to €900,000 for Cuba.

Under 8th EDF financing, a Radar Network System project is replacing the obsolete weather radar network in the region by a modern and electronically combined system, forming the primary tool in the severe weather early-warning system to cover the Caribbean ACPs and OCTs, connected with the French DOMs.

Free Trade Area of the Americas (FTAA) – a path to greater opportunities

The effort to unite the economies of the western Hemisphere into a single free trade agreement began at the Summit of the Americas, held in December 1994 in Miami. The Heads of State and Government of the 34 countries in the region (except Cuba) agreed to a Free Trade Area of the Americas (FTAA), in which barriers to trade and investment will be progressively eliminated. Negotiations are to be completed by 2005.

Participants are committed to a more open and balanced global trading system and believe that attaining the broader FTAA objectives will strengthen democracy and realise human potential. A broad economic and social agenda underpins the economic negotiations, providing for improved living and working conditions and environmental protection.

A general objective is to create mutually supportive trade liberalisation and environmental policies reflecting work undertaken by the WTO and to protect workers rights through a commitment to core labour standards as provided for by the International Labour Organisation. Significant progress has been made on issues such as customs, rules of origin, intellectual property, investment, government procurement and technical standards.

CARIFORUM: summary of Social Indicators (1999)



Countries	Life expectancy (years)	Infant mortality / per 1,000 live births	Literacy % adults	Population in poverty % National Poverty line	Unemployment rate %	Urban population %
Antigua and Barbuda	76.0	16.1	95.0	..	7.0	36.6
Bahamas	74.0	17.6	95.5	..	7.8	88.1
Barbados	76.5	10.0	97.0	..	9.3	49.5
Belize	74.9	27.8	92.7	..	11.5	53.4
Cuba	75.7	6.0	97.0	..	..	..
Dominica	76.0	24.0	94.0	..	..	70.7
Dominican Republic	70.9	40.1	82.8	20.6	13.8	64.4
Grenada	72.0	13.2	96.0	..	11.5	37.5
Guyana	64.8	56.8	98.3	..	..	37.6
Haiti	54.0	97.1	47.8	80.0	70.0	35.1
Jamaica	75.0	20.4	86.0	34.2	15.7	55.6
St. Kitts and Nevis	70.0	12.7	90.0	..	..	34.1
St. Lucia	70.0	16.4	82.0	..	18.1	37.7
St. Vincent & Grenadin.	73.0	19.6	82.0	..	..	53.5
Suriname	70.3	25.0	93.0	..	20.0	73.4
Trinidad and Tobago	74.0	15.7	93.4	21.0	12.8	73.6

(.): data not available
Sources: Pooth and Kirton,
March 02: HD Report, 2001

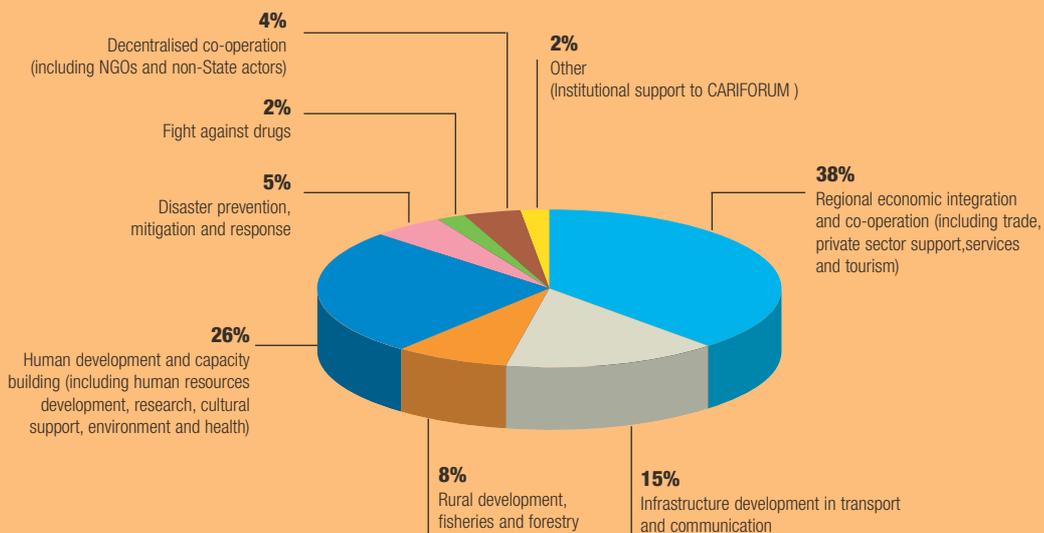
Development co-operation

Through the successive European Development Funds (EDF), replenished every five years, the EU is the principal grant donor to the Caribbean. At the level of financial and technical co-operation, assistance from the EU to the ACP states and OCTs of the Caribbean in the first 25 years of co-operation (1976-2000) amounted to €2,348 million. EU assistance has focused primarily on transport and communication infrastructure, business development and tourism, agriculture and fisheries development, health including HIV/AIDS, governance, environment, drugs control and the development of human resources.

EU development co-operation 1976-2001

Instruments of co-operation	€ million
Programmable co-operation (individual countries)	1,234
Regional co-operation	353
Programme in support to the Caribbean rum industry	70
Stabilisation of export earnings (Stabex and Sysmin)	252
Structural adjustment	165
SFA bananas	132
Emergency aid	117
Drugs control	25
Total	2,348

Regional co-operation



Caribbean Regional Indicative Programmes

EU financing of the Caribbean Regional Indicative Programmes started in 1975. Overall, the objective of EU-CARIFORUM co-operation has been to contribute the sustainable social and economic development of the region with a view to improve the living conditions of the people in the region and promote a beneficial integration into the global economy.

Co-operation under the 1st Financial Protocol of LOME IV – 7th EDF

The focal sectors for Community aid under the 7th EDF Regional Indicative Programme signed in July 1992 were agriculture, trade, tourism, human resource development, environment and telecommunications, for which a global envelope of €105 million was made available. The main projects financed covered agriculture and fisheries development (€22.2 million), tertiary education (€27 million), trade development (€14 million) and tourism development (€11 million) and environment (€9.1 million).

Co-operation under the 2nd Financial Protocol of LOME IV – 8th EDF

The main objective of the EC regional co-operation under the 8th EDF (€90 million) was to support the economic and social integration process, particularly in areas which assist the regional economy in becoming more competitive and contribute to future sustainability:

- Regional economic integration and co-operation, aimed at assisting the liberalisation of the intra-regional movement of factors and services, the development of export led activities, the enhancement of capacity to participate in global and hemispheric arrangements, the integration of regional transport, communications and information networks and policy development for facilitating strategic partnerships between the public and the private sector.
- Human development and capacity building, aimed at improving the human capital factor and the regional institutional capacity, as major assets for the long term sustainability of the region's economic development.



The impact of EC regional co-operation in the Caribbean has been positive, contributing to develop mechanisms and co-ordinated action that enabled the region to advance in the integration process and to widen the economic links, facilitating the process of integration into the world economy.

To support the ongoing process of adjustment to a new trade regime, a number of additional instruments to have been allocated or earmarked for the Caribbean region: the Special Framework of Assistance (SFA) for traditional suppliers of bananas (an average of €33.5 million per year since 1999) and the integrated sector specific programmes for rum and rice.

EC co-operation has also been an effective vehicle for promoting regional cross-border relations between the Dominican Republic and Haiti and for facilitating the widening of the Caribbean integration process (membership of Suriname and Haiti in CARICOM and the FTA with the Dominican Republic). The involvement of these countries in the regional dialogue process and in co-operation activities fostered awareness of common interest and nurtured mutual confidence.

EC co-operation with the Caribbean from 1976 to 2001

Funding country programmes

€1.2 billion was allocated to projects at country level in several areas, including:

- transportation and communications;
- social infrastructure;
- resources development;
- education;
- health, including HIV/AIDS;
- energy;
- livestock and agriculture;
- tourism.

Funding regional programmes

€353 million was allocated to the Caribbean region for regional integration and co-operation in the areas of:

- facilitating business and trade;
- developing an integrated third level education system;
- improving transport infrastructure;
- developing tourism;
- disaster preparedness;
- drugs control and health;
- enhancing cross-border relations between the Dominican Republic and Haiti in the island of Hispaniola and incorporating both nations into the Caribbean integration process.

Co-operation under the Cotonou Partnership Agreement – 9th EDF

The Cariforum region has been notified of an initial indicative resource allocation of €57 million. The dialogue and preparations for the 9th EDF programming started in 2000 with comprehensive discussions on how to best support the region in confronting its challenges and taking advantage of emerging opportunities. Overall, the intensification of integration, through deepening and facilitating economic integration and widening the trading and co-operation scope, will be the areas receiving priority attention in the co-operation of the EC with the Caribbean region. Addressing main concerns for regional stability is also expected to receive EC support to:

- create a liberalised and harmonised regional economic space targeting scale and efficiencies in order to promote investment, sustainable economic growth and employment;
- secure upon this basis the most effective negotiating arrangements with the neighbouring Latin American, within the Hemisphere, in the WTO and with the EU;
- promote a structural transformation and the global repositioning of the regional economy, by improving the business environment and competitive climate, facilitating trade, reinforcing regional competitiveness and enhancing the capacity of the regional economic operators;
- reinforce the regional efforts in drugs control, area that requires an effective regional response to a vulnerability that threatens the political and social fabric of the Caribbean society and poses severe constraints on the creation of a business environment conducive to investment and sustainable growth.

For this to be achieved, it will be necessary to promote an enhanced policy dialogue and synergies with initiatives developed at the national level, as well as to secure value-added to the region through greater complementarity in donor support.

Trade – an overview



The current trade and economic framework between ACP countries and the EU is based on the principle of regional integration, which fosters the creation of larger and more unified regional markets. In 2000, the EU imported more than €3 billion worth of goods from CARICOM (including Haiti) and about €300 million from the Dominican Republic. Europe exported almost €3.5 billion to CARICOM and €1.116 billion to the Dominican Republic.

The main imports were aluminium, rum, sugar, bananas and oil. Exports included various industrial goods. Trade in services increased significantly during the 1990s, while EU direct investment in the Caribbean in 1999 amounted to more than €1 billion.

Caribbean ACP States benefit from the preferential trade agreements set out in the Cotonou Agreement, taking the form of zero tariffs for the vast majority of products, including all industrial goods.

On the ACP-EU Economic Partnership Agreements (EPAs) envisaged under the Cotonou Agreement, see page 7.

Relationship with the WTO

All but two CARICOM member states are WTO members. The implementation of WTO commitments remains a major challenge as the region seeks special treatment through longer transitional periods for implementing liberalisation measures and effecting compliance with new standards.

To ensure WTO compliance, countries must strengthen their legislative and institutional capacities. Technical assistance is required as is improving the countries' capability to conduct trade negotiations.

European Commissioner for Trade Pascal Lamy described the opening of the ACP representation office in Geneva in January 2002 as 'a contribution to assist you in shouldering the burden of investing in capacity building'. The office strengthens ACP countries' representation in Geneva and will help them become active – and stay active – in trade negotiations.

The EU has also been the main contributor to the WTO Trust Fund for technical assistance on WTO's Doha Development Agenda (2002), and has allocated €10 million to a programme on ACP integration into the multilateral trading system.

Trading rules on bananas

The export of bananas is vital to the economic, social and political fabric of many countries, some of which depend on the industry for more than 50% of export revenue. There is a critical need to improve competitiveness as well as to diversify economies.

The former EU's trading rules on bananas benefited the Caribbean but have been at the centre of a storm of controversy in the international arena. However, the present tariff and quota system will be maintained until 2006, when the banana trade regime will be based solely on tariffs. During this transitional period, the reservation of one quota for the ACP with a waiver obtained in the WTO will benefit the region.

In 1999 the EU Council of Ministers decided to support traditional ACP banana suppliers under a Special Framework of Assistance (SFA), designed to facilitate their adaptation to new market conditions. Through the SFA, the EU has been providing them with a yearly average of €33 million, aimed to promote diversification, enhance productivity and mitigate social dislocation. Seven Caribbean countries benefit from the SFA: Belize, Jamaica and Suriname, plus the Windward Islands of St. Lucia, St. Vincent and the Grenadines, Grenada and Dominica.

Sugar Protocol

To date, many Caribbean countries benefit from the Sugar Protocol (SP) that provides for specific quantities of sugar to be imported into the EU at a guaranteed price. The SP has assured the ACP countries with a stable and relatively high level of sugar export earnings. The guaranteed export price is much higher than the world market price and more or less stable, while the annual quota of the SP is fixed.

Because SP prices are much higher than the world market price, the arrangement has represented an income transfer to its beneficiaries. In 1997 and 1998, the income transfer to ACP countries and India was more than €500 million per year.

Dealing with WTO issues

The EU is providing funds to help ACP States deal with WTO issues (€10 million). Even more substantial support is forthcoming through the national and regional support programmes.

Boosting ACP's WTO presence

The funding in January 2002 (€1.45 million) of a Geneva-based office to help ACP countries boost their WTO presence is an important step towards fulfilling the EU's commitment to put development issues at the heart of multilateral trade negotiations. In the context of the WTO's Doha Development Agenda Global Trust Fund, the EU and its Member States account for 63% per cent (almost €14 million) of the money recently pledged by WTO members for 2002 in terms of for assistance on WTO negotiations.



Rum – support for a valuable export

Rum has been exported to Europe for more than 300 years. The industry employs, directly and indirectly, 50,000 and is the fourth largest traditional export, bringing in more than US\$260 million a year in foreign exchange. For 20 years, under the Lomé Convention, rum was subject to restricted access to the EU market free of customs duties by means of quotas.

On January 1, 1995, imports of light rum were fully liberalised, while traditional heavy rum continued to be subject to tariff quotas increasing annually until complete liberalisation by January 1, 2000. In 1996, both the US and the EU agreed to liberalise their markets for certain spirits under the zero-for-zero agreement.

Under the Cotonou Agreement, the EU and its ACP partners signed a Joint Declaration on Rum (XXV) that recognises its value in competing in the global economy and the need to develop the industry further, particularly through modernisation and better marketing. The EU has committed €70 million to a rum-specific programme.

Support for Caribbean rice growers

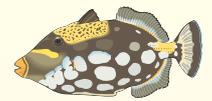
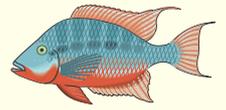
The largest rice producing countries are Dominican Republic, Guyana and Suriname, the latter two of which export to the EU. In view of the gradual erosion of preferences, a sector-wide programme for the reinforcement of efficiency and competitiveness of the Guyana and Suriname rice sectors is in appraisal. The EDF financed a diagnostic study of the CARIFORUM rice industry and plans are under way for a programme to support the development of the rice industry in those countries.

Fisheries – facing the challenges

In several CARICOM countries, the fishery sector has been increasing in importance. In 1997, fish exports amount to about €50 million. The main fish exporting countries are Bahamas, Guyana, Belize, Jamaica, Suriname, Haiti, St. Vincent and Antigua and Barbuda. Access to markets is partly determined by health standards in importing countries. In 1991 the EU introduced harmonised health standards for fishery products that also applied to imports from third countries, affecting their access to its market. To address the problems of weak health controls for fishery products in ACP countries, in December 2001 the EU launched a five-year, €44.8 million project to address:

- the lack of legal, technical, financial and organisational resources to meet the import health conditions required by developed country markets;
- the lack of skills and capital for investment in the industry itself to respond to the higher level technical requirements;
- weak integration of small scale fisheries in international trade systems, resulting from poor fisheries and social infrastructure in landing sites, as well as lack of marketing and processing skills.

The EC funds the Caribbean Agriculture & Fisheries Programme (CAFP) aimed at strengthening the economies of CARIFORUM countries through enhancing the agriculture and fisheries sectors. CAFP funds the CARICOM Fisheries Unit (€22.2 million), which aims to strengthen the planning and management capacity of national fisheries departments with a view to managing the region's coastal and marine fisheries resources in the most efficient and sustainable way possible.



Financial instruments



EDF Private sector support instruments

EU-ACP Business Assistance Scheme (EBAS)

This facility aims to increase the competitiveness of ACP enterprises and to strengthen the capacities of the private financial and non-financial intermediaries. It uses a matching grant scheme that encourages enterprises and intermediaries to use short-term consultancy services to improve their competitiveness. Grants up to €70,000 are available to enterprises and there is no limit to the size of grants to intermediaries. The total EBAS budget is €20 million.

PRO€INVEST - Promotion of foreign direct investments

The programme, open to all ACP countries, promotes on a regional basis sustainable and environmentally friendly investment and inter-enterprise co-operation agreements in key sectors aimed to increase the competitiveness of ACP economies. This includes strengthening the role of Investment Promotion Agencies, intermediary private organisations and providers of investment-related business services (INTERPOWER).

The programme focuses on those sectors and EU-ACP investments and partnerships that will contribute to the attainment of wider social objectives of ACP countries (INVEST€TECH). Operational since the beginning of 2001, it has a budget of €110 million over a seven-year period.

The Investment Facility

The Investment Facility, managed by the European Investment Bank, will stimulate regional and international investment, reinforce the capacity of local financial institutions, strengthen local and financial and capital markets, encourage foreign investment and aid the development of the private sector by financing projects and commercially viable enterprises and companies.

It will achieve these objectives by providing risk capital in the form of conditional and subordinated loans, equity participations, quasi-capital assistance or guarantees and other credit enhancements both for foreign and local investors or lenders. Beneficiaries will be small businesses, local financial institutions and enterprises undergoing privatisation.

The Investment Facility will have an initial endowment of €2,200 million from the 9th EDF. It will operate as a revolving fund and aim to be financially sustainable.

This new instrument offers ACP countries security regarding the amount of funding available for private sector development over the short, medium and long terms.



CDE – a positive impact on SMEs

For 25 years, the Centre for the Development of Enterprise (CDE), formerly the Centre for the Development of Industry, has been providing technical assistance to the private sector in ACP countries. Between 1977 and 2001, CDE has been very active in the Caribbean by providing support to about 500 local companies for more than €18 million, of which €12 million were from its own resources.

CDE, set up as a jointly staffed and managed ACP-EU institution, provides a high level of expertise to companies across a wide range of sectors. It focuses on SMEs with at least €80,000 turnover or investment and a minimum of five employees, as well as on companies developing new projects. Assistance includes pre-feasibility/feasibility studies, market and technology advice, finance and environmental studies.

It facilitates private sector development through sectoral programmes, including partnership meetings, and operates through a network of contacts in both ACP and EU countries. The main focus has been in the manufacturing sector - agro-processing, wood products and mining - however with an expanded mandate, the tourism sector has since been included.

With the PRO€INVEST programme now managed by the Centre, a significant additional emphasis will be placed on encouraging new investment in the region.

Under the successive Lomé Conventions, the European Investment Bank has been, together with the Commission, a significant source of finance for all the Caribbean ACP countries. Since 1975, when the first Lomé Convention was signed, loans totalling €585 million have been made available from the EIB's own resources (finance which is raised on international capital markets), and €270 million from risk capital (financed from the successive EDFs). The first loan was actually signed in 1977 and since then there has been a gradually rising trend in the amounts provided (with some particularly large projects being financed in 1996).

The main focus of EIB operations, accounting for a third of the total amount signed, has been financial support for SMEs through local financial intermediaries. It is estimated that more than a thousand small Caribbean businesses have benefited from these lines of credit over the last twenty five years. Generally, the intermediaries have been the national, government owned development banks which were established in most Caribbean countries after independence.

These development banks, however, now need to broaden their scope and sources of finance or else face an increasingly uncertain future. Regional institutions, including regional venture capital funds, are emerging and investing in SMEs and the private commercial banks are also increasingly involved. The Bank's role has also broadened in recent years; on the one side it has now invested in several venture capital initiatives in the region, on the other it is supporting micro-finance institutions in the Dominican Republic, Trinidad and Guyana. Looking to the future, the Bank expects to play an important role in the deepening and strengthening of financial markets, particularly at the regional level.

The same trend towards greater involvement of the private sector can be seen in the second focus of EIB lending in the region, support for infrastructure and utilities. The power and energy sector (accounting for €250 million since 1975) has been the most prominent, and the Bank has financed projects in this sector in twelve out of the fifteen ACP

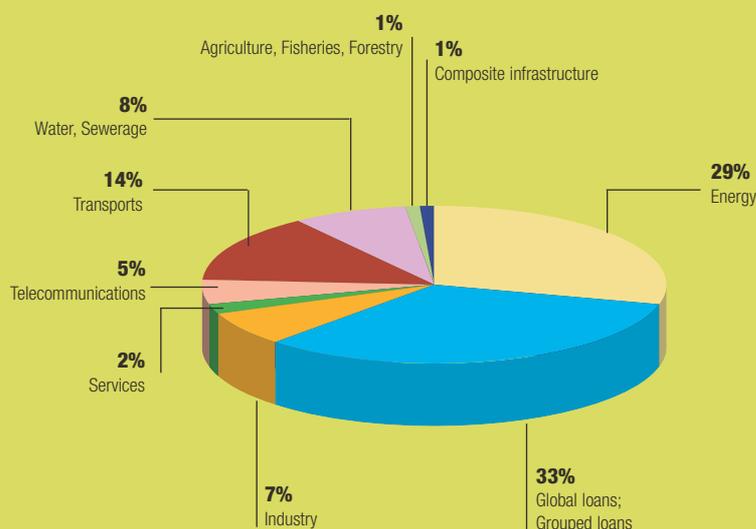
countries in the region – ranging from gas and refinery projects in Trinidad to small diesel power stations in most of the OECS countries. This sector is followed by transport (€116 million), where, in particular, the development of the Kingston Container Terminal in Jamaica into a major international transshipment centre, has been supported by three major loans from the EIB. See diagram below.

In utility projects there are different interests to reconcile between the wish of governments and consumers to have economic services provided efficiently and at the lowest possible costs and the interests of those who provide the capital and skills to be suitably remunerated for their investments. In the case of water and sanitation projects there are additional issues in maintaining the sustainability of the resource and high environmental standards, which are demanded not least by the tourism sector on which many countries depend. These dilemmas are particularly acute in the small island countries where the scope for competition is necessarily limited. Involvement of the private sector is important, but in many cases stable, long term solutions to these various issues have still to be found.

Taken as a whole the Caribbean region is extraordinarily diverse with all sectors and types of economic activity to be found somewhere in the region. But the individual economies remain rather narrow and too dependent on a small range of sectors or crops. Hence the theme throughout this brochure of the need for the individual Caribbean economies to diversify and to respond to changing international markets and trading regimes. As the above discussion shows and the chart illustrates, the EIB already has a wide experience in a diverse range of productive sectors in the region, as well as in the regional financial sector. These attributes together form a good base for the EIB to continue to support the development, diversification, integration and mutual co-operation of the Caribbean economies in the future.

Year	Risk Capital	Own Resources
1975		
1976		
1977	1.0	
1978	3.2	8.0
1979	0.1	2.5
1980		10.0
1981	0.2	
1982	8.4	12.0
1983	1.6	2.0
1984	3.9	4.0
1985	8.4	29.6
1986	2.0	21.5
1987	8.1	16.9
1988	4.9	6.0
1989	13.4	31.0
1990	1.0	4.2
1991	3.1	53.0
1992	5.8	
1993	11.3	24.0
1994	35.3	10.5
1995	30.9	33.0
1996	5.0	187.5
1997	4.0	
1998	12.0	49.0
1999	18.3	10.0
2000	44.3	40.0
2001	43.0	30.0
TOTAL	269.0	584.7

Sector distribution in the Caribbean - Years 1975-2001







ACP States

Overseas Countries and Territories (OCTs)

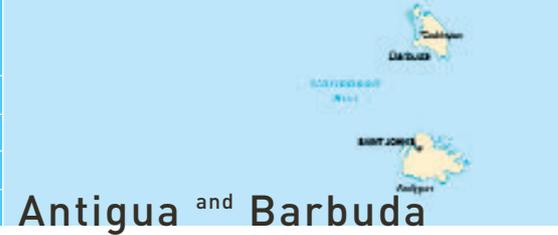
French Overseas Departments (DOMs)

Co-operation with ACP States

Co-operation with Overseas Countries and Territories (OCTs)

Co-operation with the French Overseas Departments (DOMs)

Date of independence	November 1, 1981
Capital	St. John's
Area	442 km ²
Population	68,000 (2000)
Language	English
Main economic activity	Tourism
GNP per capita	€10,625 (2000 est.)



Antigua and Barbuda



Background

With its estimated 365 beaches, Antigua is known as the classic holiday island. Traditionally the economy was highly dependent on the cultivation of sugar and cotton, however, over the years the economy has shifted to tourism and related services. The tourism industry accounts for about 76% of GDP and employs 25% of the active labour force.

Antigua and Barbuda benefit from duty- and quota-free access to the EU market for all its manufactured goods and the vast majority of its other exports. Export oriented manufacturing industries (garments, paint, furniture, bedding, galvanised sheets) thrived in the 1980s.

During the 1980s Antigua recorded impressive rates of economic growth (annual average 9%), due mainly to increases in luxury tourism, manufacturing and a heavy inflow of foreign investments, including government borrowing. However, despite the relatively high per capita income by Caribbean standards, over-dependence on the tourism sector, combined with the early 1990s global economic recession, exposed the country's vulnerability.

Growth recovered in the latter part of the 1990s, averaging 5%, largely as a result of post-hurricane reconstruction activity and increased stay-over arrivals, however in 2000 hurricanes again led to the disruption in tourism revenues with GDP growth down to 3.5%.

In 2000, EU imports from the country amounted to €6.1 million, while exports totalled €502.3 million (1).

Challenges and opportunities

The government has accumulated a huge foreign debt that if not drastically cut may adversely impact on the country's ability to develop its economic and social infrastructure to the standards needed to meet its growth requirements. In 1994, having failed to maintain the prescribed structural adjustment programmes, the country lost the co-operation of the Bretton Woods institutions and was given a zero-credit rating. Since then, it has had to borrow on the open market at commercial interest rates.

The government's medium-term strategy focuses on economic diversification, rationalisation of public expenditure and equitable distribution of resources. This entails introducing programmed budgeting, new taxes and improving the collection of existing taxes. Economic diversification is being pursued through the offshore financial services and information technology and telecommunications based service industries, in parallel with the measures to enhance the country's human resources.

Development cooperation

Since 1976, the EU support has totaled about €26.8 million. In the past, assistance has focused on human resource development, infrastructure and agriculture.

Assistance under the Lomé I and II Conventions was directed at water conservation and distribution, road rehabilitation and livestock development. Under Lomé III, about 80% of grant funds were allocated to the improvement of the road network. The remainder was used to finance technical assistance in the area of statistics, in particular for the implementation of a demographic census.

Assistance under Lomé IV and Lomé IVbis has concentrated on human resource development. The Antigua Hotel Training Centre was completed in 2002, which will enhance the quality of service in the hotel and restaurant sector and increase the numbers of trained workers. A project to expand the scope and quality of vocational education and training is planned and a small amount of assistance has been earmarked to support drugs control.

The objective of assistance in the human resource sector is to lessen social disparities, widen employment access and opportunities and provide sufficient human capital to diversify the economy.

European Investment Bank assistance to Antigua and Barbuda includes a risk capital loan to finance the installation of radar navigation facilities at V.C. Bird International Airport. A Lomé IV risk capital loan of €3.4 million for the Antigua component of the regional waste disposal programme was signed in 1995.

(1) Most EU «exports» is accounted for by the movement of yachts, cruise, ships, etc., registered as trade.

Antigua and Barbuda
Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	3.2	2.7	4.5	3.5	4.5	3.0
EIB loans: risk capital			1.5	3.4		
Other (emergency aid, NGO projects, AIDS control programme)			0.1	0.4		
Total	3.2	2.7	6.1	7.3	4.5	3.0
Grand Total						26.8

* A and B envelopes

Figures do not include regional projects and programmes of direct, or indirect, benefit to Antigua and Barbuda



Date of independence	July 10, 1973
Capital	Nassau
Area	13,939 km ²
Population	298,000
Language	English
Main exports	Fish, citrus, rum and tobacco
GNP per capita	€16,500

Background

The Commonwealth of the Bahamas comprises 700 islands and about 1,000 cays of which only 30 are inhabited. The total area of the Bahamas is 13,939 km² and its population of 298,000 people is essentially of African (86%) and European (12%) origin.

The Bahamas has a parliamentary system of government in which the Governor General is the head of state and represents the Queen of England. The Prime Minister is the head of the Executive and is the leader of the party commanding the largest number of seats in the legislature. Independence was won from Britain in July 1973, ending 325 years of British colonial rule, and the domination of the polity, society and economy by a small elite that controlled it from its very foundation as a colony, based on plantation slavery. Universal adult suffrage was granted only in 1962, which was much later than in any other part of the Commonwealth Caribbean.

In 2000, EU imports from the country amounted to €931.7 million, while exports totalled €632 million.

Challenges and opportunities

Tourism is the dominant sector of the economy, which also depends on banking and finance – and, due mainly to the proximity of the North American market, has developed into a successful year-round industry. However, the fact that the Bahamas is over-dependent on American tourists can be negative for the country in times of economic slowdown in the US, as the recent reduction in the flow of tourists after 11 September 2001 as shown. The country needs, therefore, to diversify its sources of tourists in the future.

Banking secrecy rules are very carefully observed. State corporations are required to publish their accounts consistently with good financial practice. The country has scored very highly in the management of its affairs by the main independent rating agencies such as Investor Services. It is generally commended for sound management of the economy by the multilateral agencies, and for transparency in governance. It needs to maintain such high standards in the future.

The Bahamas co-operates with the United States in the control of drug trafficking within its territorial waters. It has also instituted legislation to protect the country from being used for money laundering and the concealment of income derived from illegal activity.

Development co-operation

Due to its high per-capita income, the Bahamas is classified today by the multilateral development institutions as a middle-income country. As at the end of 2000, EC-Bahamas cooperation, which has been in place for a quarter of a century, had provided a total of €75.3 million, allocated as the table at the end shows.

The most recent assistance package under the 8th EDF was targeted at the Acklins Island Road Rehabilitation Programme, to which €2.2 million was allocated. This island is one of the least developed and most remote among the Family Islands but is deemed to have considerable tourism potential. On the signing of the National Indicative Programme under the 8th EDF, the Government of the Bahamas had as its focus:

- development of the infrastructure of the Family Islands to help stem the tide of migration to the more developed islands of New Providence and Grand Bahama;
- strengthening of social and economic development through human resource development;
- privatisation of government utilities, with worker participation in share ownership;
- poverty alleviation with special regard to conditions in the Family Islands.

The funds committed have to be fully used and there are resources remaining from the 8th EDF. Some relate to a regional project – the construction of a new building for the Bahamas Law School. The Government is required to allocate counterpart funds for this project. Apart from EDF funding, the Bahamas has availed itself of loans from the European Investment Bank largely to support developments undertaken by the Bahamas Electricity Corporation and the Water and Sewerage Corporation in expanding the reach of their services.

The 9th EDF country support strategy currently being elaborated between the European Commission and the Government will focus on capacity strengthening in the Family Islands.

The Bahamas

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou
National Indicative Programme	1.8	2.1	4.0	4.4	4.5	4.5
EIB loans and risk capital	1.1	-	18.6	34.0		
Other (ECHO 1999)	-	-	-	0.3		
Total	2.9	2.1	22.6	38.7	4.5	4.5
Grand Total						75.3

Date of independence	November 30, 1966
Capital	Bridgetown
Area	432 km ²
Population	267,900
Language	English
Main exports	Sugar, clothing, electronic parts, rum
GNP per capita	€10,633



Barbados



Background

The country has maintained a remarkable tradition of parliamentary democracy that dates back to 1627. The economy has traditionally been dependent on sugarcane cultivation and related activities, but has recently diversified into manufacturing and tourism.

Tourism is the largest foreign currency earner and the main driver of growth, accounting for about 15% of GDP. Offshore finance and informatics are important foreign exchange earners and there is a significant light-manufacturing sector. Real GDP growth for 2000 was 2.5%.

Following the economic decline in the late 1980s, a structural adjustment programme was launched, aimed at economic stabilisation. However, this led to a significant fall-out in the social sector with soaring unemployment.

Under the Lomé Convention, Barbados benefits from duty and quota free access for manufactured goods to the EU. The European market accounts for approximately 20% of imports and 15% of exports.

The Sugar Protocol and an annual quota of 50,312 tonnes (reduced to 49,300 tonnes under the Cotonou Agreement) provide the largest and most lucrative market for exports. The implicit subsidy is estimated to be one-sixth of the value of total exports. EU imports from Barbados in 2000 totalled €69.2 million; exports amounted to €169.8 million.

Challenges and opportunities

The country's achievements remain fragile owing to the inherently vulnerable nature of small island economies. Both the sugar and manufacturing sectors are experiencing serious difficulties with the sugar industry struggling to produce enough for preferential export markets (mainly the EU), while the manufacturing sector still suffers from a lack of competitiveness.

The government continues its efforts to reduce the high unemployment rate, encourage direct foreign investment and privatise remaining state-owned enterprises. In the past decade high labour costs have become a serious constraint to development.

As one of the most developed countries in the region, the island is known for its high level of education and health services.

Development co-operation

Since 1976 financial resources allocated by the EU to projects, programmes and operations total €115.8 million. Almost two-thirds of this has been provided through the European Investment Bank (EIB) in the form of subsidised loans or risk capital. EU assistance has focused on agriculture, trade and industry, social infrastructure, transport and communications, energy, tourism, and human resources development. In the area of rural development, major projects have been funded in the fisheries, agriculture and livestock sectors.

The government sought assistance under Lomé I to upgrade health care provisions. A livestock development programme to encourage self-sufficiency in beef and lamb production and reduce imports provided technical assistance and marketing support, as well as credit support to about 400 farmers.

An export-oriented trade and industrial development strategy launched by the government and the private sector, supported by Lomé III and IV, provided marketing and technical assistance in the area of rum promotion and product development. Selected industries also benefited from expert advice, scholarships and marketing assistance.

To counterbalance the social effects of the stabilisation programme, support was provided to activities to stimulate SME start up and strengthen existing businesses by upgrading managerial and technical skills.

Support under the Lomé IV focused on human resources development with emphasis on the tourism sector. The Hospitality Division of the Barbados Community College was upgraded and expanded and a Language Centre at the Barbados Community College was constructed. A forensic sciences laboratory was created and technical assistance was provided for a study on the reform of the Barbados Transport authority. The EIB financed the upgrading of the Barbados Port Authority, the Barbados Light and Power Company and the Barbados Water Authority.

Funds under the financial protocol of the Cotonou Agreement will go towards the health sector for institutional strengthening measures, upgrading the Queen Elizabeth hospital and support to the government's HIV/AIDs programme.

Barbados
Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	2.7	3.7	5.0	3.5	7.0	6.8
EIB loans: own resources	7.5	9.6	8.2	30.0	30.0	
risk capital		0.1	1.0			
Other (emergency aid, NGO projects, AIDS control programme)	0.1	0.6				
Total	10.3	14.0	14.2	33.5	37.0	6.8
Grand Total						115.8

* A and B envelopes

Figures do not include regional projects and programmes of direct, or indirect, benefit to Barbados, or quantified benefits from the sugar protocol



Belize



Date of independence September 21, 1981

Capital Belmopan

Area 23,667 km²

Population 249,800 (end 2000)

Language English (and Spanish)

Main source foreign exchange Services – tourism and off-shore financial sector

Main exports Citrus concentrate, sugar, bananas, marine products

GNP per capita €3,100

Background

Belize has a unique mixture of peoples and cultures, influenced by the Caribbean and Central America, but also by descendants of Maya, African, British, Chinese and Indian origin. The main sectors of the economy are tourism, agriculture, fisheries, and offshore financial services. Tourism is the top foreign exchange earner, closely followed by citrus concentrate. Other major exports include sugar and bananas that go almost exclusively to EU markets, marine products including shrimps from aquaculture, garments, papayas and timber.

The trade balance with the EU is traditionally positive. In 2000 exports to the EU amounted to €142 million (59% of total exports), compared to €80.9 million in 1995, thus corresponding to an increase of 75% in five years. Imports from the EU stood at €44 million (9.6% of total imports), compared to €33 million in 1995, representing an increase of 33%. The main EU trading partners are the UK, the Netherlands, France, Denmark, Italy and Ireland.

Challenges and opportunities

The most serious threat to Belize's ambition of achieving a greater standard of living is the rising incidence of poverty. For this reason, the government is committed to a poverty reduction strategy and action plan designed to bring marginalized populations into the mainstream of economic activity.

The economy is constrained in its growth possibilities by the small size of the local market, small production volumes, erosion of preferential market arrangements, susceptibility to natural disasters, uncompetitive structures in several markets, limited human resource and administrative capacity, the high cost of public services and utilities, as well as insufficient concessionary loan and grant financing.

Development cooperation

At the end of March 2001, after 25 years of co-operation, the allocation of programmable and non-programmable financial resources to Belize stood at nearly €92 million, with €83 million fully committed and €72 million already disbursed.

From 1990 to 1995, the overall objective of co-operation was to contribute to the improvement of the basic infrastructure conditions required for the promotion of economic development. The majority of EU co-operation was channeled into the financing of economic and social infrastructure, focusing on road and health sectors respectively. During the period 1996-2000, the consolidation of economic infrastructure continued to be an important part of EC-funded activities in Belize, while the promotion of human and natural resources also became a priority area, with a focus on poverty alleviation.

While the National Indicative Programme for the 8th EDF (1996-2000) originally amounted to €9.5 million, then increased to €11.5 million, the total resources available to Belize reached over €35 million between 1996 and 2000, with substantial contributions from the EIB (€8.8 million) supporting the citrus industry, the Special Programme of Assistance to the Banana Industry, the environment, actions in support of tropical forests and humanitarian aid for the victims of Hurricane Mitch and Keith.

The EU has played a significant role in upgrading the Hummingbird Highway and has also contributed the rehabilitation and consolidation of heritage and conservation activities.

The EU also contributed to the upgrading of health services through the construction and equipment of the Karl Heusner Memorial Hospital in Belize City. Financial support of the Social Investment Fund, allowed for the extension of eight schools in the poorest areas and the establishment of a micro-enterprise credit scheme implemented by a local NGO.

Under the Special Programme of Assistance to Traditional Exporters of Bananas, Belize has benefited from programmes aiming at improving the competitiveness of the industry, within an enhanced social environment.

The European Community Country Support Strategy for Belize for 2002-2007 aims at reducing the incidence of poverty in rural areas. The emphasis will be on rural development with a focus on agriculture through direct and indirect assistance to the private sector, and with institutional capacity building of the public administration.

Under the 9th EDF, the indicative allocation shall be of €7.8 million under the A-envelope, and of €1 million under the B-envelope. In addition, the country is eligible for funding under the Investment Facility, as well as from the various specific budgetary instruments designed to support development cooperation.

Belize
Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou*
National Indicative Programme	5.58	5.50	8.00	8.98	11.43	8.80
Regional Funds	1.92	0.26	0.75	2.15		
Bonification of Interests			0.14	0.46		
European Investment Bank		2.60	3.50	6.00	8.70	
Aid for refugees			1.82	0.50		
Humanitarian Aid ECHO				0.85	0.01	
NGOs co-financing		0.01	0.87	0.55	0.32	
STABEX	0.34					
Environment Budget Line				0.57	2.29	
Tropical Forests B.L.				1.40	2.14	
Other Budget Lines			0.35	0.50		
Assistance Banana Industry				2.22	10.74	
Total	7.84	8.37	15.43	24.18	35.63	8.80
Grand Total						100.25

* A and B envelopes

Date of independence	March 11, 1978
Capital	Roseau
Area	751 km ²
Population	76,000
Language	English (some Creole)
Main export	Bananas, coconuts
GNP per capita	€3,769 (2000 est.)



Dominica



Background

Dominica, the largest of the Windward Islands, is volcanic with high, steep mountains covered in dense forest, deep valleys and scores of rivers and streams. Known as the 'nature island', it is home to one of the few remaining communities of Carib Indians, some of the region's first settlers.

Agriculture is the mainstay of the economy and accounts for about 18% of GDP, 60% of total merchandise exports and employs 40% of the labour force. Bananas are the engine of growth, representing over 90% of total exports from Dominica to the EU. In 2001 exports totalled 17,574 tonnes. The subsidy implicit in the guaranteed EU banana market is an estimated one-fifth of the total value of banana exports. In 2000, EU imports totalled €33.8 million, while exports amounted to €29.7 million

Challenges and opportunities

Throughout the 1990s, the banana industry has suffered as a result of natural disasters including drought in 1993-94, Tropical Storm Debbie in 1994, Hurricane Marilyn and Luis in 1995 and Hurricane Lenny in 1999. The effect of these disasters on the economy demonstrate the country's vulnerability. Real economic growth declined in recent years while growth in real GDP went from 2.8% in 1998 to 0.2% in 2000.

Banana production is constrained by the country's topography and lack of economic infrastructure that limit the availability of land for agriculture to about 30% of the total area.

The fledgling tourism industry (particularly eco-tourism), which contributed an average of 1.7% to GDP 1997-2000, holds promise.

More than 25 small development projects co-financed with NGOs at grass-roots level have been very successful over the past 15 years.

Development co-operation

Since 1976, the EU has committed €149.5 million, primarily focused on the development of agriculture and rural infrastructure.

Through the STABEX mechanism to compensate for fluctuations in export earnings, main agricultural exports – bananas and coconuts – have benefited by €49.3 million. Under the Special Framework of Assistance, which provides assistance to traditional suppliers of bananas, Dominica will receive approximately €6.5 million per year for a period of 10 years.

Past assistance has been provided for the rehabilitation of vital road links and farm feeder roads, while projects in support of agricultural diversification have also been encouraged. Today, EU assistance supports the development of an efficient, fully commercialised, globally competitive banana industry.

Assistance is also channelled towards promoting the growth of non-banana agriculture, economic diversification, and social and community development, targeting in particular displaced farmers and farm workers.

Activities to promote economic diversification include assistance for private sector development, human resource development and tourism, including support for the Government in its efforts to establish Dominica as a destination for eco-tourism.

Through projects for social and community development, EU funds play an important role in the drive towards poverty alleviation.

Under the Cotonou Agreement, an initial €3.7 million will fund road improvements and the establishment of a road maintenance programme. A further €12 million is earmarked for emergency assistance and support to mitigate the adverse affects of instability in export earnings.

EIB assistance to Dominica has included €3.8 million loans to the Dominica Agriculture, Industrial and Development Bank and to the government to enable it to increase its shareholding in hydroelectricity.

A 1993 Fisheries Agreement with the EU provides financial compensation for catches made in Dominica by fishermen of Martinique and Guadeloupe.

Dominica

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	2.5	3.5	6.0	5.5	6.5	15.7
EIB loans: risk capital		0.3	3.8	2.5	13.0	
own resources					10.0	
Structural Adjustment Support				2.2		
Fisheries Agreement				2.2		
STABEX	2.9	3.5	1.2	14.9	26.8	
Food Aid	0.1	0.5	0.2	0.3		
Other (emergency aid, NGO projects, AIDS control programme)	4.1	0.6	0.4	0.6		
SFA (1999 - 2001)**						19.7
Total	9.6	8.4	11.6	28.2	56.3	35.4
Grand Total						149.5

* A and B envelopes

** Funds made available from EU budget, not EDF

Figures do not include regional projects and programmes of direct, or indirect, benefit to Dominica, or quantified benefits from the banana protocol



Dominican Republic



Date of independence February 27, 1844

Capital Santo Domingo

Area 48,730 km²

Population 8,500,000

Language Spanish

Main exports The main sectors of the economy are tourism, agriculture and industry, with garments, textiles, ferro-nickel being the main exports

GNP per capita €2,100

Background

The 8.5 million Spanish speaking Dominicans share the island of Hispaniola with Haiti. GDP per capita is €2,100. The Dominican Republic has changed dramatically in the last fifteen years. During the latter part of the nineties, it regularly recorded some of the highest growth rates of the Americas, and an economy based on sugar, coffee, cocoa, minerals and a heavily protected domestic industry has been transformed to an outward looking, partially liberalised one, with dynamic poles of growth in the Export Processing Zones (EPZ), tourism, construction, telecommunications and other services. Foreign Direct investment inflows have been considerable, reaching €1318.2 million in 2001, an increase of 25% on the previous year. The major source of FDI is the European Union. Trade is important and the EU is the country's second trading partner. In 2000, EU imports amounted to €319 million, while exports totalled €1,157.8 million.

Despite impressive growth rates, an average of 6.7% 1994-2000, however, some 25% of the population continue to live in poverty (World Bank 2000), and the share of GDP invested in the social sector remains one of the lowest in Latin America and the Caribbean. The population does still not have a general access to basic services of quality.

Challenges and opportunities

The central economic challenge is undoubtedly that of maintaining solid growth with better distribution and a more positive impact on poverty, in the context of an increasing insertion into a competitive global market. In general, it will be necessary to continue to expand and diversify exports, but without losing sight of the importance of the domestic market. The nagging issue of very high domestic interest rates will have to be faced. All producers will need the perennial problems of electricity supply to be finally resolved.

The new FTAs with Central America and CARICOM are already creating opportunities for trade. Possible future agreements with Canada, the US, perhaps via the FTAA and of course with the EU, in the framework of Cotonou, may offer valuable opportunities.

The deficit of investment and the quality and coverage of services in the social sector must also be addressed. In a context of fierce international competition and the imperative need to move up the chain of value added and technology, good public education is an economic necessity as well as a matter of social redistribution.

Development co-operation

Development co-operation from the European community really took importance after the country joined the ACP-EU Convention in 1989. The EU is now the principal source of Development Assistance for the Dominican Republic.

The 7th EDF National Indicative Programme (NIP) (€85 million) focused the conservation and sustainable use of natural resources and the support to the social sectors (health and education). In addition, the Dominican Republic benefited from assistance to the mining sector (SYSMIN programme), structural adjustment, EIB loans and EC budget lines financing (totalling about €157 million).

The improvement of quality and access to essential services in health and education, water supply and sanitation in urban-marginal areas, institutional reform and modernisation and the reinforcement of competitiveness are the main sectors under the 8th EDF NIP, which amounts to €110 million (including a reallocation of unused former EDF resources of more than €4 million). In addition, the Dominican Republic benefits from important regional co-operation resources targeted at its cross-border co-operation with Haiti, SYSMIN resources and financing from the EIB and EC budget lines.

All these funds are almost entirely committed and the 7th EDF programmes are coming to an end.

The 9th EDF allocations will mainly target education (with a focus on deepening the reforms already undertaken, including the quality of education), and the water sector (sustainable management of water resources in the country and provide access to drinking water and sanitation services in the countryside and depressed urban areas). Actions in the mining sector will address the reorganisation of the sector (institutional support and diversification), the protection of natural resources and environmental management.

> A project that really reached us . . .

The Dominican Republic is at a critical crossroad in its history. PAIRE, the EU-funded Programme of Immediate Support for Reform of the State, is supporting efforts to build a modern, democratic and institutionalised political system. PAIRE has worked tirelessly across the country with the National Commission for the Reform of the State and those progressive voices in national and local government as well as civil society seeking much-needed change.

PAIRE has created seven draft bills relating to areas such as the structure of municipal governments, the principle of participatory local government, a municipal taxation code and creating a profession civil service career at local level.

It has also worked to empower organisations that are pressuring for reform including the Federation of Dominican Municipal Governments, the Network of Organisations for Decentralisation and the Association of Women in Local Government.

In the province of La Vega, PAIRE played a central role in building participatory local government by introducing an Integrated System for Municipal Financial Management, a Local economic Development Plan and a registration of social organisations, which is enabling them to play a formal role in decision-making and management. A woman of La Vega commented: 'This is the first time that an international project really reached us.'

Dominican Republic

Community Aid (allocations in million EUR)

	Lomé IV	Lomé IVbis	Cotonou
NIP	85	110	146
EIB	34	54	80
ECHO	3	3	5
SYSMIN	23	30	**
Other budget lines	2	13	5
Structural adjustment	23		
Total	170	210	236
Grand Total			616

** €30 million from previous column transferred to Cotonou

Date of independence	February 4, 1974
Capital	St. George's
Area	345 km ²
Population	97,000
Language	English
Main exports	Cocoa, bananas, spices
GNP per capita	€4,070 (2000 est.)



Grenada



Background

Grenada, including Carriacou and Petit Martinique, lies towards the southern end of the Caribbean island chain. The capital, St. George's, is located at one of the Caribbean's most attractive harbours. The island produces bananas and cocoa, and is well known for its spices – cloves, nutmeg, ginger, cinnamon and mace.

The late 1980s and early 1990s was a period of negligible growth, however, real GDP growth rose to an average of 3.5% in 1995-1997 and to 7.3% in 1998-2000, driven by expansion in the construction and tourism sectors as well as increased earnings from agricultural and manufactured exports. The demand for services, particularly in communications and finance, also rose sharply. Today, Grenada's economic performance is considered among the most favourable in the Eastern Caribbean.

In 2000, EU imports totalled €14.9 million and exports amounted to €29.4 million.

Challenges and opportunities

Government reforms in the early 1990s, including a Structural Adjustment Policy Framework, focused on extensive fiscal reform, a streamlining of public services and a greater involvement of private enterprise in the economy. These initiatives increased private sector confidence and boosted economic activity.

The challenge facing the country is to sustain rates of economic growth to alleviate poverty and reduce unemployment through increased private investment, increased efficiency in the public sector and the pursuit of sound fiscal policies.

Development co-operation

Since 1975, funds totalling over €50 million under the Lomé Conventions, have focused on the development of transport infrastructure, tourism, water supply and human resource development. Projects in the tourism sector have included technical assistance for public relations and marketing development in Europe, rehabilitation of attractions and the creation of a national park.

Support to human resource development has included a multi-annual training programme, intermediate and tertiary school facilities in St. George as well as the construction of the Mirabeau Agricultural Training School. The EU has also financed the extension of St. George's General Hospital and 24 micro-projects aimed at upgrading basic community facilities.

The Eastern Main Road and more than 42 km of farm roads have been upgraded and rehabilitated in a €6.5 million effort to improve rural infrastructure for farmers, while a €2 million Structural Adjustment Facility created counterpart funds for public investments in social sectors such as education, training, health and employment.

Additional support has been earmarked for the improvement of the water supply in Grenada while under the Cotonou Agreement, assistance will be provided to the tourism sector for the improvement of tourist facilities and services. It is foreseen that some assistance will also be directed towards information and communication technologies.

Since 1981, Grenada benefited from approximately €19.8 million under the STABEX system for the stabilisation of export earnings in nutmeg, mace, bananas and cocoa. It will receive about €500,000 per year for 10 years under the Special Framework of Assistance for traditional suppliers of bananas. Projects envisaged under this facility include assistance for the improvement of irrigation infrastructure and water management, improvement of rural infrastructure, the provision of agricultural credits and financial management training.

EIB assistance to Grenada has mainly consisted of global loans (risk capital) to the Grenada Development Bank for SMEs. Support is also provided for the electricity company GRENLEC, the construction of a locally owned resort hotel and the Grenada component of the OECS waste disposal programme.

Grenada
Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	2.0	3.5	5.5	4.5	6.5	7.4
EIB loans : risk capital	1.5	2.4	2.8	3.3	4.0	
own resources				4.0		
Structural Adjustment Support				2.0		
STABEX		3.9	2.5	10.6	2.8	
Food Aid	0.2	2.7	0.5			
Other (emergency aid, NGO projects, AIDS control programme)	0.5	0.5	0.1			
			0.3	0.3		
			0.6			
SFA (1999 - 2001)**						2.0
Total	4.2	13.0	12.3	24.7	13.3	9.4
Grand Total						76.9

* A and B envelopes
 ** Funds made available from EU budget, not EDF

Figures do not include regional projects and programmes of direct, or indirect, benefit to Grenada, or quantified benefits from the banana protocol



Guyana



Date of independence May 26, 1966

Capital Georgetown

Area 215,000 km²

Population 740,000

Language English

Main exports Sugar, gold, bauxite, rice

GNP per capita €891 (2000)

Background

Guyana, located at the point where the Caribbean meets South America on its North Atlantic seaboard, is historically and culturally a part of the Caribbean region. Georgetown hosts the Secretariat of the Caribbean Community (CARICOM). About 90% of the population inhabits the coastal zone, which represents 5% of the total surface of the country and is lying 0.5-1-metre below mean high tide level.

The traditional pillars of the economy are sugar, bauxite and rice, however, gold is becoming a significant export. Rice and sugar have benefited from preferential access to the EU market, but both industries must modernise and reduce costs by 2009, when the preferences will be phased out. Lack of investment has led to decline in the bauxite industry.

A decline in productive sectors in the 1970s and 1980s led to a prolonged recession resulting in one of the largest per capita debt burdens among developing countries. Since the early 1990s, the country has launched a political and economic recovery programme supported by international donors. In 1996, the Paris Club provided for a 67% reduction in net present value on eligible debt. At the end of 2000, the IMF announced a second round of debt reduction under an enhanced HIPC (Heavily Indebted Poor Countries) initiative.

The country's main trading partner is the US followed by the UK and Canada. Exports to CARICOM countries average slightly more than 4% while imports, mostly petroleum from Trinidad and Tobago, average 21%. Guyana benefits from the third largest EU sugar quota and the Sugar Protocol. In 1999 the value of sugar exports was €153 million; rice exports amounted to €79.9 million. The total rum production for 2001 was 13,239,900 litres, of which 8,653,000 litres were exported.

In 2000, total EU imports from Guyana totalled €205.3 and exports amounted to €70.6 million.

Challenges and opportunities

A 1999 survey showed that 35% of the population live below the poverty line, with 19% living in extreme conditions. Emigration accelerated during the recession resulting in a shortage of skills and the infrastructure became run down. To restore and improve production capacity, the rehabilitation of sea defences, water supply systems and transport are the highest priorities. In 1999, a €20 million sea defences rehabilitation was launched.

In 1999, gold production attained a level of 4,149,000 ounces, with a consequent significant impact on the economy of large scale gold mining.

Development co-operation

During 1975-1990, €106 million in assistance was directed towards developing economic and social infrastructure, the mining sector, transport, hydraulics and water supply systems. The rehabilitation of river ferries resulted in increased economic activity.

Under the 7th EDF 80% of the €32.8 million supported economic and social infrastructure. The country also benefited from three Structural Adjustment programmes for health and education, totalling €8.6 million. A Small Business Credit Initiative was also launched.

The objective of the 8th EDF was to restore and improve production capacity to enable the country to generate income in a sustainable manner. Assistance of €32 million again supported economic and social infrastructure (85-90% for sea defences, water and transport) and private sector development.

The programme for Guyana Training Agency received €1.8 million to address the private sector's technical training needs. A €9.1 million low-income housing project is planned for 2002. From the EU's SYSMIN (support to mining and mineral sectors) €12.5 million was committed for the Programme of Economic Advancement of Linden, a bauxite mining town. The project will help create and strengthen companies, generating long-term jobs.

Priorities under the 9th EDF include poverty reduction and the promotion of sustainable development through improving infrastructure and macroeconomic support for the social sector. The amount of €34 million could be supplemented by an additional €124 million based on good performance.

Guyana

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III (6 th EDF)	Lomé IV (7 th EDF)	Lomé IVbis (8 th EDF)	Cotonou *
National Indicative Programme	12.8	14.6	22.1	32.8	32.0	48.0*
EIB loans: loans				7.8		
risk capital	3.2	4.0	4.0	1.0		
SYSMIN		34.5		5.0	12.5	
Food Aid	0.7	3.8	4.3			
Structural Adjustment Support				8.5	11.0	
Debt relief				6.4		
Other (AIDS, Emergency aid Damage compensation)		0.5	0.3	0.1		
Environment and NGO budget line					4.1	
From regional Funds			1.2	12.3	0.8	
Total	16.7	57.4	31.9	73.9	60.4	48.0
Grand Total						288.3

* A and B envelopes

Date of independence	January 1, 1804
Capital	Port-au-Prince
Area	27,750 km ²
Population	8,300,000
Language	Creole and French
Main exports	Coffee, cocoa
GNP per capita	€480



Haiti



Background

Haiti is the poorest country in the western hemisphere – about 80% of the population lives in abject poverty. It has been plagued by political instability for most of its history and endured a series of political crises since 1986 when the 30-year Duvalier family dictatorship came to an end.

Nearly 70% of all Haitians depend on the agriculture sector, which consists mainly of small-scale subsistence farming and employs about two-thirds of the work force. Income distribution is highly uneven and life expectancy is 54 years compared to a regional average of 70. The fertility rate is 4.8 compared with a regional average of 2.8. Infant mortality is 71 per 1,000 live births, more than twice the regional average. Malnutrition affects about half of children under the age of five, and half of adults are illiterate. Rising poverty is directly linked to long periods of economic stagnation – per capita GNP (€480) has stagnated during the past four decades and even fallen during the recent years.

15% of imports and 20% of exports are with the EU. In 2000, EU imports amounted to €19.1 million, while exports totalled €105.1 million. Coffee represents half of Haitian exports to the EU.

Challenges and opportunities

The current political crisis is the major obstacle to economic recovery. The economy is crippled by high levels of unemployment, soaring inflation and high balance of payments deficits. Basic services – electricity and health – have deteriorated. Numerous Haitians have migrated, mainly to the United States, the Dominican Republic and Canada.

Education is a key issue which will have to be addressed in the future. Another problem lies in the deplorable state of Haiti's infrastructure, due to poor public management and lack of resources.

Past neglect of the environment has resulted in the loss of the country's topsoil to erosion and plummeting agricultural output. The government's recent efforts to address environmental problems need to be integrated into a comprehensive population and rural development policy. The trend towards deforestation must be reversed.

Development co-operation

Haiti joined the ACP-EU Convention in 1989. Because of the political situation, the country could not participate in the 7th European Development Fund (EDF) until November 1994. However, Haiti was the recipient of substantial European assistance between 1976 and 1990, with €100 million spent between 1976 and 1990.

At the end of 1999, assistance totalled €487 million over five years. Together with bilateral support from EU Member States, Europe is the second largest donor after the US. Aid went towards public infrastructure, rural development, food safety and the environment, social sectors, health and education. About 10% went to support the legal system, culture, trade and tourism.

Public infrastructure assistance primarily involves road construction. Under the 7th and 8th EDF, €109 million was earmarked as well as €30 million from STABEX funds to build rural tracks in coffee producing areas. Maintenance of these tracks was seen as the major problem. Assistance was also given to the agricultural sector, targeting the large peasant population, and to institutional strengthening. In the health sector, humanitarian aid has been the instrument used to directly support basic services. Lack of sector policy and unclear lines of authority among partners in the private sector and civil society has limited the success of these actions.

> Rural development programme comes to fruition

Since 1995, PRODEVA, a Haitian NGO, has been working with 3,000 farmers and their families in the Bayonnais Valley with the support of an EU funded €1.26 million irrigated agriculture programme. Today, 1,200 ha regularly receive irrigated water through a system managed by users who fix the price.

A cooperative group of farmers oversees various services, including several drainage areas, and have planted 1 million lemon trees, significantly reducing soil erosion. The valley is becoming increasingly productive, with the increase in farmers' income contributing to their children's education.

PRODEVA has tirelessly promoted these types of development initiatives through technical assistance and has mobilised other rural communities with support from the EU's EDF. This programme demonstrates that success must be achieved over the long-term and depends on a real dialogue between the participants and the NGO partner that delivers technical capacity.

The European Investment Bank (EIB)

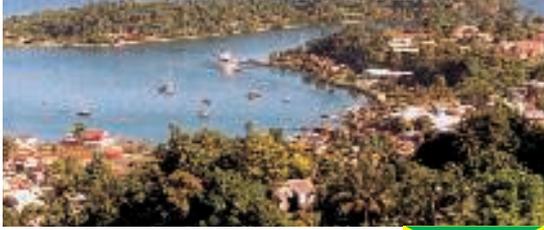
The EIB may contribute to the financing of projects and programmes, or other investment aimed at promoting the private sector, particularly in industry, food processing, tourism, mining energy, transport and telecommunications. Assistance is provisionally set for €14 million. The government of Haiti intends to present financing proposal in the following areas:

- assistance to SMEs through appropriate financial institutions;
- productive investment in economic infrastructures such as energy, water and sanitation, telecommunications, transport;
- development of projects concerning industry, agro-industry, mining and tourism as well as services related to these sectors.

Haiti
Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	-	-	-	113	148	239
EIB loans and risk capital	-	-	-	14	10	
STABEX	-	-	-	32	3	
Food Aid	-	-	-	13	10	
Structural adjustment support	-	-	-	17	12	
Other (AIDS, Emergency aid, Damages compensation)	-	-	-	87	53	
Total	-	-	-	276	236	239
Grand total						751

* A and B envelopes



Jamaica



Date of independence August 6, 1962

Capital Kingston

Area 10,991 km²

Population 2,610,000

Language English

Main export Alumina/bauxite, sugar, bananas

GNP per capita €3,100

Background

Jamaica is the third largest island of the Caribbean. Independent from Great Britain in 1962, it is a parliamentary democracy with a bicameral legislature based on the Westminster model and is a member of the British Commonwealth of Nations. Its population is thought to be complemented by an equal number of Jamaicans living abroad, mostly in the UK, the US and Canada.

Jamaica's topography is characterised by a mountainous interior and low coastal plains with scattered hills and plains. The island lies in the earthquake and hurricane belt. The Blue Mountains are in the east, with the highest peak reaching 2,260 meters. There are numerous vast-flowing rivers.

Jamaica's trade balance with the EU is traditionally positive, with trade between the EU and Jamaica approximately accounting for 30% of domestic exports and 15% of imports (1999).

Challenges and opportunities

An important challenge for realising growth is pursuing the planned macroeconomic reforms, including the implementation of a tight fiscal policy, reducing the public debt problem and restoring the financial sector. This policy should result in declining interest rates and stimulating investment. However, the strict fiscal policy will put expenditure on social programmes (health, education, water, social safety net programmes) under strong pressure and require more emphasis on effective implementation of such programmes, including effective delivery methods involving community participation.

Growth in Jamaica in the coming years will have to be largely export-led. To realise export-led growth requires improving the competitiveness of the private sector, involving cost reductions and investments in restructuring in favour of more competitive activities. As interest rates are going down, factors limiting access to credit such as strict collateral requirements may become an important obstacle to investment growth, especially for small and medium size enterprises. Small and medium enterprises also face important internal constraints in terms of management, technology, product quality and marketing capability. An emerging challenge is the need to meet quality and environmental standards at the main export markets, as well as certification requirements.

A constraint for private sector development and sustainable agriculture is the poor quality of infrastructure, especially the road transportation network. An important issue is the sustainability of growth, which is related to agriculture, tourism and mining, as well as population growth. In this context wastewater treatment, solid waste disposal and coastal protection need to be addressed. In addition, rising incidences of crime and drug trafficking have to be targeted effectively while fully respecting the rule of law.

Development co-operation

Total financial assistance from the EC to Jamaica since the beginning of the Lomé Convention in 1975 is estimated at some €666 million. This amount does not include bilateral co-operation by EU Member States, benefits of regional programmes or benefits of the Lomé trade preferences and protocols. The funds allocated to Jamaica under previous Lomé Conventions have been fully committed. Generally speaking, the implementation has been satisfactory.

Assistance under Lomé I to III has been concentrated on infrastructure, agriculture, trade and investment promotion.

The major theme under the 8th EDF National and Regional Indicative Programme are poverty alleviation, adjustment efforts, trade and private sector development, human resources development and infrastructures. The Country Support Strategy and National Indicative Programme signed with the Government of Jamaica under the 9th EDF confirms the continuation of budget support for macroeconomic adjustment and identifies as focal areas private sector development and road maintenance. Decentralised co-operation including non-state actors and institutional strengthening have been identified as non-focal areas for support. Jamaica has been attributed the indicative amount of €100 million under the 9th EDF.

In the agriculture sector, Jamaica benefits from generous support budget line support outside of the EDF under the EU Special Framework of Assistance Programme. Since March 1996, Jamaica received grant funds which are being utilised to improve the competitiveness of the Jamaican banana industry in a more liberalised world market. Under this programme €21.4 million have been allocated to Jamaica.

In addition, Jamaica is pursuing an active policy of regional co-operation in the context of CARIFORUM and is benefiting from important EDF regional projects, such as support to regional transport and telecommunication projects, trade promotion and human resources development. EIB assistance to Jamaica provided until the mid-nineties a number of global loans to financial institutions.

Jamaica

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	20.0	26.4	40.2	49.7	55.5	100.0*
EIB loans and risk capital	0.1	9.0	36.4	27.4	116.7	-
SYSMIN allocation	-	25.0	-	71.0	-	-
STABEX allocation	-	4.3	-	-	6.7	-
Structural adjustment support	-	-	-	2.5	43.0	-
Other (AIDS, Emergency aid, food aid NGO projects)	24.9	0.1	1.0	6.5	-	-
Total	45.0	64.8	77.6	157.1	221.9	100.0
Grand total						666.4

* A and B envelopes

Date of independence	September 19, 1983
Capital	Basseterre
Area	269 km ²
Population	44,000 (St. Kitts 35,000, Nevis 9,000)
Language	English
Main export	Sugar
GNP per capita	€7,423 (2000 est.)



St. Kitts and Nevis



Background

St. Christopher (St. Kitts) and Nevis, a two-island federation, lies in the Leeward Islands group. The economy has been dominated by the production of sugar since its introduction in the 17th century, but its importance has declined consistently since the 1980s. In 1960, Nevis stopped growing cane sugar, but it remains the dominant crop on the larger island of St. Kitts, providing jobs for 30-45% of the total workforce.

This level of dependence on a single agricultural commodity makes the country extremely vulnerable. To this end, the government has successfully supported diversification into manufacturing and tourism. The economy expanded by 6% on average per year during 1985-1997 mainly due to increases in tourist arrivals and related construction and service activities.

GNP growth slowed down significantly in 1998-2000 as a result of the devastating effects caused by three hurricanes. The expansion of the construction sector that followed was the main source of economic growth in 2000-2001. This is an upper middle-income country but it is estimated that annual per capital GDP on Nevis is about 10% higher than on St. Kitts.

The EU market accounts for about 15% of total imports and about 20% of exports. The Sugar Protocol, with a quota of 14,800 tonnes under the Cotonou Agreement, provides the largest and most lucrative market for sugar exports, with prices on the EU market about three times higher than the world price for sugar. The annual value of access to the EU market under the Sugar Protocol is approximately €5.8 million.

In 2000, EU imports from the country totaled €13.3 million and exports amounted to €23.1 million.

Challenges and opportunities

Despite government efforts to implement sound financial management, promote tourism and reform the sugar industry, the country is constantly confronted by the challenges and constraints of small island developing states.

Tourism is important in terms of jobs and foreign exchange and has been identified as key sector for future development. Offshore finance is also a growing sector. Large-scale manufacturing is not a feasible alternative, but St. Kitts has attracted small electronic assembly and production facilities. A policy designed to attract light manufacturing was adopted in the 1970s and recently the sector has broadened to include information technology and computer operations.

Development co-operation

Since 1976 the EU has allocated €23.2 million to projects, programmes and operations, which includes regional resources earmarked for the Nevis airport project. Under the Lomé I, II and III conventions, support focused on social infrastructure (60%), including the construction of several primary schools and social centers, as well as improving the water supply system in Nevis.

Under Lomé IV and Lomé IVbis, €5.5 million was made available for the development of health sector infrastructure. The main projects being, the rehabilitation of the J.N. France Hospital in St. Kitts, and the Alexandra Hospital in Nevis. Support under the first financial protocol of the Cotonou Agreement is to focus on adult and continuing education.

EIB assistance has been largely in the form of global loans (risk capital) to the Development Bank of St. Kitts and Nevis for lending to SMEs. A further loan of €4 million was signed in 2000. The EIB has financed roads, the upgrading of the electricity system and is co-financing the Nevis Airport extension project (€2 million).

ST. Kitts and Nevis

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III (6 th EDF)	Lomé IV (7 th EDF)	Lomé IVbis (8 th EDF)	Cotonou *
National Indicative Programme	2.3	2.2	3.5	2.5	3.0	4.0
EIB loans: risk capital		0.4	0.0	2.0	4.0	
RIP			4.0			
Other (Emergency aid NGO projects, AIDS control programme)	0.1		0.1			
Total	2.4	2.6	7.6	4.5	7.0	4.0
Grand Total						28.1

* A and B envelopes

Figures do not include regional projects and programmes of direct, or indirect, benefit to St Kitts and Nevis, or quantified benefits from the sugar protocol



St. Lucia



Date of independence February 22, 1979

Capital Castries

Area 616 km²

Population 150,000

Language English and Creole

Main exports Bananas, cardboard boxes, clothing

GNP per capita €4,705 (2000 est.)

Background

The name of St. Lucia's twin volcanic peaks, the 'Pitons' (peaks), reflects the history of this island, which changed hands many times between the English and the French. The most densely populated of the four Windward Islands, it has the distinction of having produced two Nobel Prize winners, Sir Arthur Lewis in 1979 (for economics) and Derek Walcott in 1982 (for literature).

During the 1980s St. Lucia registered good economic performance with strong growth, low inflation, a relatively strong balance of payments position and moderate external debt ratios. Since the early 1990s real growth slowed and fiscal performance weakened due largely to the erosion of preferential access to the EU banana market as well as low productivity in the industry.

During 1996-2000 major sectors such as agriculture and manufacturing recorded a negative growth rate. Real GDP growth for 2000 was 2%, attributed to a buoyant construction sector and continued growth in the tourism and financial sectors.

St. Lucia benefits from duty free access for manufactured goods to the EU market and preferential arrangements for bananas. The EU accounts for approximately three-fifths of exports and 25% of imports. In 2000, EU imports from the country totalled €56 million, while exports amounted to €55.7 million. Exports of bananas in 2001 were about 34,032 tonnes.

Challenges and opportunities

The economy is highly susceptible to external macroeconomic shocks, magnified by an un-diversified production and export base and exacerbated by natural disasters that have a serious economic impact on banana and cocoa crops.

St. Lucia is facing new economic challenges in the context of globalisation and liberalisation. Economic growth will depend on improvements in the banana sector and expansion into non-traditional crops, tourism and other services.

Development co-operation

The country's development strategy emphasises economic diversification and export-led growth with a central role for the private sector. Private production of non-traditional agricultural commodities, such as breadfruit, peppers, mangoes and plantains is being encouraged.

Since 1976 EU support has totalled more than €172 million. Past projects have included support for livestock development, road construction, an agricultural resettlement and diversification project, a drainage and land conservation programme, the re-development of the Castries Central Market, tertiary-level education, scholarships and technical assistance for tourism promotion.

The Mabouya Valley Development Programme carried out under Lomé III was designed to reduce dependence on bananas, improve land-titling legislation, reverse urban migration and conserve land and water resources. The second phase included the construction of day care centres, training for youth and unemployed, micro-project agro-processing and forestry development.

Through the STABEX mechanism to compensate for fluctuations in export earnings, St. Lucia has received transfers of over €73.3 million for losses related to banana export earnings. It will receive €8.5 to €9 million per year for 10 years under the Special Framework of Assistance for traditional banana producers.

Other initiatives include road rehabilitation, private sector development, activities in the tourism sector, technical and vocational human resource development, development of a social recovery plan for farmers, poverty focused programmes, primary health care and related services to vulnerable groups.

The European Investment Bank (EIB) has financed a geo-thermal energy study, and provided support for the St. Lucia Electricity Services and for SMEs via the St. Lucia Development Bank. EIB assistance 1980-2000 totals more than €21 million.

St. Lucia

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou *
National Indicative Programme	3.2	3.7	6.0	5.0	6.0	19.5
EIB loans: own resources		0.4	8.0	11.5		
risk capital	0.2	0.4	2.0	1.5		
STABEX		1.2		26.8	46.5	
Other (Emergency aid, NGO projects, AIDS control programme)	1.0	0.4	1.2	0.3		
SFA (1999 - 2001)**						26.6
Total	4.4	6.1	17.2	45.1	52.5	46.1
Grand total						171.4

* A and B envelopes

** Funds made available from EU budget, not EDF

Figures do not include regional projects and programmes of direct, or indirect, benefit to St. Lucia, or quantified benefits from the banana protocol

Date of independence	October 27, 1979
Capital	Kingstown
Area	388 km ²
Population	114,000 (2000)
Language	English
Main export	Bananas
GNP per capita	€3,110 (2000 est.)

St. Vincent and the Grenadines



Background

St. Vincent is the largest of the Grenadine chain. Because of its geography, the major development constraints inherent to small island states have an even greater impact.

The country's mainstay is agriculture and consists predominantly of bananas, with its resource balance largely determined by the level of tourism receipts, banana exports (50% of the total), and capital inflows. The country is trying to develop its tourism potential. In addition, it has become the main supplier of arrowroot flour to Canada and the US. Fisheries and manufacturing production have also expanded.

The EU accounts for approximately half of the country's exports, and one-fifth of its imports. In 2000, EU imports from the country totalled €142.2 million, while exports amounted to €170.5 million. Bananas account for more than 90% of exports to the EU in recent years, with exports at 30,497 tonnes in 2001. The subsidy implicit in the EU guaranteed market represents about one-fifth of the total value of banana exports, however, production has stagnated since the mid-1990s.

Economic diversification initiatives to address the declining banana sector led to an improved economic situation in the late the late 1990s. However, real GDP growth declined again in 2000 to 2.1%. Economic activity weakened sharply in 2001, due mainly to the impact of a severe drought and a decline in tourism.

Challenges and opportunities

Since the mid-1980s, the government has faced a series of challenges, including management of the public deficit, establishment of a favourable climate for investment, land reform and agricultural diversification. Economic growth was hampered during the 1990s as tropical storms wiped out a substantial part of the crops and a high level of unemployment persisted. The situation has been exacerbated by the lack of skilled technical and administrative personnel.

The new government (April 2001), in consultation with civil society, is implementing a plan for the renewal of economic growth and social progress with a series of structural reforms based on fiscal prudence, intended to promote private sector growth, restructure the banana industry and develop the tourism and offshore financial services sector.

Development co-operation

Since 1976, the EU has committed €175.3 million to developing social infrastructure, agricultural diversification, transport and communications. The Bequia airport project, completed in 1992, was the single largest EDF project in the Eastern Caribbean (€18.5 million). Past assistance has improved the road system and the health sector. Projects supporting agricultural diversification, land resettlement and tourism development have also been successfully completed.

Support under recent EDFs has focused on education, teacher training and sector reforms. Development of the Community College is ongoing and an A-level College has been constructed. Future projects include establishing a learning resource centre.

Through the STABEX mechanism to compensate for fluctuations in export earnings, the islands have received transfers of over €63.3 million for losses related to banana export earnings. Under the 1999 Special Framework of Assistance for traditional suppliers of bananas, they will receive approximately €6.5 million per year for a period of 10 years under the SFA.

Among the other measures being supported are tourism development, youth training and community development, human resources development and credit assistance to small entrepreneurs.

EIB assistance has focused on improving electricity generation through loans to the national electrical company VINLEC (€9.9 million) and the promotion of SMEs in the industrial, agro-industrial and tourism sectors. Support has also been provided for the development of Kingstown Port.

St. Vincent and the Grenadines

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III (6 th EDF)	Lomé IV (7 th EDF)	Lomé IVbis (8 th EDF)	Cotonou *
National Indicative Programme	3.1	3.1	7.0	5.0	6.5	21.0
EIB loans: own resources		2.9	5.8	5.0	4.0	
risk capital		2.9	2.8	5.0		
RIP			16.5			
STABEX		0.9		31.5	31.8	
Other (Emergency aid NGO projects, AIDS control programme)	0.8	0.2	0.8			
SFA (1999 - 2001)**						18.7
Total	3.9	10.0	32.9	46.5	42.3	39.7
Grand Total						175.3

* A and B envelopes

** Funds made available from EU budget, not EDF

Figures do not include regional projects and programmes (other than the Bequia airport project) of direct or indirect benefit to St Vincent and the Grenadines, or quantified benefits from the banana protocol



Suriname



Date of independence November 25, 1975

Capital Paramaribo

Area 163,800 km²

Population 431,303

Language Dutch (official), English, Sranang Tongo, Hindustani, Javanese

Main exports Bauxite, rice, oil, bananas

GNP per capita €1,826 (1998 est.)

Background

Suriname is recovering from a long period of political instability and economic crises, which left in their wake serious social-economic deterioration and increased poverty levels. The 1986-1992 civil war that ravaged the country affected interior communities by severely damaging infrastructure.

Since 1981, the GDP has been on a downward trend and the economy has been characterised by high budget deficits, rapid inflation and a scarcity of foreign exchange. In 1994 economic and political stability increased and the macroeconomic situation started to improve, however, living conditions and public health did not.

Due to the demographics of a small population scattered across urban, rural and interior areas, the authorities faced difficulties in allocating sufficient funding for the rebuilding of schools, deteriorated roads, health centres and other facilities.

Suriname's imports from the EU averaged 12.4% of its total world imports from 1990 to 1995. In 2000, exports to the EU totalled €172.4 million while European imports totalled €120.3 million.

Challenges and opportunities

An enabling environment to increase competitiveness in regional and international markets must be created for the private sector-led growth needed to improve social conditions. Priority measures include macroeconomic reform and stabilisation as well as improving governance through strengthening institutions. These measures should be supplemented by economic structural reforms.

The existence of a relatively sound, ethnically diverse middle class presents an opportunity to combat poverty through economic growth. A tripartite Social Economic Commission is planned to ensure co-operation among social partners in promoting economic development.

Promising resource-based industries include bauxite, oil, gold, timber, selected agricultural products and fisheries. Tourism also holds potential.

Development co-operation

Total assistance during the 1990s amounted to €105.8 million, with the main focus of co-operation on infrastructure, in particular the upgrading of the road network through the Infrastructure Rehabilitation Programme.

The European Commission approved the co-financing, together with other donors, of the National Institute for Environment and Development. The Tourism Development Project resulted in the Tourism Development Plan.

A rice research project has strengthened local capacities and Suriname is benefiting from the Special Framework of Assistance, established in 1999 to provide technical and financial assistance for traditional suppliers of bananas for an estimated budget of €18.5 million. A major technical assistance contract was signed (€2.7 million for 2000 hectares of plantation) in order to boost the competitiveness of the banana exporting company Surland.

The €2 million Microprojects Programme, which resulted in 80 community-based investments, has achieved positive results. The objective of this phase was to improve the people's living conditions by increasing communities' access to social and economic services. The €5 million ongoing second phase, includes more active involvement of NGOs and focuses on strengthening the civil society.

Future programming under the 9th European Development Fund includes the rehabilitation of the port of Paramaribo, capacity building and a support to privatisation initiatives.

Suriname

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III	Lomé IV	Lomé IVbis	Cotonou
National Indicative Programme	18.00	18.00	24.00	27.00	22.75	19.10
EIB loans and risk capital	4.00	4.00	3.00	0.65	2.42	
STABEX						
Other (integration of refugees, NGO projects, AIDS control, fight against drugs, bananas)			1.05	0.50	0.30	
Total	22.00	22.00	28.05	28.15	25.47	19.10
Grand Total						144.77

Date of independence August 31, 1962

Capital Port of Spain

Area 5,128 km²
(Trinidad 4,828 km², Tobago 300 km²)

Population 1,300,000
(Trinidad 1,100,000 / Tobago 200,000)

Language English

Main exports Petroleum products, sugar, rum

GNP per capita €5,225 (1999 est.)

Trinidad and Tobago



Background

The twin island republic of Trinidad and Tobago is famous for its carnival, steel bands and calypso music, however, the backbone of the economy is the petroleum industry, which accounts for more than 25% of GDP. New finds of oil and gas mean this will be the dominant industry in future.

Transport and distribution, finance, insurance, light manufacturing, construction and real estate are the other major industries. Agriculture and tourism make relatively minor, though growing, contributions. Tourism development, with the exception of the carnival period, is concentrated in Tobago.

Since the mid 1990s, the economy has improved significantly with low inflation (3-4%), a stable currency, a growing economy and falling unemployment (from 17.2% in 1995 to 11.2% in 2000). In 2000, EU imports from Trinidad and Tobago totalled €508.2 million and exports amounted to €408.7 million.

Challenges and opportunities

There is a significant level of poverty with around 10% of the population unable to afford the cost of a minimum food basket. Problems of quality and declining standards exist in primary and secondary education and severe capacity constraints in tertiary/post secondary education, in particular in science and technology. The quality and range of healthcare services need improvement and the HIV/AIDS epidemic poses a serious threat to sustained economic growth and improved quality of life.

The country offers considerable potential for tourism as well as opportunities in the petroleum industry, which allows for downstream industries such as steel, urea, ammonia and methanol.

Development co-operation

EU-Trinidad and Tobago co-operation agreements within the framework of the Lomé Conventions have included preferential trade access to EU markets, structural adjustment support and grant and loan funding. Since Lomé I, Trinidad and Tobago have been allocated over €267 million in grant and (soft) loan funds. Projects have been financed in areas such as human resource development, rural development, water supply, road construction, tourism and promotion of exports and trade.

A major project provided support to the education sector through grants for new buildings and equipment at the University of the West Indies. Support for education will continue under new funding but with an emphasis on vocational and post secondary education.

Consultancy support has been provided to Caribbean businesses to improve management, human resource development, marketing and business planning. This highly successful service provides assistance to SMEs in line with the emphasis in the Cotonou Agreement on support for private sector development.

Several projects have contributed to the alleviation of poverty in small and often isolated rural communities. Some are micro projects for construction and upgrading of schools and community centres. Others are much larger such as improvement of the water supply system in South West Trinidad.

A successful project that has a direct effect on rural poverty is the €2.275 million rural electrification project. A €6 million Poverty Reduction Project includes support for a range of micro projects, rural credit and institution building of decentralised government institutions.

Drug abuse is an issue that cuts across many areas from unemployment to crime and delinquency to ill health and poor education. Support has been provided in this area to the National Alcohol & Drug Demand Reduction Programme.

The tourism industry has received support through technical assistance and training for the tourism development authority, and visitor site improvements and marketing through attendance at international trade fairs.

The EU has also played a role in helping the country to increase its exports, through support to the Export Development Corporation, the Caribbean Business Services project and to the Caribbean Agriculture Research and Training Fund.

Under the 9th EDF, an allocation of €19.7 million has been made. Support will be given to tertiary and post-secondary education in the sector of concentration and to the health sector as the non-focal area.

Trinidad and Tobago

Community Aid (allocations in million EUR)

	Lomé I	Lomé II	Lomé III (6 th EDF)	Lomé IV (7 th EDF)	Lomé IVbis (8 th EDF)	Cotonou*
National Indicative Programme	10.3	10.5	15.0	17.0	14.7	17.9
Structural adjustment				3.0		
EIB loans: own resources	10.0	32.0	12.0	88.4	7.5	
risk capital			3.0	4.3	2.0	
EDF interest subsidies	1.5	5.2	2.3	10.1		
AIDS Programme		0.5				
Total	21.8	48.2	32.3	122.8	24.2	17.9
Grand Total						267.2

* A and B envelopes



Cuba

Date of independence May 20, 1902

Capital Havana

Area 110,860 km²

Population 11,200,000

Language Spanish

Main exports Sugar, tobacco, coffee, citrus, fish, nickel, medical products

GNP per capita €2,400

Background

More than 40 years after its socialist revolution, Cuba is slowly recovering from the economic crisis that followed the withdrawal of the former Soviet Union's subsidies in 1990.

Although GDP growth in 2000 has been strong for a second consecutive year (estimated in 2000 at 5.8%) hardship has eased little. With a GDP/per capita of €1,880, Cuba remains among the poorest Caribbean countries. Increased oil prices and a high US dollar throughout 2000 triggered an estimated current account deficit of 3.6% of GDP. The compounded impact of the September terrorist attacks, the closure of the Russian military station in Lourdes and the damages caused by Hurricane Michelle (November 2001) resulted in a serious drop in foreign exchange earnings and fiscal revenues throughout 2002.

Cuba remains the first market for European products in the region (followed by the Dominican Republic). The EU's trade balance with Cuba stood at nearly €700 million at the end of 2000, with exports to Cuba exceeding imports from Cuba by about 250%.

Challenges and opportunities

Cuba has since 1993 initiated an adjustment policy that includes tight fiscal measures, reforms aiming at making state enterprises more competitive and improved tax collection. In addition, foreign direct investment and trade with western European countries has been actively promoted to compensate for the breakdown of former markets and sources of external financing.

However, despite Cuba's progress during the past decade, some obstacles remain. High duties and tariffs together with governmental regulation have created difficulties for the free flow of trade, financial operations and some co-operation projects. While the official rate of employment stands at 6%, underemployment seems to affect a much higher proportion of the economically active population. Further improvements in competitiveness is still a major challenge to be addressed by many Cuban enterprises.

Development co-operation EU and Member State Assistance

The EU does not have a development co-operation agreement with Cuba.

Since 1993 the Community has financed close to €125 million of assistance measures, of which the vast majority in the field of humanitarian aid through ECHO, about €86 million until 2001. It is estimated that some 16% of the total population has benefited from this aid. The food security programme has been another important provider of funds especially in the first five years of EC assistance with some €20 million altogether, targeting close to half a million people. Since 1998 the budget lines co-financing of NGOs and Economic co-operation with Latin American countries have become more used for projects in Cuba, with funding reaching €18.8 million and €14.8 million respectively in the period 1998-2001.

The Commission decided in 2000 to phase out humanitarian aid on a programmable basis since Cuba was no longer on a state of generalised emergency, and to mobilise financing for projects promoting economic reform and civil society development. Under the NGO co-financing scheme projects and partners in a variety of sectors, including agriculture, health and education have been supported.

The economic co-operation facility focused on projects contributing to economic and legal reform, promoting contacts between European and Cuban firms as well as enhancing the business administration skills of Cuban executives in charge of running companies.

Under the 2002 budget line allocations for Cuba assistance will focus on supporting fiscal and financial management, introducing and applying international accountancy standards in Cuban enterprises, strengthening the financial sector through capacity building at Central Bank and commercial bank level, assisting in urban waste management, promoting media co-operation between European and Cuban operators and facilitating Cuba's participation in a Caribbean fight against swine fever project.

Other co-operation programmes with Cuban participation INCO (network of research institutes), ALFA (network of universities), URB-AL (network of cities), ECIP (investment promotion) and AL-INVEST. As of 2002 Cuban partners may also apply for support under the newly created @LIS programme to support ICT development in LA countries.

> Opening the door to the world economy

The EU-supported training programme of high-level executives (DEADE) has directly contributed to improving the business capacity of Cuban directors and entrepreneurs, helping to open the door to the world economy. Ninety-six participants graduated from the first course in 1995.

DEADE, delivered through a partnership with a group European business schools, offers participants hands-on training in how to turn their visions into profitable reality through carefully planned programmes, including production technologies, strategic management, accounting, marketing and the legal environment,

Following two evaluations in 2000 of both DEADE and the business support projects (joint venture promotion schemes and enterprise participation in the Havana fair), a fourth DEADE project was launched in 2001. The objective is to expand the programme under the perspective of long-term sustainability. As to business sector support, the project under the 2001 allocation is promoting contacts and partnerships between European and Cuban enterprises.

Cuba

EC Co-operation with Cuba
1997-2001 (in million EUR)

Budget line	Sector	1997	1998	1999	2000	2001
B-210	Humanitarian aid	10.3	9.8	11.4	2.0	8.5
B-219	Disaster prevention					0.9
B-20	Food security	10.3	0.2	0.2	0.7	1.0
B-6000	NGO co-financing	0.6	2.4	2.8	8.2	5.4
B-6430	Decentralised co-operation					
B-311	Economic co-operation with LA countries	1.1	2.0	2.1	5.8	4.9
B-310	Financial & technical co-operation with LA countries	0	0	0	0	0
B-70	EIDHR	0	0	0	0	0.5
B-6200	Environment/tropical forests	0	0	0	0	0
Total		12.2	14.4	17	17	20.2

Overseas Countries and Territories (OCTs) – Caribbean Region



Community Aid (allocations in million EUR)

	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	1.8	2.9	1.75

Capital	The Valley
Area	91 km ²
Population	12,132
Language	English
GNP per capita	€9,063

Anguilla

Anguilla is one of five British dependencies in the region. Luxury tourism and offshore banking services – the main pillars of the economy – are well developed and the unemployment rate is reasonably low by Caribbean standards. Other inputs include lobster fishing and remittances from emigrants. The economy, particularly the tourism sector, suffered a setback in late 1995 due to the effects of Hurricane Luis, but has since recovered. Increased activity in the tourism industry has spurred the growth of the construction sector and contributed to economic growth.



Community Aid (allocations in million EUR)

	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	1.5	2.4	1.0

Capital	Road Town
Area	150 km ²
Population	20,812
Language	English
GNP per capita	€17,679

British Virgin Islands

A British dependency, the economy of this group of more than 50 small islands is one of the most stable and prosperous in the Caribbean. Luxury tourism generates about 45% of the national income. In the mid-1980s, the government began offering offshore registration to companies.

Today, incorporation fees generate substantial revenues with about 250,000 companies registered by yearend 1997.



Community Aid (allocations in million EUR)

	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	1.5	0	0.1

Capital	George Town
Area	259 km ²
Population	35,527
Language	English
GNP per capita	€27,065

Cayman Islands

A British dependency. Luxury tourism for North Americans is a mainstay, accounting for about 70% of GDP and 75% of foreign currency earnings. About 90% of the islands' food and consumer goods are imported.

The islands are a thriving offshore financial centre. More than 40,000 companies were registered in the Cayman Islands as of 1997; banking assets exceeded €555.26 billion. A stock exchange was opened the same year.



Community Aid (allocations in million EUR)

	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	2	3.9	8

Capital	Plymouth (abandoned in 1997 due to volcanic activity)
Area	101 km ²
Population	7,574 (12,000 pre-volcano)
Language	English
GNP per capita	€5,523

Montserrat

A British dependency. Severe volcanic activity, which began in 1995, almost suffocated this small, open economy. A catastrophic eruption in 1997 closed the airports and seaports, causing economic and social dislocation; 2/3 of the population fled. Some returned in 1998, but lack of housing deterred many. The agriculture sector is affected by the lack of suitable land and the destruction of crops. Tourism holds potential, but the island's ecosystem is fragile.

Prospects for the economy depend largely on developments in relation to the volcano and on public sector construction activity. The UK committed to a three year €137 million aid program in 1999 to help reconstruct the economy and in co-financing with the EU will provide for the construction of the Gerald's new Airport.



The Netherlands Antilles

Each of the five main islands of this Dutch dependency – Curaçao, Bonaire, St. Marteen, St. Eustatius and Saba – have their own island government while the Netherlands Antilles as a whole has a central government.

Tourism, petroleum refining and offshore finance are the mainstays of the economy, which is closely tied to the outside world. Although GDP has declined slightly in each of the past five years, the islands enjoy a high per capita income and a well-developed infrastructure.

Almost all consumer and capital goods are imported, with Venezuela, the US, and Mexico being the major suppliers. Poor soils and inadequate water supplies hamper agriculture development.

Capital	Willemstad
Area	960 km ²
Population	212,226
Language	Dutch
GNP per capita	€12,647

Community Aid (allocations in million EUR)



	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	20.925	22.725	26.625

Aruba

A dependency from The Netherlands, the island is fairly flat and endowed with famous beaches and natural harbours. Tourism is the main pillar of the economy, although offshore banking, oil refining and storage are also important. The rapid growth of the tourism sector over the last decade has resulted in a substantial expansion of other activities. Construction has boomed, with hotel capacity five times the 1985 level.

The reopening of the country's oil refinery in 1993, a major source of employment and foreign exchange earnings, has further spurred growth. Aruba's small labour force and less than 1% unemployment rate have led to a large number of unfilled job vacancies, despite sharp rises in wage rates in recent years.

Capital	Oranjestad
Area	193 km ²
Population	70,007
Language	Dutch
GNP per capita	€31,014

Community Aid (allocations in million EUR)



	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	6.975	7.575	8.9

Turks and Caicos

A British dependency, the islands are an extension of the Bahamas chain. Only eight of the 30 islands are inhabited. The economy is based on tourism, fishing and offshore financial services. Most capital goods and food for domestic consumption are imported.

The US was the leading source of tourists in 1996, accounting for more than half of the 87,000 visitors; tourist arrivals had risen to 93,000 by 1998. Major sources of government revenue include fees from offshore financial activities and customs receipts.

Capital	Cockburn Town
Area	430 sq. km.
Population	18,122
Language	English
GNP per capita	€8,075

Community Aid (allocations in million EUR)



	6 th EDF	7 th EDF	8 th EDF
National Indicative Programme	1.73	3.9	2.25

French Overseas Departments (DOMs)



The OCTs and the DOMs in relation to the EU: similarities and differences

How do the OCTs and the DOMs differ under Community law? It is important to distinguish between the two. The French overseas departments in the Caribbean (Guadeloupe, Guyana and Martinique) are just as much part of France as Brittany or Aquitaine and so are an integral part of the European Union.

Unlike the OCTs, the DOMs are full beneficiaries of all the common policies: the common agricultural policy, transport, energy, commercial policy, regional policies and so on.

In this framework, the Commission considers that interregional co-operation offers an additional dimension to the field of co-operation activity over and above that provided by cross-border and transnational programmes. It allows non-contiguous regions to enter into contact and to build up relationships, leading to exchanges of experience and networking which will assist the balanced, harmonious and sustainable development of the European Union and of third countries.

Guadeloupe

Guadeloupe is an archipelago made up of eight inhabited islands. Tourism, which suffered badly from Hurricane Hugo in 1989, is a key sector followed by light industry and services.

The traditional sugarcane crop is slowly being replaced by others, such as bananas (which now supply about 50% of export earnings), eggplant, and flowers. Other vegetables and root crops are cultivated for local consumption, although it is still dependent on imported food, mainly from France. Light industry features sugar and rum production. Most manufactured goods and fuel are imported. Unemployment is especially high among the young. Hurricanes periodically devastate the economy.

French Guyana

Like its neighbours Suriname and Guyana, much of the Department is covered by dense tropical forest, with its population largely concentrated along the narrow coastal strip. The economy is tied closely to that of France through subsidies and imports. Besides the French space centre at Kourou, fishing and forestry are the most important economic activities.

The large reserves of tropical hardwoods, not fully exploited, support an expanding sawmill industry that provides logs for export. Cultivation is limited to the coastal area with rice and manioc as the major crops. The department is heavily dependent on imports of food and energy. Unemployment is a serious problem, particularly among younger workers.

Martinique

The island possesses one of the most beautiful natural harbours in the Caribbean. Like Guadeloupe, the economy is based on sugarcane, bananas, tourism, and light industry. Agriculture accounts for about 6% of GDP and the small industrial sector for 11%. Sugar production has declined, with most of the sugarcane now used for the production of rum.

Banana exports are increasing, going mostly to France. The bulk of meat, vegetables, and grain requirements must be imported, contributing to a chronic trade deficit that requires large annual transfers of aid from France. Tourism has become more important than agricultural exports as a source of foreign exchange. The majority of the work force is employed in the service sector and in administration



Administrative capital	Basse-Terre
Area	1,705 km ²
Population	431,170
Language	French, Creole
GNP per capita	€9,720 (2000)



Administrative capital	Cayenne
Area	91,000 km ²
Population	177,562
Language	French, Creole, Indian languages
GNP per capita	€11,738 (2000)



Administrative capital	Fort-de-France
Area	1,100 km ²
Population	418,454
Language	French, Creole
GNP per capita	€13,050 (2000)

Abbreviations

ACP African, Caribbean and Pacific countries	EBAS EU-ACP Business Assistance Scheme	LDLICs Least-Developed, Landlocked and Island Countries
ACS Association of Caribbean States	EC European Community	MS Member States (EU)
BPA Barbados Plan of Action	ECHO European Community Humanitarian Office	NGO Non-governmental organisation
CAFP Caribbean Agriculture & Fisheries Programme	EDF European Development Fund	NIP National Indicative Programme
CARICOM Caribbean Community and Common Market	EEC European Economic Community	OCTs Overseas Countries and Territories associated with the EU
CARIFORUM Forum of the Caribbean ACP States	EIB European Investment Bank	OECS Organisation of Eastern Caribbean States
CDB Caribbean Development Bank	EPA Economic Partnership Agreement	PRO€INVEST Promotion of foreign direct investments
CDE Centre for the Development of Enterprise	EU European Union	RIDS CARIFORUM's Regional Integration and Development Strategy
CCJ Caribbean Court of Justice	EU-LAC EU-Latin America and Caribbean bi-regional partnership	RIP Regional Indicative Programme
COFAP Council for Finance and Planning	Euratom The European Atomic Energy Community	RNM Regional Negotiating Machinery
COFCOR Council for Foreign and Community Relations	FTA Free Trade Agreement	SFA Special Framework of Assistance
COHSOD Council for Human and Social Development	FTAA Free Trade Agreement of the Americas	SMEs Small-to-medium sized enterprises
COTED Council for Trade and Economic Development	GNP Gross National Product	SP Sugar Protocol
CROSQ CARICOM Regional Organisation for Standards and Quality	ICTs Information and Communication Technologies	STABEX Stabilisation of export earnings from agricultural commodities
CSME CARICOM Single Market and Economy	IMF International Monetary Fund	SYSMIN Special financing facility for mining products
CTU Caribbean Telecom Union	INTERREG The EU's Inter-Regional Co-operation programme	UN United Nations
DIPECHO Disaster Preparedness ECHO	LAC Latin American and Caribbean countries	WTO World Trade Organisation
DOMs Overseas Departments associated with the EU	LDC Least Developed Countries	

Useful sites

Association of Caribbean States (ACS):

<http://www.acs-aec.org>

Caribbean Agricultural Research and Development Institute (CARDI):

<http://www.cardi.org>

**Caribbean Agriculture & Fisheries Programme (CAFP)/
Cariforum Agribusiness Research and Training Fund (CARTF) :**

<http://www.cafpro.org/CARTF/cartf.html>

Caribbean Association of Industry and Commerce (CAIC):

<http://www.trinidad.net/caic>

Caribbean Centre for Development Administration (CARICAD):

<http://www.uwimona.edu.jm/cesd/caricad/caricad.html>

Caribbean Conservation Association (CCA):

<http://www.ccanet.net>

Caribbean Development Bank (CDB):

<http://www.caribank.org>

Caribbean Epidemiology Centre (CAREC):

<http://www.carec.org>

Caribbean-Export (CEDA):

<http://www.carib-export.com>

Caribbean Tourism Organisation (CTO):

<http://www.doitcaribbean.com>

CARICOM:

<http://www.caricom.org>

CARIFORUM:

<http://www.cariforum.org>

Centre for the Development of Enterprise (CDE):

<http://www.cde.int>

Eastern Caribbean Central Bank (ECCB):

<http://www.eccb-centralbank.org>

EU-ACP Business Assistance Scheme (EBAS):

<http://www.ebas.org>

Free Trade Area of the Americas (FTAA):

<http://www.ftaa-alca.org>

General Secretariat of the African, Caribbean and Pacific Group of States (ACP):

<http://www.acpsec.org>

Organisation of Eastern Caribbean States (OECs):

<http://oecs.org>

Regional Negotiating Machinery (RNM):

<http://www.caribnm.net>

University of the West Indies:

<http://www.uwichill.edu.bb>

European Commission:

<http://europa.eu.int/comm>

DG Development:

<http://europa.eu.int/comm/development>

DG Fisheries:

<http://europa.eu.int/comm/fisheries>

DG Press and Communication:

http://europa.eu.int/comm/press_room

DG Regional Policy:

http://europa.eu.int/comm/regional_policy

DG RELEX:

http://europa.eu.int/comm/external_relations

DG RELEX / EU-LAC:

<http://europa.eu.int/comm/world/lac>

DG TRADE:

<http://europa.eu.int/comm/trade>

DIPECHO Action Plan for the Caribbean:

<http://www.disaster.info.desastres.net/dipecho>

EuropeAid:

<http://europa.eu.int/comm/europeaid>

European Investment Bank

<http://www.eib.org>

ECHO:

<http://europa.eu.int/comm/echo>

INFISO (Information Society):

http://europa.eu.int/information_society

Publications Office:

<http://publications.eu.int/general>

Inter-American Development Bank (IADB):

<http://www.iadb.org>

International Monetary Fund (IMF):

<http://www.imf.org>

Organisation for Economic Co-operation and Development (OECD):

<http://www.oecd.org>

United Nations (UN):

<http://www.un.org>

World Bank:

<http://www.worldbank.org>

World Trade Organisation (WTO):

<http://www.wto.org>

Development Agencies in the Member States**Austria:****Austrian Development Cooperation (ADC)**

<http://www.bmaa.gv.at>

Belgium:**Direction générale de la Coopération internationale (DGIC)**

<http://www.dgic.be>

Denmark:**Danish International Development Assistance (DANIDA)**

<http://www.um.dk/danida>

Finland:**Finnish Department of International Development Cooperation (FINNIDA)**

<http://global.finland.fi>

France:**Agence française de Développement (AFD)**

<http://www.afd.fr>

Haut Conseil de la Coopération internationale (HCCI)

<http://www.hcci.gouv.fr>

Germany:**Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung**

<http://www.bmz.de>

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

<http://www.gtz.de>

Greece:**Ministry of Foreign Affairs**

<http://www.mfa.gr/english/index.html>

Ireland:**Irish Aid – Department of Foreign Affairs**

<http://www.irigo.ie/iveagh/irishaid>

Italy:**Ministry of Foreign Affairs**

<http://www.esteri.it>

Luxembourg:**Agence luxembourgeoise pour la Coopération au Développement (Lux-Development)**

<http://www.lux-development.lu>

The Netherlands:**Ministerie van Buitenlandse Zaken**

<http://www.minbuza.nl>

Portugal:**Instituto da Cooperaç o Portuguesa (ICP)**

<http://min-nestrangeiros.pt/mne/portugal/icoop/>

Spain:**Agencia Espa ola de Cooperaci n Internacional (AECI)**

<http://www.aeci.es>

Sweden:**Swedish International Development Cooperation Agency (SIDA)**

<http://www.sida.se>

United Kingdom:**Department for International Development (DFID)**

<http://www.dfid.gov.uk>

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